

A Case Study Analysis on the Competitiveness of Small Lodging Operations in Jamaica

Summary of the Case

A Case Study Analysis on the Competitiveness of Small Lodging Operation in Jamaica details the emerging elimination of small lodging properties, due to the construction of new properties by Multinational companies, such as Marriott, Hilton and other properties. Companies are investing large sums of money to construct and implant their brands in Jamaica, especially in Montego Bay and Kingston. The real issue is the threat to small properties because the owners lack the capital to compete with the multinationals. Therefore, many have been closed. The small lodging properties that remain owners must find ways to compete by offering different services that are superior to the multinationals. This has presented a crisis for many as they struggle to find ways to compete economically. The analysis focuses on the resources and landscape of Jamaica, demographics and a comparison of the number of properties closed for years 2009-2013.

Jamaica is known as the island to vacation and have fun, conduct weddings and other events and just visit because of its natural scenic beauty, beautiful oceans, authentic foods and an ambience that can be classified as that of a carefree environment. Visitors need accommodations at hotels or other lodging sites while visiting. There are several branded hotels, such as the Ritz-Carlton, Sandals, Marriott, and Wyndham that cater to the needs of the guests. However, Jamaica has many small hotels (50-100 rooms) that have been providing ritzy accommodations since the beginning of Jamaica's hospitality and tourism industry. As we move into the age of high-tech, more persons aspire to visit Jamaica. The economic benefits of providing lodging experiences have stimulated branded companies to "set up" house in Jamaica to gain some of the economic benefits. However, this trend has caused a decline in occupancy rates and in some instances closures of the original, smaller hotels. Several questions emerge: 1) should the original hotels be competing with larger hotels? 2) Is this fair competition? 3) Should the Jamaican hotel owners expect competition or should they be protected from international competition? 4) Should branded named hotels be allowed to compete in Jamaica? 5) How can the locals be assured of jobs?

As stated in the case, not only does the lodging industry play a major role in providing the necessary jobs, it also earns the much needed foreign exchange income that the government depends on to conduct trade among other activities. Based on the data provided by the JTB 2013 Annual Statistical Report (2014), in 2005 the number of persons employed directly in the accommodation sub-sector increased from 31,227 to 33,598 in 2006. The data over a five-year period, from 2009 to 2013 showed that the number of individuals em-

ployed in the lodging industry increased in 2009 and 2010 to 36,354 and 37,018 respectively. This number decreased in 2011 to 34,921, and increased slightly in 2012 to 35,197, then went back down in 2013 to 33,938. The main resort areas, Montego Bay,

Ocho Rios, and Negril, accounted for 29,434 persons, or 87.6% of the total number of persons employed directly in the subsector. Montego Bay with 10,426 direct jobs represented 31% of those employed, Ocho Rios with 9,874, accounted for 29.4% and Negril with 9,134, was responsible for 27.2%. Table 2 highlights the employment activities in the lodging industry between the years 2009 to 2013. There are over 26,000 thousand guests' rooms available making the industry responsible for numerous jobs directly and indirectly.

Jamaica hit its 2,000,000 visitors' mark in 2012. Its major visitors' markets are the United States, Canada, Europe, the Caribbean, Latin America, Asia and the Pacific region. Major, branded hotel chains are known to persons visiting Jamaica. So why not have accommodations familiar to persons coming from the major visitors' markets? The key issue, lodging properties are experiencing is: the decline and extinction of smaller lodging properties. This could be due to factors, known and unknown as suggested by the anecdotal evidence. For example, 1) the branded properties are providing the lodging needs of guests using the all-inclusive concept 2) perhaps at a per unit cost cheaper than the local smaller facilities based on product and service offering. In addition, new properties are emerging while some properties are undergoing renovations. The properties identified in the case include:

- The RIU Palace in Montego Bay opened at the end of 2013
- Several properties that changed ownership and underwent major refurbishing during 2013 are now open for business
- Jewel Paradise Cove - formerly Royal Decameron Caribbean
- Royalton White sands - formerly Breezes Trelawny
- The Azul Sensatori formerly Beaches Sandy Bay & Spa is scheduled to re-open in early 2014
- The Ritz-Carlton is still undergoing major refurbishing and adding 190 new rooms
- The Courtyard Marriott began construction of a 130 room property in Kingston and is expected to be completed by the end of 2014 (Jamaica Tourist Board Website Annual Statistical Report, 2013).

The accommodation inventory from 2009-2013 indicated declines in units and rooms. As indicated in Table 2, Accommodation Inventory by Category and Area from 2009-2013 indicated that the number of closed units increased to 413 in 2013, an increase of 23.55% closed units compared to 2009. Rooms available decreased by

5,311 from 2009 to 2013, a 19.7 % decline. The decline in property categories was in resort villas and apartments; Guesthouses increased in units and in rooms, however, 2010 showed a slight increase, followed by a decline in rooms for 2011. While the number of visitors was increasing yearly, there was a decline in the available resorts and apartments available. Visitors in many instances visited Jamaica to experience what resorts have to offer. Persons who visited for longer periods of time needed apartments with special amenities to stay in. The problem statement in the case indicates that the large upscale and all-inclusive chain hotels are increasing in Jamaica. These hotels aggressive competitive strategies could create both threats and opportunities for the small hotel industry (resorts and apartments).

Furthermore, these competitive strategies and threats have resulted in some of the small properties being driven out of business. Questions can be raised to assess the issues surrounding closures of these small properties that had so much appeal. 1) Did the life cycle of the declining properties reach the maturity level with no opportunity for change or improvement? Or had the property owners ignored the emerging competition and perhaps changing consumer tastes? 2) Do large multi-national hotels from Europe and North America have more appeal? 3) Does the term "all-inclusive" imply that guests can arrive and fulfill all of their needs, based on a seamless model developed by the multi-nationals?

Based on the life cycle theory, as firms enter into an industry and show significant profits and success, others are driven to enter the market with elements of differentiation that serve to set the original businesses apart from the new business. The life cycle of businesses include birth, survival, success, decline and renewal phases (Gilkey, 2010). Each phase has distinctive characteristics. However, it appears that guests' houses and small properties had reached the level where profits were declining and perhaps needed to move into the renewal stage for growth and sustainability. Instead of renewing them, many of them experienced death. A model depicting life cycles of organizations can provide the basis for managers to know and assess critical changes needed to organizational problems and changes occur, thus planning to stay ahead of the competition (Lester, Parnell & Carraher, 2003).

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Additionally, to respond to the emerging decline of small hotels, many are grasping with the idea that each property owner must assess visitors' preferences, create, market and deliver unique, innovative venues that their target market desires. All of the above suggestions require funds to accomplish the marketing and upgrading needs for the properties. Therefore, 1) how could the small hotel properties move from principal lodging commercial establishments catering to the different types of tourists to becoming non-existence? 2) How can they restructure themselves for sustainability and prominence?

Students' role in assessing this case study and devising long-term strategies for sustained growth and profitability among the small hotel properties are required. What is needed is for students place in groups of threes or fours to assess the case and respond to the questions found in the case. Students should use the data charts found in Figure 1, Table 2, Figure 2, and Tables 3 through 8 to assess the current changes and design a strategic plan for small lodging resorts, apartments and hotels to survive now and in the future. Assess how the closed properties can get back into business or form partnerships with the newcomers, to design a service pattern agreeable to all partners

Target Audience

The intent of this case study is for undergraduate and graduate students to identify the challenges faced by increased competition and a threat to normal profits and develop new strategies to survive in the competitive environment.

Learning Outcomes

Presented in the case are true data that threatens the operation of local, small hotel properties in Jamaica. Concepts of competition, branding, competitive advantage, global issues and trends and survivorship are important. By the end of the case analysis, the student should be able to:

- Identify the challenges/problems the small lodging operators faced and how they can individually or as a group make the small lodging operations more attractive to tourists?
- Apply a SWOT Analysis to evaluate, analyze, and determine what you think is the operational state of the small hotel lodging industry in Jamaica.
- Develop major strategic decisions that need to be made for both short and long term in order to re-position and re-focus the small lodging operations as an ideal choice for tourists?

The outcome will be new, innovative ideas and strategies that may be employed by small lodging properties.

Lesson Plan

Prior to the discussion of the case, students will be asked to read the case study along with some additional readings related to Jamaica and its current condition, demographics and overall current trends.

Students will be asked to have a general understanding and be able to discuss the following topics:

- Jamaica's tourist attractions
- Jamaica Demographics and key attractions
- Review of hotel properties-brand name versus local properties
- Planning for Growth
- Current and future trends related to visitor publications

In groups, students will be asked to discuss the following with the understanding that new ideas must be generated.

1. Discuss how small lodging properties should use the room nights sold, occupancy rates to revise marketing and operational strategies to compete with large multinationals.
2. Identify strategies that the small hotel operators could use to build an environment where profitability is a part of the focus and is highly possible?

Key Questions/Key Points

1. Assess the current lodging trends that are occurring now based on the data provided.

Key Points for answers: Jamaica is a popular vacation destination. Jamaica depends on tourists' dollars for citizens' well-being and support; consumers' tastes and expectations are changing, due to various trends including technology as well as visitors enjoy "one-stop all-inclusive" venues; technology is one of the driving forces in shaping guests wants and needs.

2. Determine the percentage decline in units and rooms from 2009 to 2014 for Kingston, Montego Bay, Ocho Rios, Negril, Port Antonio and the South Coast based on a comparative analysis. What trends are revealed? Use changes in each year properties available to determine change percentages.

3. Determine and provide reasons for the existing trends based on projections for increases in tourists or visitors. Some of the trends include:

Key Points for answers: Technology, affordable pricing, the desire to explore and experience new services, a strong economy, the value of the dollar, based on Jamaica's dollar, direct flights.

4. Conduct research for each of the above major resorts and determine the aspects of the town that must be or can serve as a motivator to attract visitors.

Key Points for answers: Assess websites, review guests' comments for specific sites, analyze average daily rate of several properties, occupancy rate, revenue per available room, and the location amenities and aesthetics in conducting research.

5. Develop a strategic plan that demonstrates the following:
 - a. Conduct a SWOT analysis using the data provided for each of the resort towns.
 - b. Identify growth potential and opportunities to provide accommodations for each of the resorts identified.
 - c. Develop a plan for growth and sustainability for each of the resort towns based on your research of your chosen or assigned resort, based on data provided in the case.
6. Propose a model for small property managers on how to use yearly data to assess key performance indicators, market trends, guests' needs, current trends impacting lodging facilities in Jamaica and ways to develop and keep price and competitive advantages.
7. Use the Internet to determine daily rates of small (100 or less room) and multinational hotels in Jamaica for the current year. Compare and contrast amenities and services promoted on websites. Provide an assessment of the nightly rates, compared to amenities and services offered. Determine if the rates and services are competitive.

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