

A Historic Hotel Strategic Management Approach for Performance Improvement

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Introduction

Sustaining historic hotels in today's economy requires a great deal of strategic planning and unique marketing. This case study is about a historic hotel in Northwest Arkansas. The GM of the historic hotel has been in the hotel industry for over 30 years and has implemented different revenue maximization strategies in his hotel. There are two revenue maximization strategies in particular that are major assets to this historic property. The first one is the promotion of the hotel as the place to come for a wedding. The GM sees this as an opportunity to attract a target market that is interested in weddings. The second revenue maximization strategy is the promotion of the hotel as the place to come for ghost tourism. There is a certain background history of ghost hauntings that goes with this historic property. Unfortunately, some of the wedding guests are not too keen about the possibility of encountering ghosts during what they may regard as a time for happy celebration. Bearing the guests concerns in mind, the GM has to make a decision in regard to his current marketing strategies. Therefore, the GM has two options: (1) promote the hotel as the place to come for a wedding only or (2) continue to promote the hotel as a place for both weddings and ghost tourism. This case study provides an opportunity to discuss marketing strategies for performance improvement in the lodging industry, especially, in historic lodging facilities.

Background Information

General Industry and Area Information

The hotel industry in Northwest Arkansas (NWA) consists of independent properties and corporate lodging facilities. Northwest Arkansas saw over three million visitors in 2012. This makes for a highly competitive market for a historic hotel property and its infrastructure versus new, modern lodging facilities. There are nearly 200 places in which to hold a wedding in the area and many attractions that bring various visitors to the different venues in Northwest Arkansas. During 2012, visitors to Northwest Arkansas totaled 3,246,662 people; with a total visitors' travel expenditure of \$743,711,903 (see Table 1). The hotel in question is a wedding destination of NWA. Traveling in NWA is mainly by highway and most tourists to NWA pass through or stop in each of the counties shown below in Table 1.

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Company Background Information

This historic hotel has 72 guestrooms with coffee/tea makers and hair dryers in each room. The rooms are also equipped with cable channel televisions and complimentary wireless high-speed Internet access. The hotel has a full-service spa, sauna, and seasonal outdoor pool. It also offers coffee shop/café, bar/lounge, restaurant, wedding services, event catering, complimentary guest parking, and is a smoke-free property. This historic hotel has been around for over a century in the heart of the Ozark Mountains. It has many charms as a historic hotel and has served many guests over the years. Most of these guests actually patronize the hotel for its unique and historic rooms. However, the hotel needs additional charm to attract more guests in order to stay in business. About two decades ago, this historic hotel property saw changes, new owners and a new General Manager (GM). It is important to the owners to preserve this property using any necessary strategies for sustaining this historic property. It is important to the GM to take this property to a new level and maximize its revenues. Hence, the GM thinks it will be a great idea to promote the hotel as the place to come for both weddings and ghost tourism. However, some of the wedding guests have some apprehensions about ghost tourism.

Marketing and Promoting Weddings

Marketing weddings is something that the GM might consider but how could he go about it? Is there really a demand for holding weddings in an historic and spooky property of this stature? However, the GM sees that there is a competitive market for weddings. Therefore, he is determined to attract wedding clients to this historic property. He believes there is something this property can offer that no one else can. The NWA city where the historic hotel is located is one of the nation's leading wedding destinations in the South. The city is blessed with an acclaimed sense of romance and the hotel is situated upon one of the highest points in the Ozark Mountains of NWA. In addition to the romantic nature of the city, the hotel is like a castle, with a Victorian-style design that fits well with special weddings. Weddings in this Victorian-style hotel could be held either outdoors or indoors. The outdoor areas could be reserved to accommodate up to 350 guests. The lawns are kept professionally manicured for special events, reflecting the flora of the season (see Figure 1). The hotel is located close to the city's auditorium, municipal court, historical museum and an amphitheater known for its great passion play.

Table 1

Impact of Travel and Tourism on Northwest Arkansas

Northwest Arkansas Counties	Total Travel Expenditures (\$)	Travel-Generated Payroll (\$)	Travel Generated Employment (Jobs)	Travel Generated State Tax (\$)	Travel Generated Local Tax (\$)	Visitors (People)
Benton	259,802,875	53,554,076	3,106	17,137,054	6,502,201	1,162,964
Carroll	171,600,882	34,751,851	2,651	10,992,503	3,217,754	742,845
Madison	8,221,639	1,187,138	63	511,857	216,223	33,211
Washington	304,086,506	73,597,197	3,922	16,880,876	4,927,231	1,307,641
Total	743,711,903	163,090,262	9,742	45,522,291	14,863,409	3,246,662

The Northwest Arkansas city in which the hotel is located is surrounded by lakes and rivers with amazing sunsets and unique Victorian charm. According to the Greater Eureka Springs Chamber of Commerce, this charming city hosts over 4,000 gorgeous weddings per year (eurekaspringschamber.com). This city also features multiple wedding venues with amazing and diverse charms to suit different bridal needs. In addition, guests to this historic city can also enjoy some of the top Northwest Arkansas attractions including the Turpentine Creek Wildlife Refuge, Opera in the Ozarks, live theater, music shows, festivals and parades. It is an attraction for tourist from different parts of the country for its wedding expertise and ghost stories.

Marketing and Promoting Ghost Tourism

According to Thompson, (2010), ghost tourism and ghost tours in America, go back to American colonists up through the nineteenth century. Ghost tours create an allure of spirit world, and paranormal activities for tourists to experience. For some destinations like New Orleans, Atlanta, Salem or Gettysburg, ghost tours are traditional and very essential (Thompson, 2010). At the same time, a ghost tour or experience is not the main reason for some tourists’ visits to such destinations. Ghost tours are just part of the entertainment and other activities that attract tourist to these type of destinations (Thompson, 2010). In the United States and worldwide, ghost-themed walking tours are very popular (Gentry, 2007). In Savannah, Georgia, the ghost walk tours are a major business all year long and not just on the Halloween weekend (Gentry, 2007). The ghost walk tour is a guided tour around the town coupled with storytelling of “supernatural” or “macabre” incidents that are believed to have happened in the past (Gentry, 2007). Tourists basically pay for a tour with a guide who takes them to places and tells entertaining stories of interest, such as in Gettysburg (Thompson, 2010), where some tourists hope to encounter a ghost while on the tour; but that does not necessarily mean that all the tourists taking the tour believe in the appearances of ghosts in

these places. The tour guides are usually skilled at creating the feeling of paranormal activities and incite tourists to believe in ghostly presences in such destinations (Thompson, 2010). For the ghost tours’ audience, the ghost destination is the central entertainment of mystical belief, which is created by establishing an environment that creates an allure of ghosts. At the same time, the tour guides have to be careful not to get the tourist too uncomfortable to the detriment of the tour (Thompson, 2010).

In this regard, the GM is seeing a trend in ghost tourism. With the demand for ghost stories and tours by some of the guests, how will this impact other guests? Will this keep people who are not interested or afraid of ghosts away from his hotel? The GM is aware that this historic hotel is known for many spooky stories—including the story of the famous Irish stonemason spirit who fell and died in 1885 while building the hotel, the story of a lady suffering from cancer who appears to need help locating her room key, a mystery patient in a white nightgown who sometimes appears in the luxury suites at the foot of the bed. In addition, Travel Channel recognized this hotel as one of the top 10 hunted hotels in America. Bearing the above in mind, the GM believes it will enhance performance to promote ghost tourism as a package that will include premium rooms, great food and entertainment.

Marketing and Promoting Weddings and Ghost Tourism

The marketing segments of weddings and ghosts seem to each have an advantage in generating more revenue to the hotel. Is there one stronger than the other? And, is there room for implementing both of these marketing segments? Will the knowledge, perception or the appearance of ghosts impact the booking of weddings? Will the idea of the presence of ghosts in the hotel steer potential clients away? What is the likelihood that the ghost stories could actually attract more weddings? These are some of the questions the GM has to

Figure 1

Shows the structure of the Victorian-style hotel and its outdoor lawn for special events



answer in order to decide marketing one of these activities without the other or find a strategic way to market both activities (weddings and ghost tourism) without impeding the success of either activity.

Feasibility Analysis for Performance Improvement

In order to change this historic hotel's past struggles and enhance performance, the GM knows he needs to adopt new revenue generating strategies. According to the 2006 revenues, the catering of events (weddings) generated 9% of total hotel revenue while ghost tourism only generated 0.003% of total hotel revenue. He knows that there are a lot of opportunities by which to increase the revenue from ghost tourism way above that of the 2006 standard.

Therefore, he decides to generate a feasibility analysis and base it on what a similar historic hotel property is currently doing to maximize their revenue. This hotel holds approximately 365 weddings a year as well as conducting ghost tours, selling tickets at \$20 each for hotel guests and \$25 for non-hotel guests. The tours' reliability remains strong as it continues to receive about 80,000 visitors each year. While the hotel might promote weddings and ghost tourism individually, they could also combine the two at different times for greater impact. The history of hauntings (paranormal) and ghost stories seem to have a positive effect on this similar hotel's revenue as the tours were generating 10% of the hotel's profits. However, the hotel management realizes that even though some people might stray away from holding weddings at their hotel or stay at a different hotel because of the ghost history associated with their hotel, in some other cases, ghost themes at a wedding had the potential to maximize the hotel's revenue. After reviewing the information, the GM of the historic hotel in question ran a financial projection based on the feasibility analysis of a similar historic hotel. He realizes that if he can acquire about 25% ($25\% \times 80,000 = 20,000$) of this other similar historic hotel's visitors each year, the revenue potential of keeping ghost tourism as one of his revenue sources will enhance his organization's performance. As good as

the ghost tourism feasibility analysis seems, the GM is still concerned about some of the wedding guests who are not eager about the possibility of encountering spooky ghosts during one of the happiest moments of their lives.

Decision Options

The GM knows that he needs a comprehensive strategic management approach to maximize the revenue of this historic hotel. In addition, he knows that whichever approach he chooses must be good enough to provide the hotel with some level of competitive advantage. He is certain about the continuous promotion of this hotel as the place to come for a wedding; but, there are a lot of competitions for weddings in NWA and he is still not certain about his competitive advantage. Based on this uncertainty, he is considering promoting the hotel as the place to come for ghost tourism since ghost tourism is less competitive in NWA. In addition, he is also considering the idea of promoting the hotel as a place for both weddings and ghost tourism in order to take advantage of both target markets. He also knows that for him to promote both wedding and ghost tourism there is a need to make a decision in changing the way both activities are marketed and provided to guests. The GM has two decision options:

- Promote the hotel as the place to come for a wedding only
- Promote the hotel as a place for both weddings and ghost tourism

Theoretical Concepts

Strategic Management: Based on Strategic Management Theory, business profitability can be improved with competitive advantage (Hill and Jones, 2009). However, in order to sustain the profitability level the company must create a competitive advantage that is based on the following factors: efficiency, superior quality, customer responsiveness and innovation (Hill and Jones, 2012). Each of these factors can be described as indicated below:

- Efficiency: refers to the ability to design products and/or ser-

- vices with the minimum costs of production.
- Superior quality: refers to a product or service's ability to do what it is expected to do.
- Customer responsiveness: refers to a company's ability to provide products and/or services that satisfy its target market's need.
- Innovation: refers to the ability to create new products/services or employ new processes.

Bearing the above factors in mind, it is very clear that for the historic hotel's GM to build a competitive advantage, he must first understand his competitors' products and services. Then, he must design his hotel's products and services to be of higher quality, with minimum cost of production, and satisfy the needs of his customers. In addition, he needs to decide on which of the two decision options to employ.

SWOT Analysis: SWOT is an abbreviation for strengths, weaknesses, opportunities and threats. It is a strategic planning tool used to assess the strengths, weaknesses, opportunities and threats of an organization or project. SWOT analysis includes identifying the goal of the organization and recognizing the internal and external factors that could influence the achievement of that goal (Arlan and Er, 2007). The historic hotel's GM could employ SWOT analysis as a tool to build a competitive advantage by utilizing it to outline the hotel's strengths, weaknesses, opportunities and threats. The SWOT analysis could also be very useful in designing a better marketing strategy for the hotel's products and services.

Decision Making:

The GM recognizes that each decision option has its own advantages and disadvantages relating to revenue maximization and customer satisfaction. He knows that if he promotes the hotel as the place to come for a wedding only, he will be missing out on some of the revenues that could be generated from ghost tourism. Similarly, if he promotes the hotel as the place to come for ghost tourism only, he will be missing out on the revenues generated from weddings. He also knows that to promote the hotel as a place for both weddings and ghost tourism, he must find a way to respond to some of the wedding guests' trepidation about the possibility of encountering spooky ghosts during their wedding. He understands the importance of making all his guests happy. Unhappy guests could very likely create negative word-of-mouth, which could negatively impact the hotel's revenue. The GM is very concerned about the impact of his decision on the hotel's revenue.

Discussion Questions:

- If you were the GM, which decision option would you choose? Why?
- Why should the GM be concerned about the wedding guests' apprehensions about ghost tourism?

- What could be the effect of promoting the hotel as a place for both weddings and ghost tourism?
- What are some possible ways the GM could market and promote weddings and ghost tourism to maximize revenue and maintain customer satisfaction?
- What are some possible impacts of creating a competitive advantage for the hotel?
- How would knowing the feasibility analysis and financial projection of ghost tourism aid the GM's decision-making process and the hotel's revenue maximization goal?