

In Case Fun Happens, Keep Calm and Try to Stay Dry: Managing Profitable Activities at a Resort in Spite of Mother Nature

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Introduction

Guests' stays at resorts, whether they are traditional destination resorts, planned resort communities or timeshare/shared ownership resorts, are characterized by longer lengths of stay than non-resort properties. This is primarily due to resort stays occurring during leisure, rather than business, travel. The leisure focus of resorts originated during the eighteenth century as an outcropping of Roman bathhouses. Due to the expense and lack of transportation, travel for pleasure was only available to the upper echelons of societies. Therefore luxurious bathhouses situated on the periphery of population centers became retreats for the wealthier members of society. Having spent significant time and trouble getting to the destinations, individuals wanted to devote longer time there to make the trip worthwhile. These extended stays led to more amenities and offerings being made available in order to entertain the guests during their stays. With advances in transportation, travel became more accessible and destination resorts centered on a variety of amenities or geographical features became increasingly popular among all levels of society, not just the sovereigns and affluent (Mill, 2011).

With the supply of resort properties growing, it has become progressively more important for resorts to ensure their guests are satisfied. It is expected that increased satisfaction creates a feeling of loyalty to a resort or development company and therefore, increases the likelihood that guests will refer others to the property. Whereas resorts may appear to offer activities in order to give guests "something to do" while they are on vacation, research shows that satisfaction increases when guests are involved in activities during their leisure travel (Costa et al. 2004; Otto and Ritchie, 1996). Dubbed as the "Experience Economy", Pine and Gilmore (1998) emphasize the importance of "experientializing" goods and services because consumers are ever more looking for rewarding, memorable experiences. Building on this, Weiermair et al. (2007) go so far as to say that consumers' search for fun or excitement is forcing today's tourism and service providers to incorporate memorable experiences. These findings may lead practitioners towards strategic management initiatives to address consumers' needs.

One such example found in the Wall Street Journal (February 21,

2013, D1) highlights the importance of experiences and activities in differentiating resorts and attracting and retaining customers. In the article, Paul James, Global Brand Leader for Starwood Hotels and Resorts, attributes lavish experiences as a way to get people thinking and talking about a resort. Mr. James comments that even if the more lavish experiences never get booked, it gives the resort an opportunity to reach out to previous guests with a new message and a reason to travel. Based on a strategic decision to respond to the importance of the resort experience, Starwood Vacation Ownership Resorts, a division of Starwood Hotels & Resorts, created a new position responsible for the guests' experiences and resort activities. The position is uniquely entitled "Director of Fun" and is held by Ms. Kate Norton at one of Starwood's vacation ownership properties in Orlando.

As is typical of business management, a vision is established, objectives are identified and strategies are put in place to achieve those goals and objectives. The steps involved in creating, implementing and carrying out this process may be collectively referred to as strategic management (Murphy, 2008). Depending upon the structure and philosophy (e.g. traditional, resource-based, or stakeholder) of the organization, strategies may be created or modified at one or many levels (e.g. corporate headquarters or field operations) within the organization (Enz, 2010). Further, several theories (e.g. Matzler's customer-based lifestyle segmentation, Porter's value chain, Gordon's life cycle) may drive the implementation, measurement and modification of the processes to achieve the overall strategies (Murphy, 2008).

This case study examines the responsibilities of Starwood's Director of Fun as laid out in management's strategic objectives in order to help students understand the complexities of the position. It presents typical job duties of various members of Ms. Norton's team, and describes a scenario wherein an extremely popular resort activity is interrupted due to weather. The aim of this case study is to educate students on the roles and responsibilities of a Resort Activities team, including staffing, scheduling, and financial implications, and to guide them in developing alternate programming in order to salvage guest satisfaction and preserve the profitability and integrity of the department.

The Director of Fun's Role and Responsibilities

At the case study property, the role of the Director of Fun is to create, implement and staff an effective recreation program and two poolside retail outlets with the objective of increasing overall guest

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satisfaction / loyalty and driving incremental revenue. There is freedom within the framework and the Director of Fun is bound only by the limitations of the annual budget. It's important to note that in this case, the resort is a shared ownership property with a Home Owners Association (HOA). The HOA, not the developer or management company, approve the annual budget of the resort. By the nature of the shared ownership component, the budgets are zero-based with every component having to be justified on an annual basis (Abbey, 2008; ARDA, 2012). The most challenging of tasks assigned to the Director of Fun's role is meeting the budgeted revenue goals laid forth in the annual budget.

Within this job description however, there are many more job responsibilities. At this particular resort, the Director of Fun also assists the Food and Beverage Director with running the F&B Department. As a result, the Director of Fun's job responsibilities also include organizing weddings and vow renewal ceremonies, as well as assisting the Food and Beverage Department with catering and banqueted events and the day to day running of the on-site casual dining restaurant and grocery store. Based on the breadth of responsibilities and diversity of staff responsibilities, the Director of Fun must also be cognizant when it comes to developing "bench strength" within the team. Bench strength refers to a manager's relative immediate ability to promote internal movement and decrease staff turnover. This is challenging in any environment, but especially so within recreation and F&B departments, both of which are renowned in most resort settings to have a high rate of turnover.

The Director of Fun has a staff ranging from 16 people to 22 people; depending on the time of year. The Leadership team consists of one Manager and one Supervisor, both of whom report to the Director, and an Activities Lead and a Retail Lead, both of whom report to the Manager. The line level associates all report to the Manager, but are expected to follow the chain of command for routine questions or concerns. The Director of Fun reports to the General Manager of the resort.

Activities Team Members

Wage range: \$8.75 - \$10.00 per hour.

An Activities Associate's primary role is to provide leadership for an "Industry Best" Activity Experience Program that creates value for all owners and guests while offering a balance of engaging, unique, memorable and compelling activities for all age groups. Any individual hired should have the ability to lead programs and convey a sense of fun and enthusiasm to participants. All associates are expected to engage and involve guests and timeshare/shared ownership owners in a variety of programs. Based on the dual responsibility of the Director of Fun, activities and F&B, associates at this particular resort are also required to work certain shifts in the poolside retail stores which are operated by the Activities Department.

The Activities Associate's job can be very demanding and requires a specific, hard-to-find personality that is able to efficiently balance the

fine line between professionalism and having fun. Their roles and responsibilities differ on a day to day basis depending on where their shift is assigned. Many resorts' Activities teams are responsible for swimming pools, staffing water features and pool towel distribution, as well as the implementation of the daily program. Consequently, in this particular resort, the Activities team is responsible for running the daily Activities program, pool towel distribution and staffing the poolside retail outlets. Team members must also be able to efficiently plan their time and be self motivated to be able to carry out and execute the daily schedule of events relatively unsupervised. Also, they must have the personality and confidence to host entertaining and engaging poolside events on a microphone while still maintaining the brand standards laid forth by the Resort Developer and Management team. Notwithstanding, these associates must possess excellent cash handling skills, be able to multitask effectively and be familiar with up selling and sales techniques to boost revenue at the poolside retail outlets. With the continual pressure of a zero-based budget and established revenue goals, these associates are always mindful of balancing guest satisfaction with profitable operations. As such, this is a demanding position that is not easily filled, and understandably has a historically high turnover rate.

Managing the Profitability of Fun

Profitability is not something usually associated with Recreation departments. Typically, they are funded from an expectation of minimal cost coverage and any profit made on the back end is a nice surprise. However, with this department, because of the unique retail aspect, meeting and beating the budgeted revenue is a harsh reality. The expectation is that the retail outlets are profit centers, and therefore, they must be appropriately staffed to operate when resort guests want to shop (Costa et al, 2004; Mill, 2011; Murphy, 2008). As a result, the headcount of this department is twice any usual Activities team due to the shifts needed to operate the poolside shops. This has an impact on the compensation line of the budget.

Labor is by far the biggest expense in the budget and is often scrutinized. Total expenses can be managed by varying the number of employees among three categories: full-time, part time and seasonal (Mill, 2011). Full-time employees are scheduled to work 40 hours per week, usually in the form of five, eight and a half hour shifts with an unpaid 30 minute break. With a full time position comes the company's responsibility of paying payroll taxes, benefits, paid time off (PTO) and Family Medical Leave Act (FMLA) expenses. A part time position does not carry the additional responsibilities of taxes, benefits, PTO and FMLA; however a part time employee can only be scheduled 30 hours per week. A "seasonal full time" position, the third category, is also not as great a cost to the company (Murphy, 2008). This position is considered to be full-time, but the position is only offered during a few select months when the resort is operating at full capacity, usually the summer, when vacationing families with children populate the resort.

Choosing how many full-time, part-time, and seasonal positions to maintain on the payroll has a direct impact on the profitability of the department (Mill, 2011; Murphy, 2008).

On the revenue side, the schedule of activities is a great way of bringing in revenue by charging for some of the activities offered as part of the weekly program. However, maintaining a balance between complimentary and fee-associated activities is not an easy task (Mill, 2011). This is particularly challenging in a shared ownership resort located in Orlando. Many resort guests, especially shared ownership purchasers, feel as though they should not have to pay for any events listed in the Activities Guide due to the fact that they have purchased with the resort and pay an annual maintenance fee to cover the expenses of managing and maintaining the resort (Mill, 2011). Further, this case study resort is located just a few miles from all the major Orlando theme parks. It is competing for the guests' attention as many travelers come to Orlando and do not stay a single day at the property – their entire trip revolves around spending every day at the parks. Resort guests and owners often comment that so much money has been spent at a theme park that paying for another activity is just too much. As a result, the program of events offered has to be exciting enough to persuade a family to stay on property for the day, yet affordable enough where guests are not feeling uncomfortable spending too much on their vacation. The Activities Department has to be efficiently run so that the head count does not impact the budget too detrimentally and force the resort fees to go up, yet diverse enough to offer events for all demographics at all times of the day so as not to alienate any particular generation or culture. The profitability and success of the program is crucially dependant on a wide variety of offerings that appeal to all types of guests. Exhibit A provides an example of a weekly Activities schedule at the case study resort.

The last and likely most important contributor to profitability is the weather. Temperatures less than 65 degrees render the pool decks empty at a Florida-based property. Similarly, a thunderstorm in the middle of a summer day can reduce the pool deck population from 200 people to less than 20. Florida law states that when there is lightning in the area, all outdoor pools must be closed for the safety of the general public. With Central Florida being the "Lightning Capital of the World", the resort cannot take any chances with this law, and therefore shuts the pool decks down completely at the first sign of lightning and will not reopen them until the lightning is either 30 miles away or it has been 30 minutes since the last recorded strike, whichever comes first. Based on proximity of location and resort design, all retail outlets and many of the activities at this resort are completely dependent on pool deck population and foot traffic. The weather has such a direct correlation to revenue that the Director of Fun at the case study resort keeps a weather diary where she records the weather (temperatures, rainfall, thunderstorms, etc., and how long the pool deck closed as a

result of weather). Further, the sales for each day are also catalogued to provide an archive as to how the weather and revenues correlate.

The Perfect Storm: Weather as a deterrent to fun

The day in question is a Wednesday during the third week in April and, surprisingly, it starts out gloomy and chilly. The weather forecast shows rain in the morning and into the early afternoon. Upon arriving at the resort, the Director notices that the pool deck and common areas including the restaurant are unusually quiet. After checking the Activities Guide for the day, the Director realizes that there is a pool party scheduled to start at 11:30am and run until 2:30pm. The disc jockey (DJ) for the pool party is an outside vendor and his cost is \$250 for the pool party. The DJ needs a two hour advance notice of any cancellation based on his transportation time to the resort location - over an hour's drive away. According to the contract between the DJ and the resort, if the DJ does not receive two hours' notice of cancellation before the event, the full fee will be charged whether he plays or not.

The Director is always keenly aware of the impact of labor costs on the budget. It's almost the end of month so any savings on labor will be beneficial to the month end results. As usual, the Director of Finance just sent out a reminder e-mail about all areas scrutinizing costs in order to make month end budget numbers and capture any possible savings. There are two full time and one part time associates scheduled to arrive at 10:30am to work the pool party and the preceding activities. There is also one full time associate scheduled to open the poolside store, also at 10:30am. This is intentional as history shows that pool party traffic usually boosts the sales at the retail store by approx \$150 above and beyond what it would usually make. There is no fee for guests to attend the pool party.

It is decision time for the Activities Director. If the party is cancelled, the Director will look to the staff on duty to assist with a "Rainy Day" emergency program to replace the pool party. If the plan is to go ahead with the pool party, the Director must consider whether there will be enough guests to attend the pool party and warrant the expense. Pool parties are a big guest favorite and are a direct contributor to the Departmental Guest Satisfaction scores. The 1,000 unit resort is currently operating at approx 76% occupancy. The primary decision to be made is whether to cancel the pool party. However, related to this decision are the operations and anticipated revenues of the retail outlets. If the pool party is cancelled on the main pool deck, the Director has to decide if they should shut down the main retail store leaving the smaller one operational on a different pool deck. Will the savings from cancelling the DJ and potentially sending two, or three (including the retail store), full-time employees home while keeping one part time employee to cover the operation, outweigh the risk of losing revenue by not opening the store and receiving poor Guest Satisfaction scores due to the cancelling of a scheduled and advertised activity?

Considerations for Alternate Programming

If the Director does decide to cancel the Pool Party, it's important that the guest experience is not compromised. An alternate program should offer the same content as the event it is replacing wherever possible. In this instance, it is difficult because the pool party involves lots of games played in the pool, interaction with the DJ for "Name That Tune" trivia and popular line dances. An alternate program may not be able to compete directly with the anticipated satisfaction of a Pool Party activity. However, a well-seasoned staff that is aware of the resort guest demographic profile, their likes and dislikes, as well as a history of successful (and unsuccessful events) should be able to develop an "Emergency Activity" that is just as appealing to the Owners and Guests in order to make them feel as though they are still getting value for money. In the past, this Director has had good success with rainy day plans that include showing a movie indoors, offering two for ones on certain crafts and where possible, creating something that is not part of the regular program to alleviate any disappointment.

If an alternate program is to be offered, the decision has to be made before 9:30am in order to save on the DJ costs. The decision also has to be communicated with Guest Services and the Front Desk Team and all guests staying on property. In addition, the team members whose shift will be cancelled need to be communicated with before they clock into work. If associates clock in, they must be paid for a minimum of four hours regardless of how long they actually worked or if they were sent home after clocking in. The clock is ticking. It's now 8:15am. What will the Director do? What decisions need to be made? What information is required? What steps must be taken?

Surviving the Storm: The actual result

On this particular day, the Director and the Manager consulted the weather carefully. It looked as though there were no thunderstorms headed their way, but there was a little rain in the forecast and the temperatures were still quite cool compared to previous days. Based on that information and the observed lack of foot traffic earlier in the morning, they made the decision to cancel the pool party at approx 8:45am. The DJ was called and informed of their decision in a timely manner and without penalty. They decided to keep the store open, but called two of the full-time employees and told them to stay home as they were not required. They kept one part time employee who would be responsible for overseeing the rainy day activities.

Further, the Director decided to show a movie at 11:30am and also offered a "You Pick" painting activity where guests could choose from any of the painting activities listed on the weekly guide for a 10% discount. Any scheduled activities for that day, aside from the pool party, would also go ahead as planned.

This information was relayed to guests in the form of a mass voicemail sent to all villa telephones. Guest Services were also notified

in case any guests called them directly.

At approximately 10:30am, the sun came out and guests started to fill up the pool deck. The store opened and guests' receipts were on track with a typical day, generating average sales of approximately \$55 in the first hour of operation. The temperature rose by a few degrees and at approx 11:15am, guests were starting to approach the team in the Activities Center asking where the pool party was going to be set up and where they should sit.

At this time, the Director consulted with the Manager and remaining staff member and they collectively decided to put on a scaled down, impromptu pool party as best they could using their own equipment which consisted of a laptop and a portable speaker. The Manager stepped up to organize the start of the movie, the "rainy day activity" as they could not go back on the alternative arrangements that they had already advertised to guests via the telephone voice message. The Director and team member took it upon themselves to bring the music equipment to the pool deck along with some hoola hoops and other over-sized yard games they had on hand such as Jenga, Connect Four, and Memory.

The Director apologized to the guests that had been asking about the DJ and proceeded to lead a series of games and dances for the participating guests. All the while, the activities associate on duty acted as DJ using songs from the laptop computer. All told, approximately 20 guests were present for the pool party which is just less than half of what can usually be expected. After the impromptu pool party had finished, the part time activities associate continued with the crafts as planned. Most guests seemed satisfied with the outcome. However, a few days later there was a comment on the guest feedback portal saying that the Activities Team was disappointing and should make a habit of offering the events that were actually advertised. The guest stated that they had planned their entire day around making sure their grandsons could attend the pool party and had been very disappointed when they heard the message that it was cancelled. The Director called the guest and offered her sincerest apologies for the lapse in service and for disappointing the guests' grandchildren.

The Department financials at month end came in favorably for labor, but primarily due to open positions rather than a savings on the cost of labor. Entertainment expense also saw a savings by a slight margin but not enough to make the month profitable. Revenue, unfortunately, did not meet budget for this particular month.

Discussion Questions

- Consider yourself as the Team Member responsible for carrying out the activity and ensuring guest satisfaction.
- What actions would you take in advance to identify if alternate programming is necessary?
- What recommendations do you make to your Director and

- within what timeframe do you make these recommendations.
- As the Director of Fun, how do you train your staff to anticipate program changes?
 - What information do you make available to them on a regular basis?
 - What critical information does your staff need to recommend alternate programming?
 - In relation to the guests who expected to participate in the activity, what is the message that will be communicated to the guests so that their participation in the alternate activity is equally as enjoyable as their expectations for the original activity?
 - What concessions, if any, should be given to the guests?
 - How might this impact the programming costs, staffing/scheduling, and overall satisfaction ratings?
 - What actions can be taken to eliminate or minimize increased costs, employee and guest dissatisfaction?
 - What methods of communication should be employed to advise both participating and non-participating guests about the change?

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