

Developing a Boutique Hotel: A case study in New Bern, North Carolina

Summary

A local entrepreneur has a goal of developing a boutique hotel in New Bern, North Carolina. His Colonial Place Inn and Spa plans call for 74 unique rooms with distinctive color schemes, 66,668 total square feet of meeting space, a full service spa and a restaurant in downtown New Bern within walking distance from the Convention Center and the waterfront. In addition to the marketability and feasibility of the project, the conversion and renovation of the two existing buildings in historic downtown New Bern makes the project unique. The primary building is currently a furniture store and the second, connecting building has a dance studio which would serve as ballroom and meeting space for the hotel. The question is: can these facilities be assembled into a successful hotel?

Teaching Goals and Objectives

This case is based on an actual class project conducted by students. As a case study this scenario simulates a real life situation leaving a recommendation and decision to the readers (students). The goal of this case study is to enable students to utilize their analytical skills to ultimately make a recommendation to the client. It is critical that the students assume the role of decision maker and be able to justify their recommendations and decision to the developer or in this case the instructor. Readers of the case (students) should assume the role of industry consultant or researchers and evaluate the facts and conduct further secondary research to obtain more facts if necessary and make an informed recommendation on the project focused on the questions: Should the developer proceed?, What are the next steps?, How would he better interest investors?, and Are there incentives available from the city?

More specifically, the objectives for students are to:

- Define boutique hotels and make recommendations for the proposed hotel development concept and its facilities and amenities.
- Assess the selection of the competitive hotels and analyze their market estimates (quantitative).
- Analyze the projected growth of demand in the New Bern and destination markets.
- Analyze the penetration analysis of the market by segment and the forecasted occupancy rates.
- Assess the average daily rate forecast of the hotel.
- Analyze the estimated operating results.
- Evaluate the preliminary feasibility of this project and make a recommendation to the developer.

In summary, the goals and objectives of this case are not to confirm or make anyone a financial expert but to assist the students to enhance their analytical skills by interpreting data and ultimately using those data as decision making tools for hotel development scenarios. The premise of the case study is that the students will be the researchers (consultants). Or a faculty member could also approach the case with the framework of students “thinking like owners”. If they were developing a hotel, how would they collect data, analyze and assess the data and make decisions with the data. Each decision, per the objectives above, will require students to research the New Bern market and use Internet searches to assess multiple decision making factors e.g. rates, market health in general and specifically the future of New Bern lodging market. Students will need to be familiar with and or introduced to market data and various analyses performed in the creation and use of “comp sets”, market and segment indices, trend and pipeline reports etc...

Target Audience

Undergraduate (upper level) and graduate students

Recommended Teaching Approach

The case would be best presented in an upper level course where analysis is required and decision making essential. As previously noted students should be able to justify their recommendations and decisions. This could be a content case for a course that includes lodging metrics or a feasibility analysis or it could be used as a case for a capstone course to focus on process and decision making. The instructor should include discussion of decision making limitations and process. For example, a quick solution for a student could be to spend large amounts of money and hire a consultant and or a firm like Hospitality Valuation Services or to delegate the decision to someone else. This may not be what is needed or desired by the faculty member to meet learning outcomes. The following instructions should be shared and reviewed with the class.

Recommended Instructions to Students

- Read the case; thoroughly
- Identify the relevant content. Note for students: Not all content of a case will be integral to the ultimate outcomes and decision making process. Differentiate between useable and unusable facts. What are the decision-making facts?
- Does the case require the reader to make any assumptions? If so, state your assumptions clearly.
- Identify the problem: Students may need faculty assistance

in differentiating between symptoms and real and or bigger problems.

- Define what kind of a case it is: marketing, human resources, financial, etc... type of problem?
- Can readers assume the company, organization, boss or whoever the decision maker is, actually wants to solve the problem(s) and has the tools to solve the problem?
- Generate plausible alternatives for the case
 - Students need to generate plausible and realistic solutions for the situation presented in the case. For example, one alternative is often to do nothing and hope a problem will go away. This is usually not the solution a faculty member is looking for from a student and or group of students.
- Make a decision based on your analysis. Be able to defend your decision with facts! Students should be able to explain their recommendations in a final report and a presentation.

Teaching Plan

As previously noted the case would be best presented in an upper level course where analysis is required and decision making essential. This could be a content case for a course that includes lodging metrics or a feasibility analysis or it could be focused on process and decision making. The analysis and presentation of results should roughly follow this outline in terms of content. The instructor can consider having an expert "jury" of industry professionals hear the presentations and ask questions.

- Begin with a description of subject property: what is the concept plan? Is the funding source secure to construct the hotel? Are their planning and or zoning issues in New Bern that will need to be addressed? Will the developer be seeking incentives from the city (e.g. tax abatements)? How much will it cost to completely furnish your rooms? (The HVS Construction Survey and other resources can assist to estimate building costs)
- Site evaluation: Review and evaluate illustrations of the building/ renovation site: by address, region etc... and evaluate them based on the old saying "Location! Location! Location!" Photos and maps will be of assistance: perhaps using a resource such as Google Earth (<http://google-earth.todownload.com/?lp=adwords&kw=Google%20earth&mt=e&ad=27135197118&pl=&ds=s&gclid=CLHWjpXozbkCFShp7AodzK8AMQ>).
- Competitive supply analysis: Who are your competitors, how were they selected, why are they competitive? What data has been selected and what does your analysis indicate about the competitors? What criteria were used to select competitors? Do the researchers (students) agree that all the competitors should be in the competitive set?
- Growth of demand analysis: What are the market and economic factors that impact or influence demand for roomnights in your

market? How do they relate to growth of demand?

- Penetration analysis: This section should include; a historical penetration of the comp set (students can calculate these indices from the data in the competitive set table) and a qualitative comparison penetration analysis.
- How will the subject property (boutique hotel) enter the market and compete with existing hotels? What is the fair share they should attain? Can you estimate the penetration rate(s) and justify how you will achieve those rates and the resulting estimates of occupancy? For example, if researchers indicated the new hotel should penetrate the market above fair share, why will the hotel be able to do that? What competitive advantages will the new hotel have?
- Rate analysis: What are the rack rates, acceptable discounts: multiple booking sites and search engines will be helpful for this part of the analysis. Students can also relate estimated cost of the hotel to forecasted rates.
- Estimated operating results: Estimate operating results for a representative year at the proposed property. Forecast revenues and examine comparable properties for estimation of expenses, etc. Are your expenses based on per occupied rooms, (POR) or Per Available Rooms, (PAR), Fixed Costs vs. Variable Costs? Smith Travel Research data (HOST Study) will be helpful in this analysis.
- Conclusions: Is this a good project, given the forecasted revenues, can a return on investment be forecast? What is the estimated payback period? Researchers (students) should make a decision and be able to justify that decision.

Using a case of this type involves analytical, quantitative and decision making skills. Therefore, as previously stated, for undergraduates this should be an upper division exercise. A case rubric would be most useful for this case for either an undergraduate or graduate course. An example rubric outline is provided on the following page.

Conclusion

This case study examines the marketability and feasibility of a lodging concept in a specified market. The situation presented represents a real development project. A case study such as this can provide students an opportunity to simulate real situations in the hospitality field. As noted, this case study could be a part of the teaching methodology for specific course content or focus on skills such as decision making. This case could also be used to have students identify additional research resources and potentially apply and analyze additional metrics for decision making.

The use of relevant secondary data will be important in the analysis of the case. Student identification and utilization of data sources such as Smith Travel Research, Hospitality Valuation Services,

the American Hotel & Lodging Association etc... plus state and local sources such as departments of tourism/commerce should be a key part of this learning process for this case. Ultimately, the usefulness of a case study is to provide students opportunities to identify problem(s), assess evidence and make decisions. Their ability to transfer case study learning experiences and the skills developed in this process to the hospitality industry and their work place will be critical for career development.

CASE RUBRIC

	Possible Points	Your Score
Statement of Facts/Issues: Indicate all the relevant facts	15	
Identify a(n) Issue/Problem	15	
• Distinguish between symptoms and problems.		
SWOT Analysis		
• Strengths		
• Weaknesses		
• Opportunities		
• Threats	20	
Alternative courses of action stated	5	
Organization/grammar etc...	5	
Decision: Can you make a decision based on the facts of the case? Personal opinions are not what count.	20	
Justification of Conclusion: You should be able to justify and support decisions based on the facts of the cases.	20	
Total	100	

Comments: