

teaching note

Abstract

This case has a broad range of target audience. It would be suitable for use in an introductory hospitality management course to give students an idea of a vast number of elements that need to be considered in starting a hotel. It could also be used in strategic planning or brand or other advanced courses in hotel management.

Case Overview

This case study discusses the concept, development and operation of the Hillside Hotel, a family owned and operated boutique hotel. The case discusses the development focusing on the distinctive challenges in its operation today, which include: location, staffing, occupancy, yield management, marketing, structure of hotel buildings, family involvement, and long term viability of investment. The case provides instructors with excellent opportunities to discuss the operation of a hotel which is in an unusual setting that will challenge student thinking. Analysis and discussion could be structured as a group exercise to focus on specific elements within the case with students reporting back to frame a wider understanding of the whole case. In order to give consideration to the long term future of this hotel students would have to extract the lessons learned from its operation so far and formulate strategic plans for the future.

Case Analysis

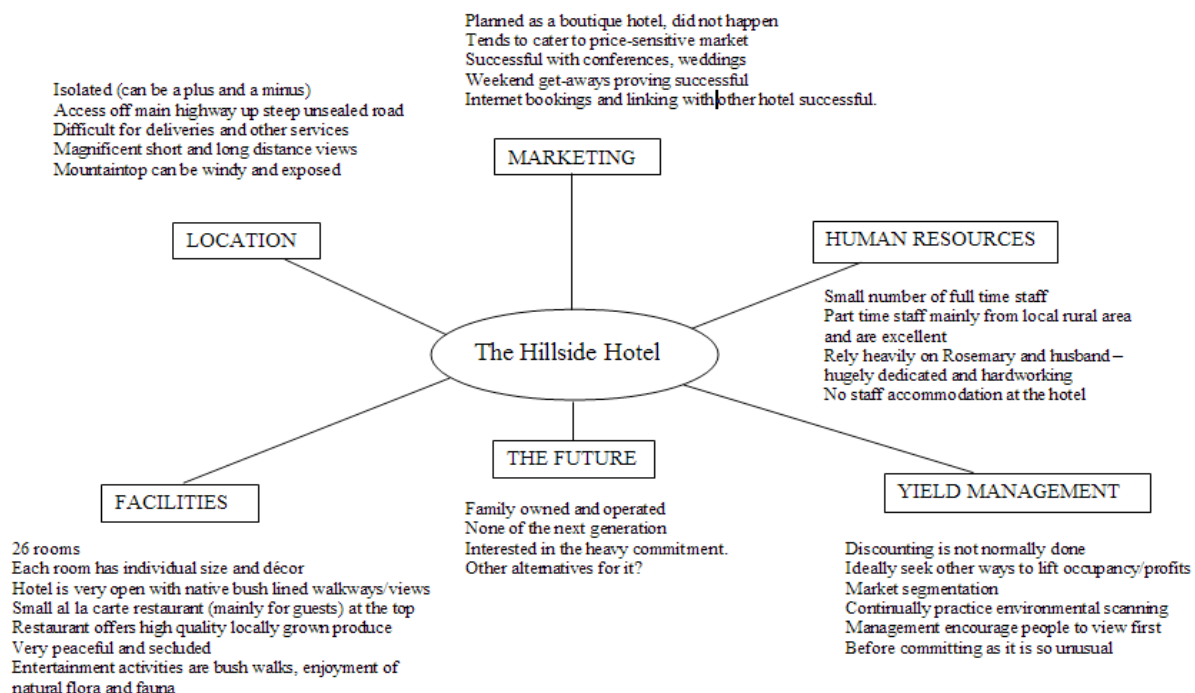
The development of this hotel is unique in many ways as it was

developed on family land, by a family that had previously had no involvement in the hospitality industry. Much of the work was done by the family and used many resources (especially trees) already growing on the property - as a result has a very low carbon footprint. The completed hotel opened in 2003 and has many advantages, disadvantages and challenges to manage. It is of interest to note that its isolated location can be both an advantage and a disadvantage.

The hotel has 26 rooms, each of which is different in size, facilities, design and decor. Originally there were many perceived benefits to the development of the hotel, but over time the return has not been as anticipated.

Some of the key points of the case are:

1. *The hotel's location (on the main tourist route but not in a tourist destination area), access roading somewhat primitive, magnificent views stretching hundreds of kilometres, isolated peaceful natural surroundings, no distractions from local shopping or entertainment facilities (there are none nearby).*
2. *The market they were designed to attract (high cost, boutique hotel) did not eventuate. Their most successful market is corporates, special weekend get-aways, conferences and weddings (due to the uniqueness of the environment for photographs for the weddings). Currently the majority of the market attracted and the methods of promotion are aimed at price sensitive guests.*
3. *The large fluctuation in occupancy impacts on staff require-*



ments. This type of situation can have a direct influence on service quality as staff may not feel motivated in fluctuating part time employment.

4. The long term financial viability of the hotel needs careful planning, e.g. understanding the segmentation of the market for the future, the application of yield management and the fact that it is a family operation requiring a great deal of input from Rosemary Leader and her husband – no other family member (i.e. next generation) is interested in providing the hard work and dedication that they have been giving it. With the current financial return on the hotel it would be difficult to employ a manager or management company to run the business.

Pre-class Activities

Students to read the case study prior to attending class and carry out the following activities:

- Consider the original objectives of the hotel?
- Conduct a SWOT analysis on the Hillside Hotel.
- Look at the website: <http://www.hillsidehotel.co.nz/?gclid=CN2wj67wwrICFbBUpgodrj0Adw>
- Look at occupancy of hotels within New Zealand. See website: http://www.stats.govt.nz/browse_for_stats/industry_sectors/accommodation/AccommodationSurvey_HOTPMar12/Commentary.aspx
- Review international tourist flows to and from New Zealand: http://www.stats.govt.nz/browse_for_stats/population/migration/iva.aspx

Students should first read through the case study noting particular events and timing of those events. Specific notice should be paid to the issues around occupancy. This should also include an evaluation of attempts to segment the market and the results of such endeavours. Advanced students are encouraged to look at the location of the hotel in relation to its largest potential market. Students may wish to refer to an internet map of the North Island of New Zealand. It may also be appropriate to evaluate population numbers of the cities within a 200 kilometre radius and the impact of Australia upon New Zealand tourism. For all other originating countries it is a long-haul destination.

Students may also wish to consider issues such as tourism flows into New Zealand, the impact of world economy, and the likes and dislikes of New Zealand major markets. Students also need to remember that New Zealand is in the southern hemisphere (seasons tend to be opposite countries in the northern hemisphere) which opens specific challenges and opportunities for international visitors. As a result climate may be an important issue in relation to segmentation, with parts of New Zealand being considered subtropical while other parts offer world class skiing during the New Zealand winter.

Other issues could be evaluated as to whether the Hillside Hotel

is better as a single operational business or as part of a chain. If a chain is considered, which chain is best? The internet gives many examples of small hotels that have amalgamated to develop co-operative businesses. A holistic view should be taken by students - although the case specifically discusses the development and operation of the Hillside Hotel, this should not be taken in isolation.

Teaching Plan

Introduction: Key points of the case (see above), **Time:** 15 min

Groups: Each group could receive one of the following areas to discuss. Notes would be kept and a spokesperson appointed to report back. **Time:** 30 mins

Alternatively, large sheets of paper and markers could be given to record findings and these pinned up around the room to lead the summation at the end.

1. Examine the background development process that went into the building of the Hillside Hotel and identify ways in which this process impacts upon the operations, e.g. the initial vision, construction methods, location, family involvement, the fact that a boutique hotel with high paying guests has not eventuated. Questions: How did the hotel develop? How does this influence the way it is currently operated? If the buildings were not a hotel, what else could they be?
2. Evaluate the factors that influence the day-to-day operations, including location, facilities, staffing and supply of goods and services. Questions: What problems do you see regarding staff issues for such a hotel? How could staff scheduling be used to benefit operations? How would location influence long term maintenance of the facilities?
3. Question current marketing strategies and segmentations, and suggest alternative approaches for the future. Questions: What market are they currently attracting? How could segmentation of the market be used to increase viability?
4. Evaluate current yield management practices and suggest ways in which the principles of yield management can be applied for financial viability. Questions: How have the principles of yield management been used in the past and how could they be applied in the future?
5. Consider the impact of tourism destination distance decay in relationship to the location of this hotel. (Definition: the further a tourist accommodation is away from an attraction the less likely tourists are to visit it.) Questions: How can the location be an advantage and a disadvantage?
6. Investigate how trends in natural based tourism could influence occupancy in the Hillside Hotel. Questions: Does 'green' tourism have an influence on the development of this hotel?

7. Consider the impact that world economic shifts would have on a hotel such as this remembering it is situated in a small isolated tourist destination. Questions: What world events can impact upon tourist destinations which are a long way from their market? How does the growing concern of 'carbon' miles have upon such a hotel.

Reporting Back: As students report back, instructor could record main ideas briefly as a star diagram or mind map on the board, see example below. **Time:** 30 minutes

Conclusion: Instructor to draw together the elements raised by students, and sum up main findings. **Time:** 15 minutes

Additional Readings

- Baker, T., & Collier, D. (1999). A comparative revenue analysis of hotel yield management heuristics. *Decision Sciences*, 30(1), 239-263.
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- Gelareh, A., Badaruddin, M. (2012). Operationalizing psychological distance in tourism marketing. *International Journal of Business and Management*, 7(12), 173-182.
- Lockyer, C., & Scholarios, D. (2004). Selecting hotel staff: Why best practice does not always work. *International Journal of Contemporary Hospitality Management*, 16(2), 125-135.
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- Millar, M., Mayer, K., & Seyhmus, B. (2012). Importance of green hotel attributes to business and leisure travelers. *Journal of Hospitality Marketing & Management*, 21(4), 395.
- Noureddine, S., & Raphaël, D. (2011). Yield management in the French hotel business: An assessment of the importance of the human factor. *International Business Research*, 4(2), 58-66.
- Okumus, F. (2004). Implementation of yield management practices in service organizations: Empirical findings from a major hotel group. *The Service Industries Journal*, 24(6), 65-89.
- O'Neill, J., & Mattila, A. (2006). Strategic hotel development and positioning: The effects of revenue drivers on profitability. *Cornell Hotel and Restaurant Administration Quarterly*, 47(2), 146-154, 102.
- Quain, W. (1992). Analyzing sales-mix profitability. *Cornell Hotel and Restaurant Administration Quarterly*, 33(2), 56.
- Sanchez, J., & Ahmet, S. (2005). Hotel yield management using different reservation modes. *International Journal of Contemporary Hospitality Management*, 17(2/3), 136-146.
- Walter, R. (1989). The yield-management approach to hotel-room pricing. *Cornell Hotel and Restaurant Administration Quarterly*, 30(1), 4.

Answers to Questions

1. Location, natural resources, isolation, peaceful outlook and views, natural construction and aesthetics of the buildings, personal involvement of the owner/manager with guests.
2. In determining price hotels scan the environment to consider those factors such as events, attractions and competitive occasions to set the room rate. Since the closest competitor

is some distance away, careful thought needs to be given to how strong an influence closest hotels should have in setting price. A comprehensive view of the market needs to be taken making sure the unique characteristics of the hotel are given consideration.

3. The current segmentation of the market for the Hillside Hotel has proved useful, for example they currently attract guests from schools, returning New Zealanders and new arrivals. They have also been successful in attracting people desiring weekend get-aways. The hotel could consider those interested in particular types of horticulture and animals because of the native bush and natural environment in which the hotel is situated. This could be emphasised using various forms of audio visual presentation. The segmentation of the market could also look at hobbies and activities groups where a peaceful, reclusive environment may assist in encouraging guests, such as specific book clubs or handcraft groups, bird watchers and native flora and fauna groups. Convalescent retreats are a possibility. Also this could be an ideal situation for weekend retreats for art and painting groups. The local Maori culture that is prevalent in the Waikato region could also be a big incentive to international travellers, in that the seat of the Maori king is approximately 6 miles from the hotel at the Turangiwaewae Marae, in Ngauruahia township.
4. There is a problem attracting full and part-time staff because of the location of the hotel. There can be long travel time for limited number of hours which makes the work less attractive. There can be a large number of free independent travellers arriving at no notice which has a direct impact on the number of staff required. Sometimes instilling loyalty into part time staff is difficult – part-time staff need to feel that they are part of the day to day operations and that their contribution is recognised by all involved.
5. Because of the characteristics of the hotel it is important that guests understand what they are purchasing. For example the corridors between rooms and between facilities and the restaurant is designed as open walkways that are lined with native bush. While attractive on a pleasant summer evening, this can make moving around the hotel quite unpleasant in windy or rainy conditions. Prospective guests need to be forewarned and prepared for this. In the segmentation of the market for the hotel the various possible segments need to be considered in light of what the hotel is best at offering which is security, peace, bush walks, relaxation etc.
6. The manager should look at what has happened historically since the hotel opened and without losing current market

segments, develop new areas which would attract additional guests, such as: regional events, holiday periods, additional corporate clients and enhancing relationships with existing clients. The manager could also formulate planning to encourage northern hemisphere visitors during their colder months to visit during New Zealand's warmer times, coupled with the reverse situation where winter sporting and ski holidays can be taken during the summer months in the northern hemisphere.

7. Closer relationships with similar boutique hotel groups may be beneficial. This may give the opportunity to share promotional activities. Also the closer use of shared internet promotional booking incentives could be an advantage (i.e. multiple nights at different locations can be booked at the same time). Sharing with others raises the profile of the property and achieves more recognition.