

The Accra Beach Hotel: Block Booking of Capacity during a Peak Period

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Cherita Howard, sales manager for the Accra Beach Hotel, a 175-room hotel on the Caribbean island of Barbados, was debating what to do about a request from the West Indies Cricket Board. The Board wanted to book a large block of rooms during some of the hotel's busiest periods more than six months in advance and was also asking for a discount. In return, it promised to promote the Accra Beach as the host hotel in all advertising materials and television broadcasts of the upcoming West Indies Cricket Series, an important international sporting event.

THE HOTEL

The Accra Beach Hotel and Resort had a prime beach-front location on the south coast of Barbados, just a short distance from the airport and the capital city of Bridgetown. Located on 3½ acres of tropical landscape and fronting one of the best beaches on Barbados, the hotel featured rooms offering panoramic views of the ocean, pool, or island.

The centerpiece of its lush gardens was the large swimming pool, which had a shallow bank for lounging and a swim-up bar. In addition, there was a squash court and a fully equipped gym. Golf facilities were also available only 15 minutes away at the Barbados Golf Club, with which the hotel was affiliated.

The Accra Beach had two restaurants and two bars as well as extensive banquet and conference facilities. It offered state-of-the-art conference facilities to local, regional, and international corporate clientele and had hosted a number of large summits in recent years. Three conference rooms, which could be configured in a number of ways, served as the setting for large corporate meetings, training seminars, product displays, dinners, and wedding receptions. A business center provided guests with internet access, faxing capabilities, and photocopying services.

The hotel's 141 standard rooms were categorized into three groups—ocean view, pool view, and island view. There were also 24 ocean-view junior suites, 4 two-bedroom suites, and 6 penthouse suites, each decorated in tropical pastel prints and handcrafted furniture. All rooms were equipped with a cable/satellite TV, air conditioning, ceiling fans, a hair dryer, a coffee percolator, a direct-dial telephone, a bath tub/shower, and a balcony.

Exhibit 1: The Accra Beach Hotel offers panoramic views of the beach.



Standard rooms were configured with either a king-size bed or two twin beds in the island and ocean view categories, while the pool view suites had two double beds. The eight penthouse suites and four two-bedroom suites, all of which offered ocean views, contained the features listed for the standard rooms plus added comforts. They were built on two levels, featuring a living room with a bar area on the third floor of the hotel and a bedroom accessed by an internal stairway on the fourth floor. These suites also had a bathroom containing a Jacuzzi, a shower stall, a double vanity basin, and a skylight.

The 24 junior suites were fitted with a double bed or two twin beds, plus a living room area with a sofa that could be converted to another bed.

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Note: Certain data have been disguised. Unless otherwise indicated, all currencies are in US dollars.

HOTEL PERFORMANCE

The Accra Beach enjoyed a relatively high occupancy rate, with the highest rates achieved from January through March and the lowest generally achieved during the summer (Exhibit 2). The average room rates followed a similar pattern—they were highest (US\$150–\$170) from December through March and relatively low (US\$120) during the summer months (Exhibit 3). The hotel's RevPAR (revenue per available room—a product of the occupancy rate and the average room rate) showed even more variation, exceeding \$140 from January through March but falling to less than \$100 from June through October (Exhibit 4). The rates on the penthouse suites ranged from \$310 to \$395, while those on the junior suites ranged from \$195 to \$235.

The hotel had traditionally promoted itself as a resort destination, and its clientele had been dominated by tourists from the United Kingdom and Canada. However, the composition of hotel guests had changed drastically over the past few years. The percentage of business customers increased dramatically after the hotel started promoting its convenient location. Cherita Howard, the hotel's sales manager, worked extensively with tour operators and corporate travel managers. The majority of hotel guests were corporate clients from companies such as Barbados Cable & Wireless and the Caribbean International Banking Corporation (Exhibit 5), who usually came for business meetings with local companies. The Accra Beach Hotel had been named Hotel of the Year by the Barbados Hotel Association twice.

Sometimes, guests who were on vacation (particularly during the winter months) felt uncomfortable finding themselves surrounded by business people. As one vacationer put it, "There's just something weird about being on vacation and going to the beach and then seeing suit-clad business people chatting on their cell phones." However, the hotel achieved a higher average room rate from business guests than vacationers and had found the volume of corporate business to be much more stable than that from tour operators and individual guests.

THE WEST INDIES CRICKET BOARD

Cherita had been approached by the West Indies Cricket Board (WICB) about the possibility of the Accra Beach Hotel serving as the host hotel for next spring's West Indies Cricket Home Series, an important international sporting event among cricket-loving nations. The location of this event rotated among several different Caribbean nations. Barbados would be hosting the next one, which would feature visiting teams from India and New Zealand.

Exhibit 2: Accra Beach Hotel: Monthly occupancy rate.

Year	Month	Occupancy
2 years ago	January	87.7%
2 years ago	February	94.1%
2 years ago	March	91.9%
2 years ago	April	78.7%
2 years ago	May	76.7%
2 years ago	June	70.7%
2 years ago	July	82.0%
2 years ago	August	84.9%
2 years ago	September	64.7%
2 years ago	October	82.0%
2 years ago	November	83.8%
2 years ago	December	66.1%
Last year	January	87.6%
Last year	February	88.8%
Last year	March	90.3%
Last year	April	82.0%
Last year	May	74.7%
Last year	June	69.1%
Last year	July	76.7%
Last year	August	70.5%
Last year	September	64.7%
Last year	October	71.3%
Last year	November	81.7%
Last year	December	72.1%

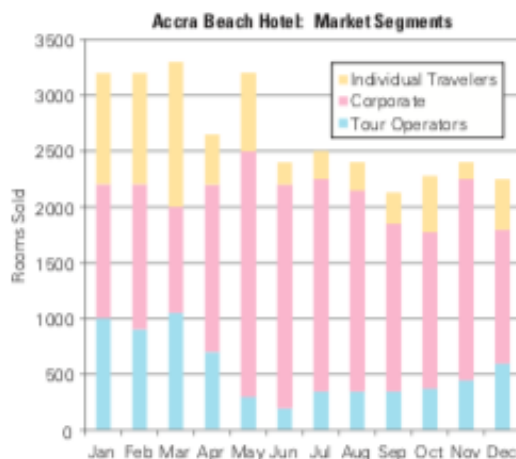
Exhibit 3: Accra Beach Hotel: Average daily room rate.

Year	Month	Average room rate (in US\$)
2 years ago	January	\$159.05
2 years ago	February	\$153.73
2 years ago	March	\$157.00
2 years ago	April	\$153.70
2 years ago	May	\$144.00
2 years ago	June	\$136.69
2 years ago	July	\$122.13
2 years ago	August	\$121.03
2 years ago	September	\$123.45
2 years ago	October	\$129.03
2 years ago	November	\$141.03
2 years ago	December	\$152.87
Last year	January	\$162.04
Last year	February	\$167.50
Last year	March	\$158.44
Last year	April	\$150.15
Last year	May	\$141.79
Last year	June	\$136.46
Last year	July	\$128.49
Last year	August	\$128.49
Last year	September	\$127.11
Last year	October	\$132.76
Last year	November	\$141.86
Last year	December	\$151.59

Exhibit 4: Accra Beach Hotel: Revenue per available room (RevPAR).

Year	Month	Revenue per available room (in US\$)
2 years ago	January	\$139.49
2 years ago	February	\$144.66
2 years ago	March	\$144.28
2 years ago	April	\$120.96
2 years ago	May	\$110.45
2 years ago	June	\$96.64
2 years ago	July	\$100.15
2 years ago	August	\$102.75
2 years ago	September	\$79.87
2 years ago	October	\$105.80
2 years ago	November	\$118.18
2 years ago	December	\$101.05
Last year	January	\$141.90
Last year	February	\$148.67
Last year	March	\$143.02
Last year	April	\$123.12
Last year	May	\$105.87
Last year	June	\$94.23
Last year	July	\$98.55
Last year	August	\$90.59
Last year	September	\$82.24
Last year	October	\$94.62
Last year	November	\$115.89
Last year	December	\$109.24

Note: RevPAR refers to revenue per available room and is computed by multiplying the room occupancy rate (see Exhibit 3) with the average room rate (Exhibit 4).

Exhibit 5: Accra Beach Hotel: Market segments.

Both Cherita and Jon Martineau, the general manager of the hotel, thought that the marketing exposure associated with hosting the teams would be very beneficial for the hotel. However, they were concerned about accepting the business because they knew from past experience that many of the desired dates were usually very busy days for the hotel. They were sure that the rate the WICB was willing to pay would be lower than the average rate of US\$140–\$150 they normally achieved during the period in question. In contrast to regular guests, who could usually be counted on to have a number of meals at the hotel, team members and officials would be less likely to dine at the hotel because they would be on a per diem budget. Cherita and Jon Martineau were also worried about how the hotel's other guests might react to the presence of the cricket teams. Nevertheless, the marketing potential for the hotel was substantial. The WICB had promised to list the Accra Beach as the host hotel in all promotional materials as well as during the televised matches.

The West Indies Home Series was divided into three parts, and each would require bookings at the Accra Beach Hotel. The first part pitted the West Indies team against the Indian team and would run from April 24 to May 7. The second part featured the same teams and would run from May 27 to May 30. The final part showcased the West Indies team against the New Zealand team and would run from June 17 to June 26.

The WICB wanted 50 standard rooms for the duration of each part and was willing to pay US\$110 per night per room. It also specified that each team had to be housed on a single floor of the

Exhibit 6: Standard room sales and average daily room rates for same periods in previous year.

Date of WICB Home Series	Standard rooms sold in previous year during the same period	Average daily room rate (ADR) in US\$
Part I		
4/24	141	\$129
4/25	138	\$120
4/26	135	\$128
4/27	134	\$135
4/28	123	\$133
4/29	128	\$124
4/30	141	\$119
5/1	141	\$124
5/2	141	\$121
5/3	139	\$122
5/4	112	\$118
5/5	78	\$126
5/6	95	\$130
5/7	113	\$138
Part II		
5/27	99	\$131
5/28	114	\$132
5/29	114	\$136
5/30	125	\$136
Part III		
6/17	124	\$125
6/18	119	\$122
6/19	112	\$126
6/20	119	\$111
6/21	125	\$110
6/22	116	\$105
6/23	130	\$106
6/24	141	\$101
6/25	141	\$110
6/26	125	\$115

hotel. In addition, the WICB insisted that laundry service for team uniforms (cricket teams typically wear all-white clothing) and practice gear be provided at no additional charge for all team members. Cherita estimated that it would cost the hotel

about \$20 per day if they could do the laundry in-house but about \$200 per day if they had to send it to an outside source.

Cherita called Ferne Armstrong, the reservations manager of the hotel, and asked her what she thought. Like Cherita, Ferne was concerned about the possible displacement of higher-paying customers but offered to conduct further investigation into the expected room sales and associated room rates for the desired dates. Since the dates were over six months in the future, Ferne had not yet developed forecasts. However, she was able to provide data on room sales and average room rates from the same days of the previous year (Exhibit 6).

Soon after Cherita returned to her office to analyze the data, she was interrupted by a phone call from the head of the WICB, who wanted to know the status of his request. She promised to have an answer for him before the end of the day. As soon as she hung up, Jon Martineau called and chatted about the huge marketing potential of being the host hotel.

Cherita shook her head and wondered, "What should I do?"

STUDY QUESTIONS

1. What factors lead to variations in demand for rooms at a hotel such as the Accra Beach?
2. Identify the various market segments currently served by the hotel. What are the pros and cons of seeking to serve customers from several segments?
3. What are the key considerations facing the hotel as it reviews the booking requests from the West Indies Cricket Board? (For simplification of calculations, assume that each room will hold only one occupant; i.e., 50 rooms equate to 50 cricket players.)
4. What action should Cherita Howard take, and why?