

GLOBAL
EDITION



Exploring the Hospitality Industry

THIRD EDITION

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EXPLORING

the HOSPITALITY INDUSTRY

13. The Tri Spa Showerhead by Oxygenics
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16. SmartLine Waethermatic: Smart watering system

Most of the major North American cities have hotel chain representation, such as Doubletree, Four Seasons, Hilton, Holiday Inn, Hyatt, Marriott, Omni, Ramada, Radisson, Ritz-Carlton, Loews, Le Meridian, Sheraton, and Westin. Some of these chains are positioning themselves as basic full-service properties. An example of this strategy is Marriott's Courtyard hotels, which have small lobbies and very limited food and beverage offerings. The resulting savings are passed on to the guests in the form of more competitive rates. Thus, the full-service market may also be subdivided into upscale and midpriced hotels.

Economy/Budget Hotels

An economy or budget hotel offers clean, reasonably sized, and furnished rooms without the frills of full-service hotels. Chains like Travelodge, Motel 6, Microtel, Days Inn, and La Quinta became popular by focusing on selling beds rather than meals or meetings. This enables them to offer rates that are about 30 percent lower than the midpriced hotels. Economy properties, which represent about 15 percent of total hotel rooms, have experienced tremendous growth.

Promus' Hampton Inns, Marriott's Fairfield, and Choice's Comfort Inns are more recent entrants to this market sector. These properties do not have restaurants or offer substantial food and beverages, but they do offer guests a continental breakfast in the lobby.

After enjoying a wave of growth for much of the past 20 years, the economy hotel segment may be close to the saturation point. There are about 25,000 properties in this segment, with many markets. The economic law of supply and demand rules; if an area has too many similar properties, price wars usually break out as hotels try to attract guests. Some

will attempt to differentiate themselves and stress value rather than discounts. This adds to the fascination of the business.

Extended-Stay Hotels

Other hotels cater to guests who stay for an extended period. They will, of course, take guests for a shorter time when space is available. However, the majority of guests are long term. Guests take advantage of a reduction in the rates based on the length of their stay. The mix of guests is mainly business and professional/technical, or relocating families.

Residence Inns, Candlewood, and Homewood Suites are market leaders in this segment of the lodging industry. These properties offer full kitchen facilities and shopping services or a convenience store on the premises. Complimentary continental breakfast and evening cocktails are served in the lobby. Some properties offer a business center and recreational facilities.

All-Suite Extended-Stay Hotels

All-suite extended-stay hotels typically offer approximately 25 percent more space for the same cost as will a regular hotel in the same price range. The additional space is usually in the form of a lounge and possibly a kitchenette area.

Embassy Suites, owned and operated by the Hilton Corpora-

tion; Residence Inns, Fairfield Suites, and Town-Place Suites, all by Marriott; Extended Stay America; Homewood Suites; and Guest Quarters are the market leaders in the all-suite, extended-stay segment of the lodging industry. Candlewood has some all-suite extended-stay rooms in its properties and full kitchens, whereas Embassy Suites does not have full kitchens. The additional space of a suite property plus a full



Formule 1 is an Accor hotel economy property.

kitchen is an advantage for some guests. Several of the major hotel chains have all-suite extended-stay subsidiaries, including Radisson, Choice Hotels (which dominates the economy all-suite segment with Comfort and Quality Suites), Sheraton Suites, Hilton Suites, Homegate Studios, and Suites by Wyndham Hotels. These properties provide a closer-to-home feeling

for guests who may be relocating or attending seminars or who are on work-related projects that necessitate a stay of greater than about five days.

There are now over 2,500 extended-stay properties. Many of these properties have business centers and offer services like grocery shopping and laundry/dry cleaning. The designers of extended-stay properties realize that guests prefer a homelike atmosphere. Accordingly, many properties are built to encourage a community feeling, which allows guests to informally interact.

Condotels

As the word suggests, a condotel is a combination of hotel and condominium. Developers build a hotel and sell it as condo units, which the owners can pool for use as hotel rooms and suites. The hotel-operating company gets a cut of the money from renting the units and so does the owner. The owner of the condo unit may have exclusive right to the use of the unit for a fixed period of time (usually one month); other than that, the hotel-operating company knows that it can rent out the condos.

Mixed-Use Hotel Development

Some new hotels are developed as mixed-use properties. This means that a hotel may also have “residences”—actual condos

that are used by people rather than let like condotels; a spa, and sports facilities. Mixed-use hotels can also be a part of a major urban or resort development, which may include office buildings, convention centers, sporting facilities, or shopping malls.

Bed and Breakfast Inns

Bed and breakfast inns, or B&Bs as they are familiarly known, offer an alternative lodging experience to the typical hotel or motel. According to *Travel Assist Magazine*, the B&B is a concept

“Bed and breakfasts try to provide a personal experience during the guest’s stay. They are a simple, quiet way for people to just get away and usually offer more affordable costs than big corporate chains.”

Rebecca Boulay,
The Oxford Bed and Breakfast,
Marlborough, MA

that began in Europe and started as overnight lodging in a private home. A true B&B is an accommodation with the owner, who lives on the premises or nearby, providing a clean, attractive accommodation and breakfast, usually a memorable one. The host also offers to help the guest with directions, restaurants, and suggestions for local entertainment or sight-seeing.

There are many different styles of B&Bs with prices ranging from about \$30 to \$300 or more per night. A B&B may be a quaint cottage with a white-picket fence leading to a gingerbread house, tiny and homey, with two or three rooms available. On the other hand, some B&Bs sprawling, ranch-style homes in the Rockies; multistoried town homes in large cities; farms; adobe villas; log cabins; lighthouses; or stately mansions. The variety is part of the thrill, romance, and charm of the B&B experience.⁶

There are an estimated 25,000 B&Bs in the United States. These inns have flourished for many reasons. Some business travelers have grown weary of the complexities of the check-in/check-out processes at some commercial hotels. The high transient rates at hotels has created an opportunity to serve a segment of travelers who are more price-sensitive. Also, many leisure travelers are looking for accommodation somewhere between a large, formal hotel and staying with friends. B&Bs offer a homelike atmosphere. They are aptly called “a home away from home.” A community breakfast with other lodgers and hosts enhances this feeling. Each B&B is as unique as its owner. Décor varies according to the region of the location and the owner’s tastes. B&B owners often provide all the necessary labor, but some employ full- or part-time labor.

A bed and breakfast inn in Lavenham, Suffolk, England.



Resort Hotels

Resort hotels came of age with the advent of rail travel. Increasingly, city dwellers and others had the urge to vacation in locations that they found appealing. Traveling to these often more exotic locations became a part of the pleasure experience. In the late 1800s, luxury resort hotels were developed to accommodate the clientele that the railways brought.

Such hotels include the famous Greenbrier at White Sulphur Springs, West Virginia; the Hotel del Coronado in Coronado (near San Diego), California; and the Homestead

at Hot Springs, Virginia. In Canada, the Banff Springs Hotel and Chateau Lake Louise drew the rich and famous of the day to picturesque locations in the Canadian Rocky Mountains.

The leisure and pleasure travelers of those days were drawn by resorts, beaches, or spectacular mountain scenery. At first, many of these grand resorts were seasonal. However, as automobile and air travel made even the remote resorts more accessible and an increasing number of people could afford to visit, many resorts became year-round properties.

Resort communities sprang up in the sunshine belt from Palm Springs to Palm Beach. Some resorts focused on major sporting activities such as skiing, golf, or fishing; others offered family vacations. Further improvements in both air and automobile travel brought exotic locations within the reach of the population. Europe, the Caribbean, and Mexico became more accessible. As the years passed, some of the resorts declined causing guests to seek other locations.

The traditional month-long, family resort vacation gave way to shorter, more frequent getaways of four to seven days. The regular resort visitors became older; in general, younger guests preferred the mobility of the automobile and the more informal atmosphere provided by the newer and more informal resorts.

To survive, the resort hotels became more astute in marketing to different types of guests. For example, certain resorts do not allow children in the high season because

some adult guests prefer a quiet ambiance. Other resort hotels go out of their way to encourage families: Camp Hyatt is a prominent example. Hyatt hotels have organized a program

with a variety of activities for children, which gives parents an opportunity to either enjoy some free time or join in the fun with their children. Many resort hotels began to attract conventions, conferences, and meetings. This enables them to maintain or increase occupancy, particularly during the low and shoulder (between high and low travel) seasons.

Guests go to resorts for leisure and recreation. They want a good climate—summer

or winter—in which they can relax or engage in recreational activities. Due to the remoteness of many resorts, guests are a “captured clientele”; they may be on the property for days at a time. This presents resort managers with some unique operating challenges. Another operating hurdle concerns seasonality—some resorts either do not operate year-round or have periods of very low occupancy. Both can make it difficult to attract, train, and retain competent staff.

Many guests travel to resorts from considerable distances. Consequently, they tend to stay longer than they would at transient hotels. The food and beverage manager must then provide varied, quality menus that are served in an attractive, attentive manner. To achieve this, resorts often use a cyclical menu that repeats itself every 14 to 21 days. Also, they provide a wide variety and number of dishes to stimulate interest. Menus are now more health conscious—lighter and low in saturated fats, cholesterol, salt, and calories.

The food needs to be presented in a variety of different ways. Buffets are popular because they give guests the opportunity to make choices from an array of foods. Barbecues, display cooking, poolside, specialty restaurants, and reciprocal dining arrangements with nearby hotels give guests more options.

With increased global competition, not only from other resorts but also from cruise lines, resort managers must first attract guests and then turn them into repeat business,



A resort in Johor, Malaysia, attracts guests from around the world.

which traditionally has been the foundation of the resort's viability.

To increase occupancy rates resorts have diversified their marketing mix to include conventions, business meetings, sales meetings, incentive groups, sporting events, additional sporting and recreational facilities, spas, adventure tourism, ecotourism, and so on. Because guests are captive in the resort, they expect to be pampered. This requires an attentive, well-trained staff and that is a challenge in some remote areas and in developing countries.

There are a number of benefits to operating resorts. The guests are much more relaxed compared to those at transient hotels, and the resorts are located in scenically beautiful areas. This frequently enables staff to enjoy a better quality of life than do their transient hotel counterparts. Returning guests tend to treat associates like friends. This adds to the overall partylike atmosphere, which is prevalent at many of the established resorts.

Check Your Knowledge

1. How are hotels rated and classified?
2. Name and describe the different types of hotels and lodging.

Vacation Ownership

From its beginnings in the French Alps in the late 1960s, vacation ownership has become the fastest-growing segment of the U.S. travel and tourism industry, increasing in popularity at the rate of about 15 percent each year. Vacation ownership offers consumers the opportunity to purchase fully furnished vacation accommodations in a variety of forms, such as weekly intervals or points in points-based systems, for a percentage of the cost of full ownership. For a one-time purchase price and payment of a yearly maintenance fee, purchasers own their vacation either in perpetuity or for a predetermined number of years. Owners share both the use and the costs of upkeep of their unit and the common grounds of the resort property. Vacation ownership purchases are typically financed through consumer loans of 5 to 10 years' duration, with terms dependent on the purchase price and the amount of the buyer's down payment. The average cost of a vacation ownership ranges from about \$7,000 for a studio to about \$15,000 for a two bedroom unit. Yearly maintenance

fees are paid each year to a homeowners' association for the maintenance of the resort. Just like taking care of a home, resort maintenance fees help retain the quality and future value of the resort property.

Vacation clubs, or point-based programs, provide the flexible use of accommodations in multiple resort locations. With these products, club members purchase points that represent either a travel and use membership

“About 4.0 percent of all U.S. households own vacation ownership.”



or a deeded real estate product. These points are then used like currency to purchase accommodations of various sizes, during a certain season, for a set number of days at a participating resort. The number of points needed to access the resort accommodations will vary by the members' demand for unit size, season, resort location, and amenities. A vacation club may have a specific term of ownership or be deeded in perpetuity.

Vacation ownership is the politically correct way of saying time-share. Essentially, vacation ownership means that a person purchases the use of a unit similar to a condominium for blocks of times, usually in weeks. Henry Silverman of Cendant, which owns the Indianapolis, Indiana-based Resort Condominiums International (RCI), says that a time-share is really a two-bedroom suite that is owned, rather than a hotel room that is rented for a transient night. A vacation club, on the other hand, is a “travel-and-use” product. Consumers do not buy a vacation with a fixed week, unit size, season, location, or length each year. Instead, they purchase points that represent currency, which is used to access the club's vacation benefits. An important advantage to this is the product's flexibility, especially when it is tied to a point system. Vacation clubs are not involved with real estate, so this type of system works well with the hotel marketing programs, such as rewards programs.

Unlike a hotel room or rental cottage that requires payment for each use according to rates that usually increase each year, ownership at a time-share property enables vacationers to enjoy a resort, year after year, for the duration of their ownership for a one-time purchase price and the payment of yearly maintenance fees. Time-share ownership offers vacationers an opportunity to save on the escalating costs of vacation accom-

modations over the long term, while enjoying all the comforts of home in a resort setting.

Truly a home away from home, vacation ownership provides the space and flexibility to meet the needs of any size family or group. While most vacation ownership condominiums have two bedrooms and two baths, unit sizes range from studios to three or more bedrooms. Unlike hotel rooms, there are no charges for additional guests. Also unlike hotels, most units include a fully equipped kitchen with dining area, washer and dryer, stereo, DVD players, and more.

Time-share resort amenities rival those of other top-rated resort properties and may include swimming pools, tennis, Jacuzzi, golf, bicycles, and exercise facilities. Others feature boating, ski lifts, restaurants, and equestrian facilities. Most time-share resorts offer a full schedule of on-site or nearby sporting, recreational, and social activities for adults and children. The resorts are staffed with well-trained hospitality professionals, and many offer concierge services for assistance in visiting area attractions.

The World Tourism Organization has called time-shares one of the fastest-growing sectors of the travel and tourism industry. Hospitality companies are adding brand power to the concept with the participation of corporations such as Marriott Vacation Club International, the Walt Disney Company, Hilton Hotels, Hyatt Hotels, Promus' Embassy Suites, Inter-Continental, and even Four Seasons in an industry that has grown rapidly in recent years. Still, only about 4 percent of all U.S. households own vacation ownership. RCI estimates that the figure could rise to

10 percent within the next decade for households with incomes of more than \$50,000. No wonder hotel companies have found this to be a lucrative business.

RCI, the largest vacation ownership exchange (allowing members to exchange vacations with other locations), has more than 3.7 million members. More than 4,000 participating resorts and members can exchange vacation intervals for vacations at any participating resort.⁷ Vacation ownership is popular at U.S. resorts from Key West in Florida to Kona in Hawaii, and from New York City and Las Vegas to Colorado ski resorts.

Check Your Knowledge

1. What is vacation ownership?
2. What are the most frequent reasons for purchasing time-shares?
3. What characteristics do the following hotel segments encompass?
 - a. City center hotels
 - b. Resort hotels
 - c. Airport hotels
 - d. Freeway hotels and motels
 - e. Full-service hotels
 - f. Economy/budget hotels
 - g. Extended-stay hotels
 - h. Bed and breakfast inns

BEST, BIGGEST, AND MOST UNUSUAL HOTELS AND CHAINS

LEARNING OUTCOME 4:
Name some prestigious and unusual hotels.

So which is the best hotel in the world? The answer may depend on whether you watch the Travel Channel or read polls taken by a business investment or travel magazine. The Oriental Hotel in Bangkok, Thailand, has been rated number one in the world; so too has the Regent of Hong Kong, the Mandarin Oriental of Hong Kong, and the Connaught of London. Each "list" includes different hotels. The largest hotel in the world is the Mecca Clock Tower, in Saudi Arabia, with 8,000 rooms.

The Best Hotel Chains

The Ritz-Carlton and the Canadian-owned and -operated Four Seasons are generally rated the highest quality chain hotels. The Ritz-Carlton Hotel Company has received all the major awards that the hospitality industry and leading consumer organizations can bestow, including the Malcolm Baldrige National Quality Award, from the United States Department of Commerce—the first and only hotel company to win the award,

not just once but twice, 1992 and 1999. Ritz-Carlton has long been recognized as one of the best luxury hotel chains in the industry. Its approach to quality centers on a number of basic but complex principles, many drawn from traditional total quality management theory.

The Most Unusual Hotels

Among the world's most unusual hotels include the Treetops Hotel in a wild animal park in Kenya—it is literally in the treetops, built on the tops of trees overlooking a wild animal watering hole.

Another magnificent spectacle is the Ice Hotel, situated on the shores of the Torne River in the historic village of Jukkasjärvi in Swedish Lapland. The Ice Hotel is built from scratch on an annual basis with a completely new design, new suites, new departments, and even an “Absolut Ice Bar,” a bar carved in ice with ice glasses and ice plates. The Ice Hotel can accommodate over 100 guests, and each room has its own

distinct style. The hotel also has an Ice Chapel, an ice art exhibition hall, and, believe it or not, an ice cinema.

Australia boasts an underwater hotel at the Great Barrier Reef, where guests enjoy wonderful subterranean views from their rooms. Japan has several unusual hotels. One is a cocoon-like hotel, called Capsule Hotel, in which guests do not have a “room.” Instead, they have a space of about 7 feet by 7 feet that contains a bed and television. (The space is so small that from the bed, you almost have to operate the TV with your toes!) Such hotels are popular with people who get caught up in the obligatory late-night drinking with the boss and with visiting professors, who find them the only affordable place to stay in expensive Tokyo.

The hotel built at the highest altitude in the world (13,000 feet) is nestled in the Himalayan Mountains. Weather permitting, there is a marvelous view of Mount Everest. As many as 80 percent of the guests suffer from nausea, headaches, or sleeplessness caused by the altitude. It is no wonder that the hottest-selling item on the room-service menu is oxygen—at \$1 a minute.⁸

The lobby of an ice hotel in Arctic Lapland, Sweden.

