

LODGING: MEETING GUEST NEEDS

Courtesy Wyndham Hotel Group



THE PURPOSE OF THIS CHAPTER

In this chapter, we look at lodging as a set of products and services that have evolved out of guest needs and preferences. We begin with the evolution of lodging to fit **transportation and destination patterns** and individual guest preferences. We then delineate different types of lodging properties, discussing the distinguishing characteristics of each. Different market segments are explained in relation to their demographics and subsequently their needs and expectations when traveling. The tremendous impact of technology is discussed from the perspective of changing guest expectations and from the standpoint of how technology has changed major facets of hotel operations. The most important aspect of the hotel industry, service, is explored with a discussion of hotel rating criteria through organizations such as American Automobile Association (AAA) and directories such as the **Forbes Travel Guides**. The crucial role of employees as “internal customers” in providing service is emphasized.

THIS CHAPTER SHOULD HELP YOU

1. Describe the evolution of lodging, and relate it to changing patterns of transportation, destinations, and guest needs.
2. Identify the five criteria for classifying hotels, and name the types of hotels in each classification.
3. Describe the principal customer types served by the hotel industry.
4. Identify the needs and preferences of business travelers, and provide examples of how the lodging industry accommodates them.
5. Describe how AAA and the Forbes Travel Service evaluate lodging properties, and identify criteria used in determining these ratings as well as describe how countries around the world approach the rating of hotels.

THE EVOLUTION OF LODGING

Today in the United States, there are 49,505 lodging properties containing over 4.6 million guest rooms. In 2008, this dynamic industry generated \$40.6 billion in sales and directly supported over 7.5 million travel and tourism jobs.¹ The industry has surely come a long way since its origins.

THE HISTORY OF LODGING

The history of lodging, leading to this enormous growth, is rich in variety and encompasses thousands of years. The Code of Hammurabi, dating back to about 1800 B.C., made a reference to “tavern keeping,” another term used for innkeeping in that day. Later, the Romans built an extensive system of paved roads and included way stations and inns at regular intervals along the way. During the Middle Ages in Europe, religious pilgrimages were the primary reason for traveling, with charitable institutions and religious orders providing lodging facilities. In the fifteenth century, many European cities became centers of commerce and culture. At the same time, innkeeping for profit began. With the development of stagecoach routes connecting major cities, the first hotel boom occurred as inns were located along these routes. The development of inns along stagecoach routes was followed by the location of lodging establishments convenient to the major travel modes of railroads, automobiles, and airplanes as the lodging industry responded to changes in destination patterns.²

In the American colonies of the seventeenth and eighteenth centuries, inns and taverns were important centers of activity. As meeting places for colonists planning to separate from England, the early inns were sometimes called cradles of liberty. The inns of Colonial America, called “**ordinaries**” because they provided respite for the ordinary person, typically provided the midday meal or supper as part of the overnight stay. By the beginning of the nineteenth century, lodging establishments that were larger and more commercial than inns emerged, along with the term *hotel*. Early hotels in the United States included the six-story, 200-room City Hotel in Baltimore, built in 1826, and the Tremont House in Boston, built in 1829.³

Luxury hotels were still the exception in the United States during the nineteenth century, however. The grand hotels of the world were, for the most part, still in Europe, including such landmarks as the Grand Hotel in Rome, the Paris Ritz, and the Savoy of London. The Waldorf Hotel in New York City was one of the first properties in the States to provide many of the European amenities. Built in 1893 by William Waldorf Astor, the Waldorf was followed by larger and more elaborate hotels, such as the Astoria Hotel, also in New York. A later combination of these two properties created the Waldorf-Astoria Hotel, which was the world’s largest hotel of its day.⁴

Toward the end of the nineteenth century, North American hotels grew to serve the rail traveler. Often the hotel was physically connected to the railroad station. A few of these hotels still survive, and some, such as Toronto's Royal York, remain thriving centers. Of the hotels built during the first half of that century, those not physically connected to the railroad station were usually convenient to it and to the major destinations in the downtown sections of cities.⁵

By 1900, there were still fewer than 10,000 hotel properties of varying service levels throughout the United States. A typical luxury hotel might offer amenities such as steam heat, electric call bells, baths, and clothes closets on all floors, barbershops, and liveries. The Hotel Statler chain, which started in Buffalo, New York, served as the model for construction of hotels for the next 40 years. With the opening of the Buffalo hotel in 1908, rooms had private baths, full-length mirrors, and telephones. The marketing slogan for the Statler Hotel in Buffalo was "A bed and a bath for a dollar and a half." Other Statler properties that followed were also known for the introduction of many firsts.⁶ In 1927, the Hotel Statler in Boston became the first hotel with radio reception; individual headsets were provided in each guest room to receive broadcasts from a central control room.⁷ The Hotel Statler in Detroit, which opened in 1934, was the first property to have central air-conditioning for every public room.

By 1910, there were 1 million total hotel guest rooms in the United States, with the industry employing some 300,000 people. The average property of that day had between 60 and 75 guest rooms.⁸ The first two decades of the twentieth century saw the beginnings of several major hotel companies that are still prominent today. Conrad Hilton entered the hotel business in 1919 by acquiring the 40-unit Mobley Hotel in Cisco, Texas. Ernest Henderson, founder of Sheraton Hotels, acquired four hotels in the late years of the Great Depression, with the chain's name coming from one of these four hotels, the Sheraton Boston Hotel.⁹ Around the same era, J. Willard Marriott, Sr., entered the hospitality industry with the opening of his first root beer stand in 1927. This modest beginning led to the Marriott name as a multibillion-dollar giant in the lodging industry.¹⁰

THE EVOLUTION OF THE MOTEL

The Federal Road Aid Act of 1916 resulted in a new segment of the lodging industry, as thousands of rooms were added in properties along the new state and federal highways being constructed. The first roadside **motel** opened in San Luis Obispo, California, in 1925 with room rates of \$2.50 a night. Sometimes referred to as "tourist courts," the first motels were small, simple affairs, commonly with under 20 units (or guest rooms). These properties lacked the complex facilities of a hotel and were generally managed by resident owners with a few paid employees. The big wave of motel construction followed World War II, accompanying the explosive growth in auto travel.

Motels tended to be built at the edge of town, where land costs were substantially lower than downtown. The single-story construction that typified motels until the late 1950s (and even the two-story pattern of later **motor hotels**) was significantly less expensive compared with the downtown high-rise properties that were built on prime real estate. Capital costs, such as land and building, represent the largest single cost in many lodging establishments, and so lower land and building costs and the lower capital costs that resulted gave motels significant advantages. These savings could be, and generally were, passed on to guests in the form of lower rates.

Probably more important was the fact that motels offered a location convenient to the highway. Because the typical guest traveled by car, he or she could drive to any local destination during the day, returning to the accommodations in the evening. Meanwhile, inexperienced travelers, who had always been put off by the formality of hotels, with their dressy room clerks, bell attendants who had to be tipped, and ornate lobbies, preferred the informal, come-as-you-are atmosphere of motels. In the motel, they might be greeted by the owner working the front desk. Motel operators were proud of their informality. The personal touch they offered guests and the motel's convenience and lower prices were their stock-in-trade.¹¹

THE MOTOR HOTEL

For a few years, it appeared that hotels (in general, the relatively large downtown properties) and motels (usually, the small properties located at the edge of town) would battle for the new mobile tourist market. Unhappily for both the hotel and the mom-and-pop motel, the situation was not that simple.

In 1952, Kemmons Wilson, a Memphis home-building and real-estate developer, took his family on a vacation trip. He was depressed by the dearth of accommodations to meet his family's and the business traveler's needs. He returned to Memphis with a vision of a new kind of motel property that combined the advantage of a hotel's broad range of services with a motel's convenience to the auto traveler. That insight, which came to be known as the motor hotel, revolutionized the lodging industry.

Motels became larger and began to offer a wide range of services. Dining rooms or coffee shops, cocktail lounges, and meeting rooms appealed to the business traveler. Swimming pools became essential to the touring family. Room telephones, usually present in hotels but generally absent in motels, became the rule in motor hotels, thus requiring a switchboard and someone to operate it. Whereas hotels and motels had offered coin-operated radios and television, free television and then free color television became the rule.

Although there were experiments with smaller inns having 50 to 75 rooms, most lodging companies determined that generally a 100-unit facility was the smallest that made economic sense. That size permitted full utilization of the minimum operating staff and provided sufficient sales to amortize the investment in such supportive services

Europe: A Continent of Lodging Distinctiveness

Although some parts of the world, such as Asia and the Middle East, are experiencing rapid hotel growth, Europe remains the leader in hotel capacity. According to the World Tourism Organization (WTO), about 38 percent of the six worldwide tourism regions are located in Europe. European hotels are distinctive, compared to the other tourism regions, in that properties tend to be older and smaller in the number of rooms and average room size. European hotels also tend to be more fragmented, compared to other parts of the world, in that only 20 percent to 25 percent of room capacity is branded by an integrated chain. In North America, approximately 70 percent of hotels are chain-managed or franchised. Other regions of the world fall somewhere in between North America and Europe.

The degree of chain penetration in Europe varies by country. For example, France has the highest percentage of hotel rooms affiliated with a chain (not including consortia) at 38 percent. Spain follows (34 percent) along with Germany (24 percent) and Ireland (21 percent). Significant reduced affiliations exist in Italy (4.4 percent) and Switzerland (8 percent).

Paris-based Accor has the largest number of properties with 1,922 hotels (201,042 rooms) in Europe carrying their flag. In Europe, Accor manages the well-known brands of Ibis, Mercure, Novotel, Formula 1, and Etap. Accor also has the upscale brand of Sofitel and the extended stay brand of Suitehotels.

InterContinental Hotel Group also has a significant presence with 423 properties and 68,841 rooms in Europe. InterContinental's brands include Holiday Inn, Express by Holiday Inn, Crowne Plaza, InterContinental, and Staybridge Suites. Societe du Louvre is a publicly held company controlled by the Tattinger family (known for being Champagne producers). Their brands include the upscale Groupe Concorde hotels and budget Groupe Envergure. Hilton Group, a British-based chain with the rights to use the Hilton name outside the United States, also has a presence in Europe with 118 hotels containing 28,501 rooms.

The best affiliation solution for the average European hotel tends to be the voluntary chain or consortium option. These synonymous terms refer to a loosely structured hotel grouping that requires less of the individual hotelier in terms of costs and prescribed standards. The affiliation with the voluntary chains is typically easier to cancel (usually within two years or less) whereas cancellations with the more structured hotels can stretch over several decades. Although Switzerland, for example, has only 8 percent of its hotels affiliated with the "hard brand chains," an estimated 27 percent are affiliated with a consortium.

The typical voluntary European chain hotel is not as attractive as properties in other parts of the world. The smaller size and the location of many European hotels are not good fits with the larger worldwide chain model. Urban locations or close access to major transportation arteries are preferred by the large chains.

The major chains have recently lost capacity in Europe. One reason is linked to the tightening of standards by the consortia. Best Western, for example, added 14 new operating standards. Best Western conducts yearly inspections of its properties, as does Logis de France (with almost 4,000 hotels), the voluntary chain of Relais & Chateaux.

Source: M. Marvel, "Hotel Chain Penetration in Europe—Understanding the European Hotel Market," for EHLITE.com, January 8, 2004, ahlaradio.hsyndicate.com/news/4018166.html.

as pools and restaurants. However, with the advent of the limited-service hotel, which does not include a restaurant, smaller properties in small cities are once again feasible.¹²

The basic distinction between hotels and motels has become more complex as different types of lodging properties have emerged since the advent of the motor hotel of the 1950s. Today's lodging properties fall into one of several categories, with some blurring of distinctions between lodging types. Many major hotel corporations, such as Marriott, have properties in each lodging category, addressing the varied needs of different market segments of travelers.

Many lodging properties are part of larger chain operations, typically with recognizable brand names, and are corporately owned or franchised. Other properties, smaller in number, are known as independents; here the owner may be one or several individuals or a company but has no ties to a larger corporation or major brand name. Industry Practice Note 9.1 looks at the state of hotel chain affiliations in Europe. (This topic is also explored further in Chapter 12 as it relates to U.S. properties.)

CLASSIFICATIONS OF HOTEL PROPERTIES

Lodging properties can be categorized according to varied criteria. Classification criteria can include price, function, location, particular market segment, and distinctiveness of style or offerings. It should be emphasized that many types of hotels can fall into more than one category.

HOTELS CLASSIFIED BY PRICE

Categorized by price, lodging properties can range from limited-service hotels to full-service properties and up to luxury hotels.

LIMITED-SERVICE HOTELS. **Limited-service hotels** typically offer guest rooms only. There is little or no public space, no meeting or function space, and usually no or very limited food and beverage facilities. Room rates are correspondingly lowest for this type of lodging property. Terms previously used for this classification of properties included “budget” or “economy” hotels. The average daily rate per occupied room for limited-service hotels in 2008 was \$83.18. The average size of this type of property in 2008 was 122 rooms. Transient travelers, including business and tourists, make up 82.2 percent of the market mix for limited-service hotels followed by conference groups at 6.9 percent. Contract and other travelers account for 4.6 percent.¹³

SELECT-SERVICE HOTELS. This relatively new segment has evolved in much the same way as fast casual restaurants have emerged in the food service sector; these hotels

Hotels come in many different sizes and offer room rates for all types of customers. (Courtesy of Las Vegas News Bureau.)



are filling a niche created by guests who want value in their lodging experience but also require some basic services. Not surprisingly, then, *select-service hotels* represent the fastest-growing category of hotels. The biggest reason for this segment's success is that these properties appeal to both consumers looking for a nice room at a value and business travelers who have to manage their expenses closely—and spend less than they would at a full-service hotel. Ranging from 100 to 200 guest rooms on average, these hotels offer limited food service operations and scaled-down meeting space but typically include lounge areas for working and socializing, hot breakfast service, and free high-speed Internet access.

FULL-SERVICE HOTELS. **Full-service hotels** offer a wide range of facilities and amenities. Usually there will be, in comparison to budget/economy properties, more public space and meeting/function space, with at least one food and beverage facility. Room rates tend to be equal to or slightly above market-area average. In 2008, the average rate for full-service hotels was \$155.82. These properties had, on average, 272 rooms and catered primarily to business travelers and leisure travelers, which represent 57.3 percent, with groups, contract sales, and other taking the remaining full-service rooms.¹⁴

LUXURY HOTELS. At the top of the price category are the **luxury hotels**, which usually have from 150 to 500 guest rooms. Featuring upscale decor and furnishings that may be unique to the particular hotel, these properties offer a full array of services and amenities. Such hotels typically have a concierge service and several food and beverage operations, including a gourmet or fine-dining restaurant, banquet facilities, and full room service (available 24 hours per day or close to this). Recreational facilities or access for guests to nearby facilities is also usually available. There is a high ratio of employees to guest rooms, and room rates are considerably above the market-area



Luxury hotels cater to a guest's every need. (Courtesy of Rosewood Hotels & Resorts.)

average. In the buying and selling of luxury properties in the United States, selling prices have reached \$1 million per room for some hotels. In Milan, Italy, \$2 million was paid per room for a luxury property in late 2006. One of the recent trends contributing to the climbing prices of these properties has been high-end corporations, such as Italian jeweler Bulgari and fashion designers Versace and Giorgio Armani, entering the luxury hotel market.¹⁵ The average daily rate for luxury chain hotels in the United States for 2008 was \$224.08 with an average occupancy rate of 68.1 percent compared to the overall hotel market with an average occupancy of 70 percent. These statistics reflect recent recessionary conditions. According to Smith Travel Research, during 2007 and 2008, occupancy at many luxury hotels was around 50 percent. Correspondingly, many luxury hotels were forced to cut rates dramatically just to achieve these low occupancy rates. In fact, some luxury hotels even saw reductions in average room rates of up to 17 percent.¹⁶

HOTELS CLASSIFIED BY FUNCTION

Hotels categorized by function include convention hotels and commercial hotels.

CONVENTION HOTELS. **Convention hotels** are large, with 500 or more guest rooms. The average size of convention hotels in 2005 was 780 rooms. These properties offer extensive meeting and function space, typically including large ballrooms and even exhibition areas. Food and beverage operations tend to be extensive, with several restaurants and lounges, banquet facilities, and room service. Convention hotels are often in close proximity to convention centers and other convention hotels, providing facilities for citywide conventions and trade shows.¹⁷

COMMERCIAL HOTELS. **Commercial hotels**, in comparison to convention hotels, are smaller, with 100 to 500 guest rooms. There is less public space, smaller meeting and function space, fewer food and beverage outlets, and limited recreational amenities. Many of these hotels tend to be located in downtown areas. Downtown properties (also mentioned in the next section) have many advantages. They are near the large office complexes and retail stores; by day, they are near business destinations; by night, they are close to many of a large city's entertainment centers. Many well-located older downtown properties have been remodeled to include necessary facilities. Although on-premise parking has not always been feasible, reasonably convenient off-premise parking with valet service to pick up and deliver the car is common. Thus, nearly all first-class downtown properties are reasonably "auto friendly." One final note: Downtown hotels almost always command higher rates than suburban hotels. The higher rate is needed to offset the higher land cost and to cover the cost of whatever public facilities they might have.¹⁸

Figure 9.1 illustrates some different operating characteristics of hotels in different property categories.

HOTELS CLASSIFIED BY LOCATION

Location can also be a criterion for categorizing lodging properties. Types of hotels under this categorization include **downtown hotels** (discussed above), **suburban hotels**, **highway/interstate hotels**, and *airport hotels*. Suburban hotels tend to be smaller (200 to 350 guest rooms) and involve low- to midrise structures. Highway/interstate hotels are even smaller, with 100 to 250 rooms, and are low-rise properties. Suburban hotels most

| TYPE OF LODGING PROPERTY | OCCUPANCY PERCENTAGE | AVERAGE DAILY ROOM RATE |
|-------------------------------|----------------------|-------------------------|
| Full-Service Hotels | 69.8% | \$155.82 |
| Limited-Service Hotels | 64.9% | \$83.18 |
| Resorts | 68.1% | \$224.08 |
| Suite Hotels | 73.1% | \$136.29 |
| Convention Hotels | 73.3% | \$186.43 |
| All Hotels | 70.0% | \$155.54 |

Source: Data from Hospitality Research Group, PKF Consulting, *Trends 2009*.

Figure 9.1

Average Occupancy and Average Room Rate for U.S. Hotels in 2008.



The San Francisco Marriott is a prime example of a downtown high-rise hotel. (Courtesy of Marriott International.)

likely have interior corridors and meeting and banquet facilities whereas highway/interstate properties most likely have exterior corridors leading to guest rooms, minimal banquet and meeting space, and some food and beverage facilities.

In the 1950s and 1960s, as air travel became more and more common, a new kind of property appeared, designed especially to accommodate air travelers. Airport hotels vary depending on location and size of the airport, with such properties offering a mix of facilities and amenities. Typically, airport hotels range from 250 to 550 rooms.¹⁹ An important extra service provided by almost all airport hotels is the courtesy van, which offers guests transportation to and from the airport.

HOTELS CLASSIFIED BY MARKET SEGMENT

Particular markets served include executive conference centers, resorts, and health spas.

EXECUTIVE CONFERENCE CENTERS. **Executive conference centers** are often in secluded or suburban settings and have fewer than 300 guest rooms. These facilities, which offer well-designed learning environments, provide a variety of small meeting rooms and classrooms featuring full audiovisual and technological support. Meals and use of recreational facilities are often included in the quoted daily room rate. An example of an executive conference center is the Georgia Tech Hotel & Conference Center in Atlanta, Georgia (www.gatechhotel.com).

RESORTS. **Resorts** are typically located in picturesque settings and have 200 to 500 guest rooms. An example of a well-known resort in the United States is The Breakers, Palm Beach, Florida (www.thebreakers.com). Resorts provide a comprehensive array of recreational amenities, depending on the geographic location. A variety of food and beverage outlets is available, ranging from informal to fine-dining restaurants. With many resorts located in remote locations, often it is not feasible for guests to have to leave the property for dining options. Resorts can be further characterized and defined in more explicit terms. Some resorts are **destination resorts**; these tend to be in dramatic, desirable locations, such as Hawaii, Mexico, and the Caribbean. Hotel guests tend to

Modern guest rooms can accommodate a variety of needs and types of guests. (Country Inns and Suites; Courtesy of Carlson Hotels Worldwide.)



Resort hotels provide ample opportunity for guests to relax in picturesque surroundings. (Courtesy of Rosewood Hotels & Resorts.)



have to travel at least several 100 miles to reach such a resort, and travel is typically by air. Visits to destination resorts tend to be infrequent, usually once a year or less. **Non-destination resorts** or regional resorts involve a two- to three-hour trip for visitors and are usually reached by car. The visits to such locations are more frequent but usually for shorter periods of time as compared to the destination resorts. It is very feasible for a resort to cater to both destination and nondestination visitors.²⁰ Resorts can also be classified on a seasonal basis, indicating the time of year when the resort is at a peak demand. Seasonal classifications include summer, cold winter (i.e., ski resorts), warm winter (such as south Florida or southern Arizona), and year-round. At one time, the majority of resorts operated seasonally. Today, most resorts operate year-round, with group business and lower-rate packages bringing in guests during the less desirable times of the year. Two cities that epitomize the year-round resort market are Las Vegas, Nevada, and Orlando, Florida. Orlando, with just over 111,000 hotel rooms,²¹ and Las Vegas, with over 140,529 rooms,²² lead the nation in hotel room inventory, surpassing even Los Angeles, Chicago, and New York City.

An interesting segment of resorts focuses on **ecotourism**. These typically remote lodging establishments usually are located in areas of significant natural beauty, and the design elements of the property blend with the surroundings and protect the ecosystem. Often incorporated with adventure travel, these lodging properties can be found from the Great Barrier Reef of Australia to the rugged highlands of Tasmania and the jungles of Costa Rica. As with P&O Australian Resorts, many of these hotels stress comfort, with luxurious rooms and gourmet food and beverage selections.²³

CASINO HOTELS. **Casino hotels and resorts**²⁴ differ significantly in their operation compared to most hotels. In casino hotels and resorts, gaming operations are the major revenue centers. Most of these are in Las Vegas; a number of casino operations that



Casino hotels, such as the Excalibur in Las Vegas, use architecture to convey the desired image of the property. (Courtesy of MGM MIRAGE.)

include hotels are also located on Native American reservations throughout the United States. Casino operations are discussed more fully in Chapter 14. Numerous examples of casino hotels are discussed throughout the text. One well-known casino hotel in the United States is the Excalibur in Las Vegas.

HEALTH SPAS. **Health spas**, often located in resort-type settings or as a part of a larger resort, provide additional amenities focusing on needs ranging from losing weight, to reducing stress, to pampering oneself. Resort/hotel spas are the second largest category next to day spas. Resort/hotel spas were also the fastest-growing segment in the first part of the new century, growing 290 percent between 1999 and 2004. Spas are increasingly being considered as a necessity to remain competitive in attracting both leisure and business travelers. In a sample of 88 U.S. properties, spa revenue for hotels averaged \$2,076 per available room, or 2.3 percent of total revenue. At resort properties, spa revenue was \$3,117 per available room, or 3.4 percent of total revenue. In comparison, golf revenue declined by 2.7 percent per occupied room.²⁵ Of course, the economic conditions have impacted these numbers, and while revenue per available room increased, average occupancy decreased from 2007 through 2009. Spas have professional staffs that often include dietitians, therapists, masseurs, exercise physiologists, and, in some cases, physicians. There are a number of categories of spas, including spas with natural mineral hot springs, beauty spas, fitness spas, international-style spas that emphasize health therapies, behavior modification spas, holistic spas, resort spas, and spa facilities within hotels.²⁶ Hotels providing spa and fitness facilities are now dedicating more space to comprehensive health facilities in order to remain competitive. With an aging population of 80 million baby boomers, more health-oriented services are expected as this segment focuses on improving the quality of life. Profits will also play a very big part in fitness centers and spas, as resorts and hotels realize the significant revenue potential. Industry Practice Note 9.2 describes several trends in spa services. A prominent health spa in the United States is The Boulders Resort and Golden Door Spa, Phoenix, Arizona.

VACATION OWNERSHIP. **Vacation ownership**, also referred to as timeshares and vacation intervals, involves a “type of shared ownership in which the buyer purchases the right to use a residential dwelling unit for a portion of the year.”²⁷ Major lodging companies, such as Marriott, Ritz-Carlton, Four Seasons, Hyatt, Accor, Carlson, Starwood, and Disney, are big holders of the vacation ownership market. In 2007, 4.4 million households owned one or more U.S. timeshare properties. There are 154,439 timeshare units at over 1,600 resorts throughout the United States. Each condominium or unit of a vacation ownership resort is divided into intervals, typically by the week, that are sold separately. The condominiums are priced according to a variety of factors, including unit

Trends in Spa Operations

According to the International Spa Association, spas are the fourth-largest leisure industry in the United States. Not only are spas growing in number (13,757 in the United States) and locations (9 percent are in hotels or resorts), but they are growing in the types of services provided. Some of the latest trends include:

- *Green.* The predominant trend for spas is to embrace environmentally sustainable practices. A recent International Spa Association (ISPA) survey showed that 76 percent of U.S. spas use such practices, including building green facilities, maintaining organic gardens, and utilizing locally grown products.
- *Authenticity.* Destination spas and resort hotel spas are differentiating themselves with the types of products and services of their region. For example, Cliff House Resort & Spa in Ogunquit, Maine, offers body wraps made from Maine blueberries and wild roses or juniper berries. Le Spa at the Radisson Plaza Resort in Papeeta, Tahiti, offers treatments featuring the traditional monoi oil used by locals.
- *Wellness.* Canyon Ranch Resorts, in Lenox, Massachusetts, and Tucson, Arizona, are collaborating with the Cleveland Clinic in Ohio to offer programs in weight control, stress management, and cardiac care. Such educational programs are in greater demand than ever. The ISPA survey found that at least 51 percent of U.S. spas offer some form of educational programs.
- *Medical tourism.* This controversial field is booming and is increasingly using new technology, such as DNA analysis, antiaging treatments, BOTOX, and laser surgery. Medical tourism agencies now exist to help arrange the traveler-patient's stay.
- *Sleep therapy.* Spas increasingly will be offering sleep techniques and treatments to a society that generally is sleep-deprived.
- *Men.* The ISPA states that 31 percent of spa-goers are men. The Lodge at Woodloch, in Hawley, Pennsylvania, was designed with a male focus, including lodge-style architecture, a golf course, a full bar with tapas, and a dinner menu that includes red meat.
- *Labor concerns.* Because of the high cost of labor, particularly in the United States, spas are increasingly using "destaffed" spa treatments including heat and water experiences. Pricing will also become more attuned to demand with treatments during busy time frames (e.g., weekends) costing more than lower-demand times (weekdays).
- *Fusion.* Fusion treatments and techniques are on the increase. Examples include watsu (water and shiatsu), yogalates (yoga and Pilates), neurobics (mind aerobics), and kinesis (mind-exercise).
- *Services for children.* The spa industry is responding to the growth in family travel with more spas adding children's activities. Children's activities are being offered in many locations while parents indulge in spa treatments. Spa services especially designed for children, such as chocolate manicures, are also creative additions.

Source: International Spa Association, www.experienceispa.com.

size, resort amenities, location, and season. Purchasers of vacation ownership properties typically can travel to other destinations through vacation exchange programs provided through the timeshare resort developers. The predominant type of timeshare property, according to the American Resort Development Association, is a seaside/ocean resort (31.9 percent) followed by regional resorts (13.7 percent) and golf resorts (10.2 percent). Florida has three times as many timeshare resorts as any other state with the number totaling close to 400.²⁸ Marriott Vacation Club Sunset Pointe, Hilton Head, South Carolina, is a good example of a Vacation Ownership facility.

OTHER HOTEL CLASSIFICATIONS

Types of hotels classified by distinctiveness of style or offerings include all-suite properties, extended-stay properties, historic conversions, and bed-and-breakfast inns. Boutique hotels can also be classified under this category.

ALL-SUITE HOTELS. All-suite hotels became known as a separate category in the 1970s. Guest rooms are larger than the normal hotel room, usually containing more than 500 square feet. A living area or parlor is typically separate from the bedroom, with some properties offering kitchen areas. All-suite hotels can be found in urban, suburban, and even residential locations. The amenities and services (availability of on-site restaurant operations, meeting space, and recreational facilities) can vary widely in this type of hotel. Figure 9.2 shows a typical guest unit at an Embassy Suites.

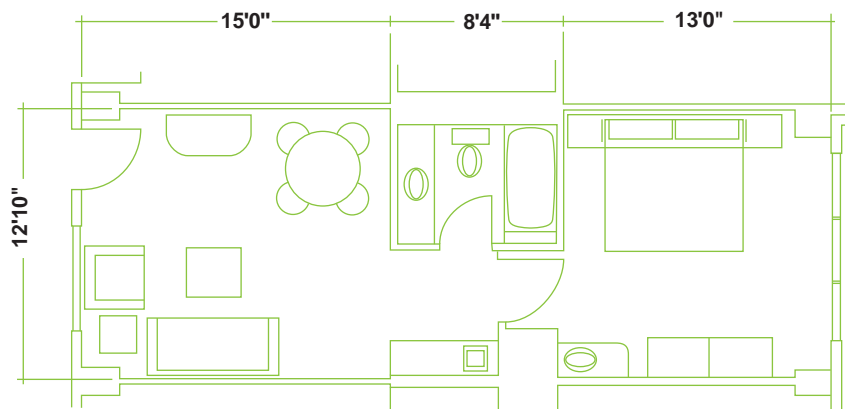


Figure 9.2

A typical guest unit at Embassy Suites. (Source: Embassy Suites.)

EXTENDED-STAY HOTELS. **Extended-stay hotels** provide many of the same features and amenities as all-suite properties, such as a stove and/or microwave in the guest rooms, refrigerators, kitchenware or dishes, grocery shopping service, business services, and limited housekeeping service. As compared to all-suite hotels, however, the extended-stay room rates are often significantly less, with daily, weekly, and monthly rates quoted. Restaurants may be located nearby; typically there are no on-site food and beverage outlets in extended-stay hotels.²⁹

HISTORIC CONVERSIONS. Some hotel properties have historic significance and have been renovated to their original splendor. These classic hotels have great appeal for those wishing to experience some of the grandeur and elegance of earlier days with the comforts of modern-day features.

BED-AND-BREAKFAST INNS. A **bed-and-breakfast inn** (B&B) typically has five to ten rooms with the average size being eight rooms. Breakfast is served and included in the room rate for these properties. Most B&Bs are outside of urban areas with 29 percent being in rural locations and 52 percent being in suburbs/towns. The average length of ownership of a B&B is 13 years, and most owners (88 percent) live on the premises. The most recent data show that the number of B&Bs has increased from fewer than 1,000 in 1980 to about 20,000 properties today, encompassing 148,000 rooms. The average occupancy for a B&B is 38 percent, and the average daily rate is \$163.³⁰

BOUTIQUE HOTELS. **Boutique hotels** span all price segments and are noticeably different in look and feel from traditional lodging properties. Interior-design styles in boutique hotels range from postmodern to homey. Soft attributes, such as image and atmosphere, typically distinguish these properties. Travelers' desires to be perceived as trendy, affluent, and artistic tie into boutique themes. Starwood Hotels & Resorts Worldwide has a version of the boutique concept with its W properties.³¹

Figure 9.3 displays types of hotels by location, rate, and size, along with the approximate percentage of U.S. properties that fall into these categories. Of the total number of lodging properties in the United States, it is interesting to note that 56.2 percent have fewer than 75 rooms and 31.9 percent have 75 to 149 rooms. Although mega-hotels (which number about 1 percent of all hotels in the United States) often garner much attention, the impact of small businesses on lodging is extremely significant.³²



The Regent Wall Street is a good example of a beautifully restored boutique hotel. (Courtesy of Carlson Hotels Worldwide.)

TYPES OF TRAVELERS

According to the American Hotel and Lodging Association, leisure travelers make up the highest percentage of guests (57 percent). The number of leisure travelers has been steadily growing since 2000. The typical leisure room night is generated by two adults (51 percent), ages 35 to 54 (40 percent) who earn an average yearly household income of \$91,115. The typical leisure traveler arrived by auto (78 percent), made reservations (88 percent), and paid an average of \$112 per room night. Most leisure

| BY LOCATION | PROPERTY* | ROOMS⁺ |
|-------------------------|------------------|--------------------------|
| Urban | 4,804 | 741,942 |
| Suburban | 17,312 | 1,726,349 |
| Airport | 2,189 | 302,740 |
| Interstate | 7,303 | 493,831 |
| Resort | 3,790 | 595,263 |
| Small Metro/Town | 15,402 | 901,970 |
| BY RATE | | |
| Under \$30 | 832 | 56,008 |
| \$30–\$44.99 | 7,032 | 430,790 |
| \$45–\$59.99 | 15,276 | 952,019 |
| \$60–\$85 | 13,965 | 1,195,277 |
| Over \$85 | 13,695 | 2,128,051 |
| BY SIZE | | |
| Under 75 rooms | 28,224 | 1,213,907 |
| 75–149 rooms | 16,545 | 1,742,398 |
| 150–299 rooms | 4,385 | 878,066 |
| 300–500 rooms | 1,119 | 417,510 |
| Over 500 rooms | 527 | 510,214 |

Source: AH&LA, 2010 Lodging Industry Profile. www.ahla.com/content.aspx?id=30505.

Figure 9.3

Property/Room Breakdown, 2009.

travelers spend one night (41 percent) followed by 31 percent spending two nights and 28 percent spending three or more nights.³³

Business travelers accounted for the remainder (43 percent) of hotel guests in 2008. The typical business traveler is male (67 percent), in the age range of 35 to 54 (50 percent), and is employed in a professional or managerial position (43 percent) earning an average yearly household income of \$105,532. These guests tend to travel alone (58 percent), make reservations (92 percent), and pay an average of \$125 per room night. Thirty-five percent of business travelers spend one night, with 26 percent spending two nights, and 39 percent spending three or more nights.³⁴

BUSINESS TRAVELERS

Business travelers can be further characterized according to more specific profiles. The market segments of corporate travel and association travel offer a number of distinctions. The **corporate market segment** consists of for-profit companies and therefore may have more money to spend compared to nonprofit or other business segments. The corporate market segment tends to pay higher rates with the expectation of quality service and facilities.³⁵

Association business may be more cost-conscious than the corporate segment. The **association market segment** consists of individuals or companies that have banded together in sharing common purposes or goals. Members in the association segment often pay for services themselves, which can intensify the cost-consciousness of these travelers. This segment can have very large numbers of attendees and may require large convention and exhibition facilities. Associations may be on the local, state, regional, national, and international levels.³⁶

OTHER SEGMENTS

Another market segment for most lodging properties consists of **SMERF** business, so called because it originates from five primary sources: social, military, educational, religious, and fraternal. Some of this business is leisure based—the social category includes weddings, proms, and fundraisers, for example, while the fraternal category includes fraternity- and sorority-related events. Other subsegments are more business based, such as military, educational, and perhaps religious. A characteristic common to the five components is that SMERF customers tend to look for lower rates compared to corporate and association segments.³⁷

Other market segments for lodging properties involving business and leisure travel include the tour/travel, cultural, sports, and governmental subsegments. Figure 9.4 shows the breakdown among business travelers based on number of trips taken per year.

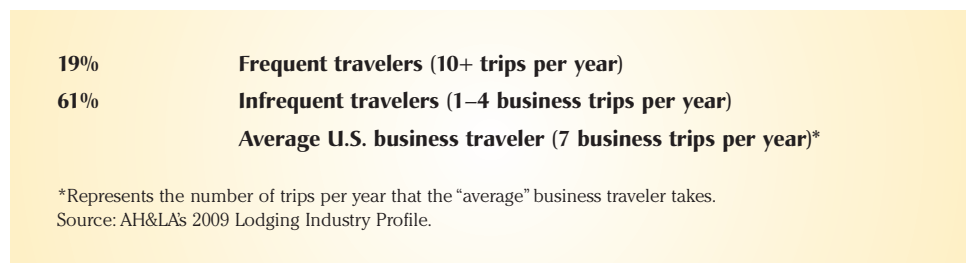


Figure 9.4
Comparison of business travelers.

INTERNATIONAL TRAVELERS

As the global economy expands, an increasing number of people travel internationally. In 2008, a record 58 million people traveled from abroad to the United States—a 4 percent increase in travel over 2007. The United States receives a larger share (11.7 percent) of world international tourism receipts than any other country. The United States earned \$110 billion in tourism receipts in 2008, leading the world's other top tourism earners—Spain, France, Italy, Australia, and China.³⁸

Not surprisingly, North American hotel companies have been eager to pursue the international travel market. American brands are expanding rapidly abroad. Much overseas travel takes place within the traveler's own region (i.e., most Asians travel within Asia, South Americans within South America, etc.). Overseas travelers, however, are more likely to visit the United States than other destinations when they travel outside their own area. To take part in the growth of international travel, companies have to have properties in those markets. Moreover, the best way to publicize a chain at the points of origin of international travel is to have a property in the country. This makes local people familiar with the brand.

Asia has been of particular interest to major hotel companies as they plan international growth. At the end of the first quarter of 2009, there were 1,826 projects in the Asian pipeline of hotel development (including those under construction, starting construction within the next 12 months, or in the early planning stages). China has the largest development pipeline in the region and is second globally only to the United States. China has 964 projects and 260,560 guest rooms spread throughout the pipeline. The room count is a staggering 61.5 percent of the total rooms in the entire Asian pipeline. Many major cities in China are “underroomed” with the country having grown to the fourth largest tourist destination by the end of 2008. The marked interest in China is linked to hotels projecting increased tourism in this part of the world, the entry of China into the World Trade Organization, and the current construction of many new airports.³⁹

ANTICIPATING GUEST NEEDS IN PROVIDING HOSPITALITY SERVICE

Regardless of the category of lodging or the market segment, hotels are a service industry with the goal of meeting and exceeding guests' expectations. As consumers are consistently demanding more from their lodging experience, the challenge to hotel operators is to excel in consistently high-quality service that builds customer loyalty. This commitment to excellence may also involve product differentiation strategies involving imaginative amenities and experiences. For example, Kerzner International's

Creativity Is Evident in Hotel Properties

Responding to the growing market of savvy travelers who look for unique, and at times even bizarre, lodging choices, numerous hotels add an experiential factor beyond a comfortable bed and abundant in-room amenities.

One such lodging property is the Jules' Undersea Lodge in Key Largo, Florida. Located underwater, guests must first suit up in dive gear to get to this establishment. In Preston, Minnesota, the Jail House Inn Bed and Breakfast is a restored county jail built in 1869. For those guests preferring the authentic experience, there is a "cellblock" where they can sleep behind bars. The Library Hotel in Manhattan provides a different theme in each guest room. In addition, the Dewey Decimal System is followed for the numbering of guest rooms.

IStayGreen.org helps pair travelers with environmentally friendly hotels in resorts focusing on unique destinations around the world. The online service provides an inventory of castles, cottages, country estates, B&Bs, house hotels, and even boats. The Melville Castle Hotel, for example, is one of the available options for travelers. Located in Edinburgh, Scotland, the Melville Castle, originally constructed in 1786, has historical associations with Mary Queen of Scots, among other famous people. Surrounded by 50 acres of woodland, the hotel has 33 guest rooms including several gallery bedrooms.

Internet Sites

Jules' Undersea Lodge: www.jul.com

Jailhouse Inn Bed and Breakfast: www.jailhouseinn.com

Library Hotel: www.libraryhotel.com

I Stay Green: www.istaygreen.org

Atlantis Paradise Island resort in the Bahamas has as a slogan "Blow away the customer," as in exceed the customer's wildest expectations. Atlantis boasts the world's largest open-air aquarium (11 million gallons) and an encased water slide that takes riders safely through a shark-infested lagoon.⁴⁰ Industry Practice Note 9.3 illustrates the variety of lodging possibilities available for unique and adventurous travelers.

Meeting the needs and expectations of business travelers has resulted in major changes in guest room features and amenities, including **in-room technology**. Hotels have been challenged to keep up with the expectations and needs from this traveling segment. Whereas a few years ago, such travelers wanted to be "wired" during trips, now travelers expect wireless capabilities not only in the guest rooms but throughout the hotel, including meeting space. Major brands and independents have made great strides in wireless fidelity (WiFi) capabilities. The challenge to hotel companies is how to "future proof" for rapid technological changes. Hotels are finding that they need more robust systems, sound cable infrastructures, and bandwidth-shaping alternatives to meet these technological demands.⁴¹

The W Suites, part of Starwood Hotels, were conceived as properties for the “ultra connected business traveler.” These hotels allow guests to remain in “virtual connect mode” from any location on the property. “Guests can print directly from their laptops to a secure and confidential laser printer,” with the use of this printer possible whether the guests are working in their suites or outside by the pool. Another feature of W Suites is “broadband Internet access through a secure high-speed wireless Internet network.” This technology allows guests to access e-mail, print documents, and surf the Net from anywhere on the property.⁴² At the Ritz-Carlton Millennia Singapore, guests have access to a 24-hour “technology butler” who is on call to help with computer technology problems. With corporate guests as a focus, this hotel provides a full-service business center with secretaries, fax machines in suites, and private meeting rooms for rent.⁴³ Industry Practice Note 9.4 illustrates what the hotel of the future may offer in terms of technology amenities.

Lodging properties have also found ways to cater to other market subsegments, such as senior travelers, females, and families. It is estimated that seniors comprise 47 percent of the leisure travel market, or 144 million room nights per year. The Travel Industry Association of America states that retired individuals with an average age of 72 take about 32 million trips annually. As noted earlier, the U.S. population of those 65 and older is expected to double in the next 25 years when 72 million people will be included in that age group. Hotels are already realizing the positive impact of the senior traveler and the growth potential among this group. To capture this market segment, hotel companies are trying to understand the needs of the heterogeneous population that includes individuals in their 50s, 60s, 70s, 80s, and older. Marketing experts are sensitive to how to refer to this diverse group, spanning four or more decades, realizing that the younger baby boomers resist terms such as *mature*, *senior*, or *elderly*. Industry experts do agree that there are interior design elements to better serve this market segment including better lighting, easy-to-read instructions (clearly printed materials in larger fonts), and nonskid flooring materials as well as employee training to heighten awareness of the older travelers’ needs.⁴⁴

Women make 75 percent of all travel decisions. Female travelers account for almost 33 percent of all business travelers in the United States, but the expectation is that they will outnumber male business travelers within the next ten years. In a survey of 13,000 female business travelers, the most important factors were close proximity to their clients (23 percent), followed by security of the lodging establishment (20 percent).⁴⁵ Hotels are responding to this increase in female business travelers with more emphasis on personal service, security including secure electronic door locks and security cameras in common areas, express check-in and checkout, a selection of good restaurants on the property, and free airport shuttle service. Some chains offer special services and amenities for women. For instance,

The Hotel of the “Not So Distant” Future

The “Hotel of Tomorrow Project” brought the brains of the hospitality industry together to debate the demographic and technological changes that will influence the guest room of 2025. A group of 41 participants were asked to consider six influential demographics that are and will increasingly impact the hospitality industry. These demographic trends included:

1. The aging population
2. Environmentalists
3. Leisure guests
4. The corporate/business traveler
5. Wellness seekers
6. Generation Y

The hotel guest room that emerged was characterized by cutting-edge technology for work and play and extreme personalization. Features included:

- Guests being able to select digital artwork to meet personal preferences during their stay as well as carpet texture and television stations from their native country.
- A multifunctional desk chair with a built-in microphone, speakers, and camera that is powered through a floor grid. (Power cords not needed.)
- A retractable bed that can be raised and flipped to become a table or raised to the ceiling to become a light panel.
- A bathroom floor pad that monitors vital signs.
- Recycled gray water for use in toilets (for conservation).
- A robot that can carry luggage and remove trash.

Source: P. Hayward, A. Taulane, and R. Little, “Lodging Innovators of 2006,” *Lodging* magazine (December 2006).

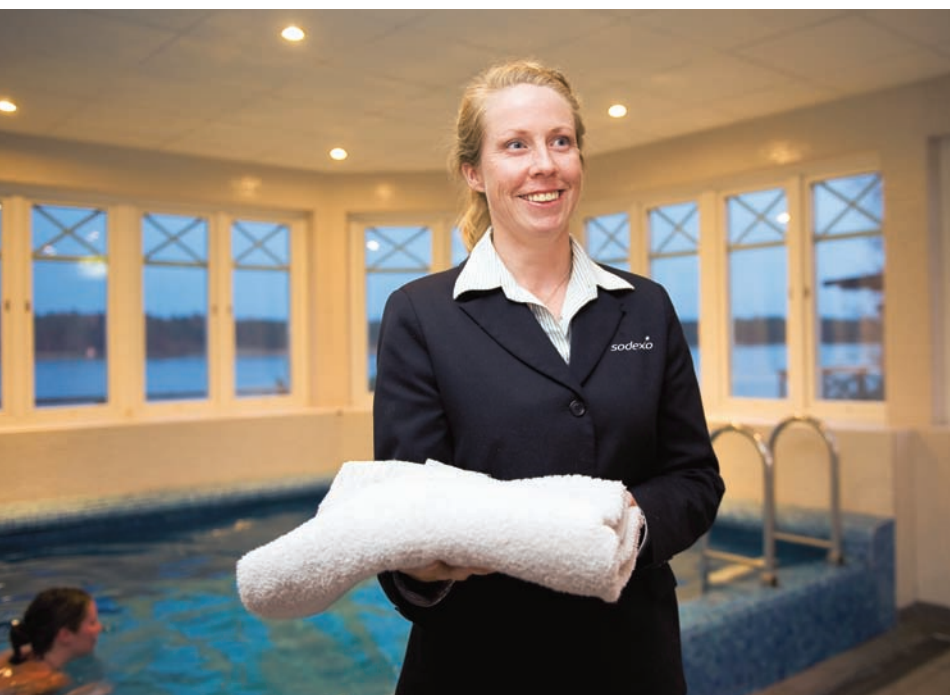
market research at Westin indicated that women wanted irons, hair dryers, full-length mirrors, and coffeemakers in the guest rooms. High-quality makeup mirrors are now standard at Crown Plaza properties. Guest rooms at Ritz-Carlton hotels feature both skirt and pants hangers, spray starch, scented sachets, bath salts, bath gels, makeup remover pads, and detergent for washing delicate clothing. The Loews Vanderbilt Plaza Hotel in Nashville, Tennessee, has found gender-specific amenities to be very popular with guests. Whereas men might find cigars and a bottle of red wine in their room, women are more likely to find fresh flowers, fruit, candy, or white wine.⁴⁶

Finally, families also represent a significant market. Although the percentage of U.S. households that are married with children is small (24 percent), new travel niches

include travel with extended family members as well as travel by the nontraditional family. Multigenerational family travel, also referred to as grandtravel, has increased. About one-third of all leisure travelers are grandparents, and one-third of these took at least one vacation with their grandchildren last year. Hotels are finding ways to compete for these young guests with features such as free-stay programs, children's menus in the restaurants and room service, pools, and in-room video games. Families are increasingly interested in emerging lodging alternatives, such as condominium resorts and vacation ownership. There has also been a marked increase in families wanting participative programs for the entire family, allowing them to discover new things together, versus the more traditional "supervisory" programs for children only.⁴⁷

SERVICE, SERVICE, SERVICE

Whether a limited-service economy hotel property or one in the upper echelons of the luxury segment, each and every lodging establishment has the opportunity to deliver quality service. Quality service is service that "consistently meets and exceeds customer expectations."⁴⁸ Exceeding customer expectations results in a perception of high-quality service. Failing to meet expectations results in the customer's perception of quality being relatively low. Since service is perception based, the true measurement rests with the individual customer.



Service is an increasingly important dimension in all categories of hotels. (Courtesy of Sodexo, Copyright 2009.)

A number of hotel ratings and measures are based on a variety of perceptions, from guest surveys to rating-service inspectors. The ratings assigned by the *Forbes Travel Guide* (formerly the *Mobil Travel Guide*) and the **American Automobile Association (AAA)** are the best known in North America, but rating services also abound internationally. Hotels are rated on a multitude of criteria, including guest rooms, amenities, recreational facilities, decor and furnishings, public areas, housekeeping standards, restaurant operations including room service, and the maintenance of grounds and landscaping. The service orientation and professionalism of hotel staff members, however, are foremost and include both the ability of employees to meet guests' needs through their knowledge and interpersonal skills and the employees' professional attire and grooming. Industry Practice Note 9.5 discusses the rating services further, both in the United States and abroad, provides a list of sample criteria used by one rating service, and describes some of the world's most luxurious and exclusive hotels.

EMPLOYEES AS THE INTERNAL CUSTOMERS

The hotel industry employs approximately 1.9 million hotel property workers.⁴⁹ Each employee, directly or indirectly, impacts the service delivered in his or her respective hotel. The hotel industry is addressing the need to attract and retain the best of the best in the labor force. Many hotel companies are striving to become **employers of choice** through better wage and benefit packages, more career development opportunities, increased recognition, and mentoring.

For many hotel companies, a positive workplace is a fundamental aspect of the organizational culture. For example, the Marriott Corporation has, since its inception in the 1920s, had the philosophy of "Give to your employees and they will give back to you." J. Willard Marriott, Jr., chairman of the Marriott Corporation, summarized the company's commitment to employees: "Motivate them, train them, care about them, and make winners out of them. If we treat our employees correctly, they'll treat the customers right. And if the customers are treated right, they'll come back."⁵⁰

Whether it is offering English classes for international employees, providing child care assistance, including tuition reimbursement as well as flexible benefit plans to address different employee needs, or developing extensive employee recognition programs, hotels will increasingly have to address employees as their "internal customers."

The concept of the **internal customer** is a vital part of the quality goals and processes of the Ritz-Carlton Hotel Company. The lateral-service principle of this company reflects the internal customer role and states that an employee should always provide assistance if another employee asks for help in satisfying a guest's request or solving a

Hotel Rating Services

The *Forbes Travel Guide* offers a one-star to five-star rating system for hotels, motels, inns, resorts, and restaurants in more than 3,000 towns and cities in the United States and Canada. For 2010, five stars were awarded to an elite group of 53 lodging establishments in North America. Stars can also be taken away from properties because of perceived lower quality in service and facilities. Based on on-site visits and inspections, some of which are unannounced until after the hotel stay, these ratings are considered extremely important in the hotel industry and are used extensively in advertising and other sales and marketing activities. Table 1 lists five-star hotels for 2010.¹ Table 2 presents several categories evaluated by Forbes in its expectations of a five-star lodging property.¹

TABLE 1

2010 *Forbes Travel Guide* Five-Star Awards (by state)

| | |
|--|---|
| CALIFORNIA—BEVERLY HILLS | |
| Montage Beverly Hills | Raffles L'Ermitage Beverly Hills |
| The Beverly Hills Hotel | The Peninsula Beverly Hills |
| CALIFORNIA—DANA POINT | |
| St. Regis Resort, Monarch Beach | |
| CALIFORNIA—LOS ANGELES | |
| Hotel Bel-Air | |
| CALIFORNIA—OAKHURST | |
| Chateau du Sureau | |
| CALIFORNIA—SAN FRANCISCO | |
| Four Seasons Hotel San Francisco | The Ritz-Carlton, San Francisco |
| The St. Regis San Francisco | |
| COLORADO—ASPEN | |
| The Little Nell | |
| COLORADO—COLORADO SPRINGS | |
| The Broadmoor | |
| CONNECTICUT—WASHINGTON | |
| The Mayflower Inn | |
| DISTRICT OF COLUMBIA—WASHINGTON | |
| Four Seasons Hotel Washington, D.C. | |
| FLORIDA—MANALAPAN | |
| The Ritz-Carlton, Palm Beach | |

FLORIDA—NAPLES

The Ritz-Carlton, Naples

FLORIDA—PALM BEACH

Four Seasons Resort Palm Beach

GEORGIA—ATLANTA

Four Seasons Hotel Atlanta

GEORGIA—SEA ISLAND

The Cloister

GEORGIA—ST. SIMONS ISLAND

The Lodge at Sea Island Golf Club

HAWAII—KAILUA-KONA AND THE KONA COAST

Four Seasons Resort Hualalai at Historic Ka'upulehu

HAWAII—WAILEA

Four Seasons Resort Maui at Wailea

ILLINOIS—CHICAGO

Four Seasons Hotel Chicago

The Peninsula Chicago

MASSACHUSETTS—BOSTON

Boston Harbor Hotel

Four Seasons Hotel Boston

MASSACHUSETTS—LENOX

Blantyre

NEVADA—LAS VEGAS

Skylofts at MGM Grand

Tower Suites at Encore Las Vegas

Tower Suites at Wynn Las Vegas

NEW YORK—NEW YORK

Four Seasons Hotel New York

Mandarin Oriental, New York

The Peninsula New York

The Ritz-Carlton New York, Central Park

The St. Regis Hotel, New York

Trump International Hotel & Tower New York

NEW YORK—SARANAC LAKE

The Point

NORTH CAROLINA—CARY

The Umstead Hotel and Spa

Continues on next page

Hotel Rating Services

Continues from previous page

| |
|---|
| NORTH CAROLINA—PITTSBORO |
| The Fearington House Country Inn |
| SOUTH CAROLINA—KIAWAH ISLAND |
| The Sanctuary at Kiawah Island |
| SOUTH CAROLINA—SUMMERVILLE |
| Woodlands Resort and Inn |
| TENNESSEE—NASHVILLE |
| The Hermitage Hotel |
| TEXAS—DALLAS |
| Rosewood Mansion on Turtle Creek |
| UTAH—PARK CITY |
| Stein Eriksen Lodge |
| VERMONT—BARNARD |
| Twin Farms |
| VIRGINIA—RICHMOND |
| The Jefferson Hotel |
| VIRGINIA—WASHINGTON |
| The Inn at Little Washington |
| WYOMING—TETON VILLAGE |
| Four Seasons Resort Jackson Hole |

TABLE 2

Sample Criteria for the Forbes Five-Star Designation

| <i>FORBES TRAVEL GUIDE</i> RATING CRITERIA EXPECTATIONS OF A FIVE-STAR PROPERTY | |
|---|--|
| Guest arrival phase: | Reservationist uses the guest's name throughout the conversation, thanks guest, and asks if there are any other needs. Background noise is limited. Guest name is used upon arrival at the hotel; guest key and credit card are placed in the guest's hand. Calls to desk ring no more than three times. A full explanation of the property is given at check-in or by bell staff. All guests are escorted to guest rooms. Guest rooms are prepped in advance. |
| Inspection of guest room: | Room has a sense of elegance, with quality products. The following amenities are available: fax, video, DVD, Internet connectivity, in-room games. Telephones throughout the property should be answered within three rings. |

The guest's name is used, and wake-up calls arrive within five minutes of the requested time. Greetings should be friendly.

Ice bucket is filled at turn-down, and a complimentary shoeshine is available. Housekeeping is impeccable. Staff is able to accommodate specific requests for time of service. Floors and counters are likely marble. Robes and towels are plush and large.

Food and beverage: **At least two full-service restaurants and cocktail lounges are available. One restaurant should achieve at least a four-star rating. Room service should be available 24 hours a day, with the ability to cater to almost any culinary request. Banquet and catering facilities are expected to be world-class.**

The American Automobile Association rates lodging properties based on a system of one to five diamonds. More than 60,000 properties are evaluated by AAA each year, and fewer than one-half of 1 percent (0.27 percent) attain five-diamond status. Each property undergoes an unannounced evaluation, and properties receiving a five-diamond rating for the first time generally are reviewed at least twice. AAA also evaluates restaurants, campgrounds, attractions and events.²

Zagat publishes ratings of U.S. hotels, resorts, and spas based on ratings and reviews from over 20,000 frequent travelers. Its categories of awards include "Top Hotel Chain," "Best Hotel," "Best Resort," "Best Small Property," and "Best Spa." *Conde Nast Traveler* publishes a Gold List based on a poll of approximately 37,000 readers. Hotels are rated based on rooms, service, restaurants, location, atmosphere, and activities. Added to the list of hotel ratings and awards are *Travel + Leisure's* World's Best Hotels, the *Robb Report's* Best Luxury Hotels, and *Corporate Meetings & Incentives'* Paragon Awards.

Hotel ratings in other parts of the world come from a variety of sources, if they exist at all. The government takes the role of hotel rater in some areas, whereas in others, it is tourism groups or the operators themselves. Examples of the variance in hotel rating systems abound within and among countries.³ For instance:

- In the United Kingdom, the Automobile Association, Royal Auto Club, and English Tourism Council have adopted a standardized rating system for member properties. The criteria include cleanliness and housekeeping, service and hospitality, guest rooms, bathrooms, food quality and service, public rooms, safety and security, and exterior and interior appearance and upkeep. A one- to five-star rating system is used, with five-star hotels considered among the best in the industry.
- In France, hotels display the federal government-sanctioned star rating, ranging from one to four stars. Only four-star hotels are guaranteed to have adequate service and facilities for the typical meeting planner. A number of hotels, however, have opted to take lower ratings than four stars for tax reasons.
- In Germany and some Scandinavian countries, a one- to five-star system exists. By law, hotels can promote these ratings only for three years before the government requires a new inspection.
- Regarding overall hotel standardization in Europe, about 70 percent of hotels are independently operated. Internal criteria from chains may therefore be lacking in establishing standards for everything from room cleanliness to service basics.

Hotel Rating Services

Continues from previous page

- The respective country's ministry of tourism rates hotels across Latin America. Upon opening, hotels are inspected and granted from zero to five stars. Some hotels actually engage in rating themselves, thereby demeaning the star system and even, in some cases, going as high as seven stars. The other problem faced is that the governmental ratings are given for an indefinite period, even sticking for the life of the hotel, regardless of declining quality.
- In Asia, there tends to be no common rating system. Probably the most widely accepted rating system is the Institutional Investor system. This limited system only designates which hotels are world-class properties. In China, the government ranks hotels using the star system, with five stars being comparable to international luxury hotels. In Hong Kong, hotels are divided into three categories: high tariff, medium tariff, and hostels or guesthouses. In this country's rating system, price tends to be the most accurate indication of quality.³

What Are Some of the “Best of the Best” Hotels?

Although the list of the world's finest hotels varies depending on the source and time, a number of lodging properties are well known for providing the ultimate in luxurious service and surroundings. As would be expected, these hotels attract some of the world's most exclusive guests, who readily pay top room rates for their pampered environment. Listed next are just a few examples of some of the “best of the best” in showcasing luxury suites in some of the world's best hotels:

Atlantis, the Bahamas

The Bridge Suite in Atlantis is one of the world's most expensive hotel suites. At \$25,000 a night, guests enjoy a spectacular view from the suite, which is suspended between the two vast Atlantis Royal Towers. The master bedroom contains a spacious lounge area and a ten-foot four-poster bed. Hand-painted linens adorn the bed, and guests enjoy wardrobes the size of a garage. There is also the added comfort and convenience of round-the-clock butler and housekeeping service.

guest problem. As a two-time winner of the Malcolm Baldrige National Quality Award, Ritz-Carlton was judged on seven quality categories including human resources development and management. This category comprised human resources planning and evaluation, high-performance work systems, employee education, training and development, and employee well-being and satisfaction.⁵¹ The human resources component will always be a crucial part of the hotel industry. Although technological advances have modernized an industry that began almost 4,000 years ago, the human factor in delivering service is more important than ever.

Burj Al Arab, Dubai, United Arab Emirates

At 1,053 feet, which is taller than the Eiffel Tower and only slightly shorter (197 feet) than the Empire State Building, the Burj is the tallest hotel in the world. The hotel is built on top of a man-made island, with only a bridge linking it to land. The toll for crossing the bridge is \$50, which is just a mere fraction of the typical suite room rate of almost \$7,000 per night. The hotel contains the world's fastest elevators and has been crafted from more than 96,000 square feet of gold leaf, marble, and crystal. The hotel has a dramatic view of the surrounding ocean. A submarine ride takes guests to an underwater restaurant containing a shark-infested aquarium. Other luxuries include a private screening room, rotating beds, private elevators, and a helipad. There are private butlers to give the ultimate in personal service. In addition, guests are provided with laptop computers to use during their stay.

The Fairmont, San Francisco

The Penthouse Suite, which spans the entire eighth floor of the Fairmont, typically rents in the range of \$10,000 per night. The suite features three large bedrooms, a living room with a grand piano, an eat-in kitchen, a billiard room, and a view of San Francisco and the bay. The suite also contains a two-story circular library and a dining room that can seat 50 people. In addition to the customary personal services of private butlers and housekeepers, guests staying in the Penthouse Suite also have their choice of a Porsche 911, Cayenne, or Boxster to drive during their visit.

1. Forbes Rating Service, www.forbestravelguide.com.
2. Hotel Online Special Report, "Six Hotels Added to AAA Five Diamond Winners for 2006," http://www.hotel-online.com/News/PR2005_4th/Nov05_AAADiamonds.html.
3. Megan Rowe, "Sorting Out Overseas Hotel Ratings," *Religious Conference Manager*, February 1, 2003, rcm.meetingsnet.com. Source: www.mobiltravelguide.com and "Checking Out the World's Finest," *Asian Hospitality* 1, no. 4 (December 2002): 9–11.

SUMMARY

This chapter offered an introduction to a variety of aspects of the lodging industry, serving as a lead-in to the other chapters on lodging. It began with an overview of the history of the industry. Lodging follows the patterns of transportation and destinations of the times. Downtown hotels once served railroad passengers and still serve the needs of travelers who have business or entertainment interests in the center

city. Motels and motor hotels serve people traveling by car, as airport hotels do air passengers.

Lodging properties can be classified according to various criteria such as price range, function, location, particular markets served, and distinctiveness of style. Types of lodging properties according to price range include limited-service hotels, full-service hotels, and luxury hotels. Commercial hotels and convention hotels are designated by function. The location category includes downtown properties as well as those in the suburbs, those along the highways and interstates, and those near airports.

The functional category includes executive conference centers, resorts, and health spas. Resorts can be quite diverse, ranging from mega-resorts such as those in Las Vegas to the remote resorts that incorporate ecotourism in blending with their natural surroundings. Health spas are increasingly found in resort hotels, and time-sharing is one of the fastest-growing travel and tourism segments. Additional types of hotels include those offering a particular, distinctive style, such as all-suite properties, extended-stay hotels, historic conversions, bed-and-breakfasts, and boutique hotels.

Hotel guests can be grouped according to the purpose of their travel. The highest percentage of travelers is leisure travelers (57 percent), with the remaining 43 percent traveling for business purposes. Business travelers can be further characterized as corporate or association guests.

Business travelers have a growing and distinct need for certain hotel services and guest room amenities. Increasingly, these services and amenities are tied to technological needs, such as wireless access to the Internet both in guest rooms and public areas. Hotels are also adapting services and amenities for the growing percentage of international travelers, senior travelers, female travelers, and families traveling with children.

Quality-driven service—meeting and, whenever possible, exceeding guest expectations—is vital to the lodging industry. With diversified market segments, the ability to cater to the dynamic needs of guests is key to any lodging company's success. Numerous hotel rating services reflect the level of service and caliber of facilities of individual properties. Two of the best known are the *Forbes Travel Guide* star ratings and the American Automobile Association diamond ratings. Each year, a small group of elite hotels receives the highest ratings of five stars and five diamonds.

The delivery of consistent quality service hinges on versatile employees who are knowledgeable and skilled in their respective positions and who understand and gain satisfaction from their ability to positively impact each guest's hotel visit. The employees, as "internal customers," are truly the stars of the lodging industry.

Key Words and Concepts

Transportation and destination patterns
Ordinaries
Motel
Motor hotels
Limited-service hotels
Full-service hotels
Luxury hotels
Convention hotels
Commercial hotels
Downtown hotels
Suburban hotels
Highway/interstate hotels
Airport hotels
Executive conference centers
Resorts
Destination resorts

Nondestination resorts
Ecotourism
Casino hotels and resorts
Health spas
Vacation ownership
All-suite hotels
Extended-stay hotels
Bed-and-breakfast inns (B&Bs)
Boutique hotels
Corporate market segment
Association market segment
SMERF segment
In-room technology
Forbes Travel Guides
American Automobile Association (AAA)
Employers of choice
Internal customers

Review Questions

1. How does transportation affect the hotel business?
2. What travel trends are favorable to lodging? What ones are not? What do you think will be the best market segments for lodging in your community?
3. What are some means for hotel companies to increase sales to international travelers?
4. Of the hotels in your community, how would you characterize them in terms of type of lodging?
5. Identify hotels with which you are familiar. If you were a hotel rater, how would you rate these properties (one to five stars and/or diamonds) and why? What criteria would you use in determining your rating?
6. If you were going to work in a hotel, what type of property would be of most interest to you as a potential employee? Why?

Internet Exercises

1. Site name: The American Hotel & Lodging Association (AH&LA)

URL: www.ahla.com

Background information: Serving the hospitality industry for nearly a century, AH&LA is the sole national association representing all sectors and stakeholders in the lodging industry, including individual hotel property members, hotel companies, student and faculty members, and industry suppliers. AH&LA provides members with national advocacy on Capitol Hill, public relations and image management, education, research and information, and other services to provide bottom-line savings and ensure a positive business climate for the lodging industry.

Exercises:

- a. Navigate to the “information center” link and review the statistics from 2001 through the most recent year listed, comparing the industry performance statistics (occupancy percentage, sales, number of properties, etc.). Has there been an increase or decrease in occupancy over the years? What are some possible reasons why this increase or decrease occurred?
- b. From the AH&LA Web site, describe the typical lodging customer for the most recent year that data are available.
- c. What are the top five hotel companies worldwide? What hotel brands do they have in their portfolio?

2. Site name: Marriott

URL: www.marriott.com

Background information: Marriott International, Inc., is a leading worldwide hospitality company. Its heritage can be traced to a root beer stand opened in Washington, DC, in 1927 by J. Willard and Alice S. Marriott. Today, Marriott International has more than 3,200 lodging properties located in the United States and 70 other countries and territories.

Exercises: Under “Marriott News Center” on the Marriott Web site, identify all the hotel brands in the Marriott portfolio. Based on the information on the Web site, determine which category each brand might fit into (limited service, full-service, luxury, resorts, suites, extended stay, etc.).

3. Site name: Forbes Travel Guide

URL: www.forbestravelguide.com

Background information: Since inventing the Five-Star rating system in 1958, *Forbes Travel Guide* (formerly *Mobil Travel Guide*) has provided travelers with an objective rating for hotels, restaurants, and spas in the United States and Canada and more

recently in China. Its goal is to provide ratings and recommendations that you can trust to make the best possible travel decisions.

Exercises:

- a. What criteria does *Forbes Travel Guide* use to rate hotels?
- b. Do you feel that the criteria used are valid, or are they rigid and arbitrary? Why?
- c. How difficult do you think it would be for a hotel manager to acquire each of the stars?

4. Site name: InterContinental Hotels Group

URL: www.ichotelsgroup.com

Background information: InterContinental Hotels Group PLC is the world's largest hotel group by number of rooms. InterContinental Hotels Group owns, manages, leases, or franchises, through various subsidiaries, over 4,400 hotels and 640,000 guest rooms in nearly 100 countries and territories around the world.

Exercises:

- a. List the seven hotel brand names in the InterContinental Hotels Group.
- b. Explain what Priority Club Rewards entails through the InterContinental Hotels Group.

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