

teaching note

A Historic Hotel Strategic Management Approach for Performance Improvement

Summary

This case study presents an interesting situation about a historic hotel that has been around for over a century in the Northwest Arkansas (NWA) Ozark Mountains. The 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. About two decades ago, this historic hotel property saw changes: new owners and a new General Manager (GM). It needs additional charm to attract more guests in order to maximize its revenue. It is important to the owners to preserve this property using any necessary strategies for sustaining its historic property and to enhance performance.

The new GM has been in the hotel industry for over 30 years. In his attempt to maximize his hotel revenue, the GM examines a feasibility analysis of a similar historic hotel property. He discovers that this similar historic hotel is holding about 365 weddings a year. The hotel is also holding about 80,000 ghost tours each year at a rate of \$20 per ticket for each hotel guest and \$25 for non-hotel guests. The history of hauntings (paranormal) and ghost stories seems to be having a positive effect on this similar historic hotel's revenue. The tours are generating 10% of the hotel's profits. The hotel generally markets weddings and promotes ghost tourism separately, but sometimes they are marketed together. The GM decides to run a financial projection from the feasibility analysis from the similar hotel (see Table 1) as this is a very good indicator of the revenue potential for keeping ghost tourism as one of his revenue sources.

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. He has to make a decision between the two incompatible revenue maximization strategies. The first revenue maximization strategy is the promotion of the hotel as the place to come for a wedding. The second strategy is the promotion of the hotel as the place to come for both weddings and ghost tourism. The second strategy could be more effective for revenue maximization. However, some of the wedding guests' apprehensions about ghost tourism could negatively affect the competitive advantage and revenue maximization goal of the historic hotel. In order to maximize the revenue of the historic hotel, the GM has to implement strategic management theory and competitive advantage factors to

help maximize the revenue without the negative implications of the ghost tourism.

Target Audience

This case study provides an opportunity for undergraduate juniors and seniors, and graduate students in hospitality and business management programs to discuss strategic management issues and factors associated with competitive advantage in regard to performance improvement.

Teaching Objectives

By the end of this case study, junior and senior undergraduate/graduate students in business and hospitality management programs should be able to:

- Describe strategic management and the factors associated with competitive advantage.
- Discuss some challenges associated with performance improvement with a controversial revenue source.
- Describe the implications of the factors associated with competitive advantage on a company's performance.
- Discuss how managers can enhance performance during a period of uncertainty without jeopardizing customers' satisfaction.

Teaching Approaches

Prior to Class

Prior to class, students will be asked to read the case study and the theoretical concept regarding the case, including strategic management theory, SWOT analysis, and the factors associated with competitive advantage. They will be asked to answer the questions following the case and prepare to discuss the following concepts:

- Strategic management
- The factors associated with competitive advantage
 1. Efficiency
 2. Superior quality
 3. Customer responsiveness
 4. Innovation
- The implication of each factor on a company's performance
- SWOT analysis as shown on the next page:

Strengths

- What is the hotel doing well?
- What resources does the hotel have for enhancing its performance?
- What alliances/partnership does the hotel have?
- What are the hotel marketing plans to avoid losing some of its business?

Opportunities

- What advantages in the external environment can the hotel utilize?
- What weaknesses among the hotel's competitors can be used to its advantage?
- What new markets can the hotel explore?

Weaknesses

- What is the hotel not good at doing that could be changed?
- How could the old image (historic hotel) of the hotel hurt the hotel?
- What training is needed for the hotel's workforce to accomplish its goal?
- What alliances/partnerships should the hotel develop?

Threats

- What outside challenges or trends should the hotel be concerned about?
- How could the hotel's marketing dilemma hurt the hotel?
- How can the new GM's interest in ghost tourism damage the hotel's interests?

Class Instruction

The class instruction for this case can take either of the two approaches as listed below:

Approach 1 (45-50 minutes)

1. Start the class by asking if the students have done the case assignment. Continue with a brief summary of the case and ask if the students have any questions about the theoretical concept regarding the case. (5 minutes)
2. Present a power point presentation on the theoretical concepts of this case, describe the factors associated with a company's competitive advantage and the implication of each factor on a company's performance. (8-10 minutes)
3. Divide students into small groups and urge each group to answer one or two of the six questions following the case. (7-10 minutes)
4. Ask each group to present their answers. (10 minutes)
5. Highlight the answers of each group. (5 minutes)
6. Have a class discussion on the implications of each factor of competitive advantage on a company's performance. (5 minutes)
7. Summary of the case's significant points. (5 minutes)

Approach 2 (75 minutes)

1. Start the class by asking if the students have done the case assignment. Continue with a brief summary of the case and ask if the students have any questions about the theoretical concept regarding the case. Then, ask students to form small groups. (10 minutes)
2. Ask each group to discuss the following topics among their group members as well as answer all six questions following the case (20 minutes):
3. What is the case study about?
4. Background information about the historic hotel
5. Theoretical concepts regarding the case
6. Implications of each decisions options
7. What are the new GM's concerns?
8. Probe the class about the theoretical concepts regarding the case. (7 minutes)
9. Ask each group to present their answers. (20 minutes)
10. Highlight the answers of each group. (8 minutes)
11. Class discussion on the implications of each factor of competitive advantage on a company's performance. (5 minutes)
12. Summary of the case's significant points. (5 minutes)

Discussion Questions for Use in Class

- 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?

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Additional Reading References

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