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Good Hotel: *Doing Good, Doing Well?*

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Employees who feel transformed by what they are doing are far more likely to be enthusiastic about their jobs. The hotel industry has become far more expert in retaining its hangers than its employees. The turnover in the hotel business is 70–100 percent; ours is closer to 30 percent. Shouldn't a company want to offer its employees the same opportunities for self-actualization? I call this 'karmic capitalism.'

—Chip Conley, founder and CEO, Joie de Vivre Hotels, speech to Association of Fundraising Professionals, Commonwealth Club, San Francisco, January 22, 2010

All of our hotels are nonconventional and have a philanthropic community vision. This is one of the main reasons why I plan to stay with Joie de Vivre for a very long time.

—Pam Janusz, General Manager, Joie de Vivre SOMA Hotels, personal interview, March 5, 2010

1 When Pam Janusz, General Manager of Good Hotel, arrived at work on Thursday, April 15, 2010, she found some very disquieting news in her e-mail inbox. Pam worked for Joie de Vivre (JdV), a San Francisco-based hotel management company. Earlier that morning, Ingrid Summerfield, JdV's President, had sent an e-mail message marked "urgent". The message confirmed rumors that the owners of Good Hotel and the two other properties that Pam managed, Best Western Americania and Best Western Carriage Inn, had foreclosed on their holdings and sold all three properties to a new ownership group.

2 JdV had renovated Best Western Hotel Britton and Best Western Flamingo and relaunched the two as one new hotel, Good Hotel, in November 2008. Good Hotel was known in the industry as the first to be branded as a "hotel with a conscience"—encompassing a positive attitude, environmental sensitivity, and philanthropy. **Exhibit 1** presents marketing information about Good Hotel. Pam had managed Good Hotel, Best Western Americania and Best Western Carriage Inn, three of JdV's 16 San Francisco properties, since November 2009. A new ownership group planned to run all three hotels in JdV's SOMA ("South of Market Street") group themselves and terminate JdV's management contract at the end of May 2010, barring any unforeseen issues related to the sale. Meanwhile, Pam would be reassigned to another, as yet unknown position at JdV. The remainder of the e-mail message was a request to evaluate the performance of Good Hotel to prepare for its transition to new ownership.

Source: Professor Armand Gilinsky, Jr. of Sonoma State University and S. Noorein Inamdar of San José State University developed this case for class discussion rather than to illustrate either effective or ineffective handling of the situation. The host organization has provided written permission to disseminate this case for academic purposes. The host organization has signed a release letter for this case. Draft dated June 14, 2010.

EXHIBIT 1 **The Good Hotel**

Philosophy and Customer Experience

The Good Hotel is intended to be the first hotel with a conscience. Our philanthropic and positive approach is designed to inspire the "good in us all."

The Good Hotel is a hip San Francisco hotel that practices philanthropy and believes in doing good for the planet. The eco-friendly hotel décor features reclaimed and recycled construction materials.

Vending machines in the lobby are stocked with wallets made from FedEx envelopes and are one example of our inventive ideas to promote a good lifestyle.

We are also as fun as we are inventive. You'll find humorous touches like "Be Good" written on walls of your room.

What does "good" mean to you? For some, the word may inspire visions of helping a homeless person find shelter for a night. Others may think of global warming and chant the mantra, "reduce, re-use, recycle." Or, maybe your mission isn't to save the world, and it simply connotes a positive fun attitude.

Joie de Vivre Hotels' identity as a socially conscious company inspired us to design this SOMA hotel with all these good intentions. From beds and headboards made from locally reclaimed wood to glow in the dark messages, our guests will discover that we are good with a lighthearted twist.

Hotel Services

- Parking available at $20 per night (plus tax). Hybrid cars receive complimentary parking
- *Good Pizza* serving artisan-style pizzas using only fresh and local ingredients is located adjacent to the hotel lobby
- Business stations located in the lobby
- High-speed internet access
- Pet friendly hotel offering complimentary treats and water/food bowls upon check-in (additional $25/pet fee applies)
- Access to outdoor, heated pool located across the street
- Bicycles available on loan when you stay with us

Guestroom Amenities

- "Good" Amenities: bed frame made of 100% reclaimed wood, light fixture made of glass water bottles and toilet top sink
- 26-inch flat screen TV
- iPod docking station
- Hairdryer
- Iron & ironing board
- Coffee/tea maker
- High-speed wireless internet access
- Fold-down writing desk
- Curved shower rod

Source: The Good Hotel, guest brochure.

3 "Wow!" Pam exclaimed,

> I've been trying to get to know our staff, guests, and neighborhood over the last six months. We have a great staff in place. We were able to beat our financial forecasts for the first quarter of 2010. Our guest service has been steadily rising over the last few months. There have not been any major surprises until today.

4 Pam thought about her and Good Hotel's accomplishments during the past six months and her priorities for the remaining six weeks. She wondered what she would say about the

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change in ownership and possible future direction of Good Hotel to her 130 part- and full-time staff that serviced 308 rooms among the three properties, including 117 rooms at Good Hotel. Hotel staff was to remain with the three properties under new ownership.

5 Pam had spent a good deal of her time training the management team in an effort to increase the standards of service at the hotel and in turn guest loyalty. Employee satisfaction was on the rise. Online reviews of the hotel were increasingly frequent and positive. While she anticipated the new owners would maintain Good Hotel as a theme-based property, she needed to prepare her evaluation and recommendation as to whether to continue, expand, or discontinue the Good Hotel concept to the new ownership group, in the next six weeks.

THE U.S. LODGING INDUSTRY

6 Large, branded hotel chains dominated the U.S. lodging industry. Twelve leading hotel chains and their brands are profiled in **Exhibit 2**. The lodging business was cyclical: hoteliers tended to begin building capacity during the upturns, which came on line just in time for the downturns, according to Standard & Poor's. As a result, the industry suffered from chronic

EXHIBIT 2 Operating Statistics of Twelve Major Hotel Chains, 2007–2009

Company Name	Ticker symbol	# Properties (*boutique hotels*)	# Rooms	# Emp.	Key brands
Accor SA	ACRF:Y	4,000	500,000	158,162	Sofitel, Novotel, Mercure, Suitehotel, Motel 6
Best Western	[*private*]	4,000	303,827	1,059	Best Western
Choice Hotels International	CHH	6,021	487,410	1,560	Comfort Inn, Quality Inn, Econo Lodge, Clarion, Rodeway Inn, Sleep Inn
Four Seasons Hotels	[*private*]	80		33,185	Four Seasons, Regent
Hilton Worldwide*	[*private*]	3,500	545,000	130,000	Hilton, Conrad, Doubletree, Embassy Suites, Hampton
Hyatt Hotels Corp	H	431	119,857	45,000	Hyatt Regency, Grand Hyatt, Park Hyatt, Hyatt Place, Hyatt Summerfield Suites, Hyatt Resorts, Andaz
InterContinental Hotel Group	IHG	4,438	646,679	7,556	InterContinental, Holiday Inn Express, Crowne Plaza, Indigo, Staybridge Suites, Candlewood Suites
Kimpton Hotel Group	[*private*]	40 (*all*)	9,322	6,000	Monaco, Palomar
Marriott International	MAR	3,420	595,461	137,000	Marriott, Courtyard, Fairfield Inn, Ritz-Carlton
Red Lions Hotels	RLH	47	8,910	2,860	Red Lion
Starwood Hotels & Resorts Worldwide	HOT	979 (*30*)	292,000	145,000	Four Points, Sheraton, Westin, St. Regis, Luxury Collection, W Hotels, Le Méridien, Aloft, Element
Wyndham Worldwide	WYN	7,000	588,000	24,600	Days Inn, Howard Johnson, Ramada, Super 8

EXHIBIT 2 (*Continued*)

FYE 12/31, U.S. $ million	2009		2008		2007	
Company Name	**Total Revenue**	**Net Income**	**Total Revenue**	**Net Income**	**Total Revenue**	**Net Income**
Accor SA	$10,726.3	$864.0	$11,812.0	$1,342.4	$9,938.3	$567.3
Best Western						
Choice Hotels International	4,140.0	98.3	4,936.0	100.2	4,692.0	111.3
Four Seasons Hotels	21.0					
Hilton Worldwide*			7,770.0		8,162.0	572.0
Hyatt Hotels Corp	3,332.0	(43.6)	3,837.0	168.0	3,738.0	270.0
InterContinental Hotel Group	1,538.0	214.0	1,854.0	262.0	883.0	231.0
Kimpton Hotel Group	600.0					
Marriott International	10,908.0	(346.0)	12,879.0	362.0	12,990.0	696.0
Red Lions Hotels Corp	165.4	(6.6)	187.6	(1.7)	186.9	6.1
Starwood Hotels & Resorts Worldwide	4,712.0	71.0	5,907.0	329.0	6,153.0	542.0
Wyndham Worldwide Corp	3,750.0	293.0	4,281.0	(1,074.0)	4,360.0	403.0

* Acquired by the Blackstone Group in September 2007.

Sources: Mergent OnLine and Hoovers/Dun & Bradstreet (ProQuest), and individual company Web sites, accessed April 24 and 25, 2010.

overcapacity: as of October 2009, the U.S. lodging industry comprised approximately 4.8 million rooms at more than 50,000 properties—about one hotel room for every 64 US residents.

7 *Recent performance*. Beginning in the second half of 2008 and continuing through the first quarter of 2010, the lodging industry experienced one of its longest downturns since industry data first became available in the late 1960s. Headline unemployment, declining business and conference travel, relatively unchanged real GDP, and rampant foreclosures were lead contributors to low occupancy rates of 2008 and 2009. Standard & Poor's projected that 2010 would represent a further decline in hotel industry performance. The prolonged industry downturn was expected to drop occupancy levels between 55 percent and 56 percent, representing the worst rate since the Great Depression, according to Standard & Poor's. In December 2009, Smith Travel Research estimated that U.S. hotel rates for the year had declined 8.9 percent, and would fall another 3.4 percent in 2010. Hotel occupancy had declined 8.8 percent in 2009, and was forecasted to drop a further 0.2 percent in 2010. After ending 2009 down 6 percent, demand was forecasted to grow 1.6 percent in 2010, mostly driven by recovering demand in the second half of the year.

8 A key industry statistic, Revenue Per Available Room or RevPAR, declined 17 percent in 2009, and was forecasted to drop a further 3.6 percent in 2010, according to Smith Travel Research. RevPAR was a ratio commonly used to measure financial performance in the hospitality industry. The metric, which was a function of both room rates and occupancy, was one of the most important gauges of health among hotel operators. There were two ways to calculate RevPAR. The first formula was: Total Room Revenue in a Given Period, Net of Discounts, Sales Tax, and Meals divided by number of Available Rooms in the Same Period. Alternatively, RevPAR could be calculated as: Average Daily Room Rate times

Occupancy Rate. RevPAR was arguably the most important of all ratios used in the hotel industry. Because the measure incorporated both room rates and occupancy, it provided a convenient snapshot of a how well a company was filling its rooms, as well as how much it was able to charge. RevPAR, by definition, was calculated on a per-room basis. Therefore, one company might have a higher RevPAR than another, but still have lower total revenues if the second firm managed more rooms.

9 In a lodging industry review of 2009 and preview for 2010, Jeri Clausing of *Travel Weekly,* a popular trade publication, noted:

> Meetings and business travel will be a big factor in the recovery. Already stung by the slowdown in travel that accompanies any recession, hoteliers were hit with a double whammy in 2009 when luxury and meetings became dirty words. Toward the end of 2009, hotel executives said they were starting to see signs of life again in these markets. The bad news for hoteliers is that most of the corporate rates have already been negotiated, so even if travel picks up more than expected next year, it probably won't show in rates and RevPAR until 2011.

10 *Greening of the hotel industry*. The growing interest in and investments made to support sustainability in the hospitality industry had, by late 2009, moved beyond hotel recycling programs and energy-efficient lighting. According to an 2009 article appearing in *Hotels* magazine, hotels seeking new customers and growth in these difficult economic times could benefit over the long term with investments in sustainability initiatives, including retrofitting existing properties to achieve Leadership in Energy and Environmental Design (LEED) certification and building new properties to LEED standards. A late 2008 Travel Industry Association Study reported that nearly half of U.S. leisure travelers expressed a willingness to pay higher rates for services provided by environmentally friendly travel providers, and of those willing to pay more for "green" lodging, 60 percent said they would pay up to a 9 percent premium. A Deloitte survey from 2008 reported that 28 percent of U.S. business travelers were willing to pay a 10 percent premium to stay in a green lodging facility.

11 *Emerging demographic segment*. A major driver of the growing demand for green lodging came from an emerging demographic segment that consisted of consumers identified as "Cultural Creatives" by American sociologist Paul Ray, and also known as LOHAS (Lifestyles of Health and Sustainability). This segment sought a better world for themselves and their children. They were savvy, sophisticated, ecologically and economically aware customers who believed that society had reached a watershed moment in history owing to increasing public scrutiny of corporations' environmental and ethical practices. The LOHAS consumer focused on health and fitness, the environment, personal development, sustainable living and social justice. This segment was estimated by the Natural Marketing Institute (NMI) to consist of about 38 million people, or 17 percent of the U.S. adult population, with spending power of $209 billion annually. Among all ages of consumers, younger consumers, aged 14–24, were reported to be most concerned about issues such as climate change and environmental protection, and were the major drivers of growth in the LOHAS segment. See **Exhibit 3** for a profile of the LOHAS demographic.

12 Of that segment, the NMI identified a sub-segment of tourists comprising five percent of the overall U.S. travel and tourism market and representing a $77-billion market. Major hotel companies like Ritz Carlton and Starwood were known to be creating eco-branded properties. Hospitality designers and architects increasingly were being asked to "green" facilities across the board, from budget properties to high-end resorts.

13 *San Francisco tourism and lodging patterns*. Of the estimated 15.4 million visitors to San Francisco city and county in 2009, more than 4.5 million overnight visitors stayed in commercial accommodations, comprising 32,976 hotel rooms and 215 hotels. Visitors paid a 14 percent occupancy tax that generated about $210 million for San Francisco city and

EXHIBIT 3 **The Green Consumer**

	All consumers	"Green" consumers
Average age	44	40
Gender		
Female	51%	54%
Male	49%	46%
Ethnicity		
Caucasian/other	75%	62%
Hispanic	13%	21%
African-American	11%	16%
College educated	25%	31%
Median household income	$58,700	$65,700

Source: Brooks, S. (2009). The green consumer, *Restaurant Business,* September, pp. 20–21.

county services, including schools, police, affordable housing, and arts programs. Most tourists in San Francisco took day trips beyond city limits or extended their visit throughout Northern California by taking side trips to other area locales and attractions, such as the Napa/Sonoma wine country (23 percent), Sausalito (14 percent), and the Monterey peninsula (about 10 percent). **Exhibit 4** presents San Francisco tourism data and **Exhibit 5** shows comparative statistics on the San Francisco hospitality industry for the periods ending March 31, 2008, 2009, and 2010.

14 The San Francisco Convention and Visitors Bureau forecasted that room supply would remain relatively unchanged out to 2015, while demand for rooms would remain flat, in stark contrast to 2004–2008, which represented five consecutive years of growth in both room supply and tourism demand. The Bureau also projected that hotel occupancy rates, average daily rates (ADR) and RevPAR would not begin to recover until 2011–12. One major factor was that the Moscone Convention Center, San Francisco's largest convention and meetings site, was expected to have a weak convention year in 2010 compared to five of the prior six years. Convention center bookings—at places such as the Moscone Center—greatly influenced hotel projections. Nearly 20,000 hotel rooms were in walking distance of the Moscone Center (including Good Hotel, which was five blocks away), and convention travel represented 35 percent of the annual demand for hotel rooms, according to the Convention and Visitor's Bureau. Although eight new hotels were on the drawing board, those new properties were unlikely to alter local room supply in the near-term.

JOIE DE VIVRE

15 Since JdV's founding in 1987, the company had grown to manage 36 boutique hotel properties in California. By 2010, JdV was the second largest U.S. boutique hotel operator after the Kimpton Hotel & Restaurant Group, which had pioneered the boutique concept in San Francisco in 1981.

16 *Boutique hotels.* Boutique hotels differentiated themselves from larger chain branded hotels and motels by providing personalized accommodation and services and facilities. Sometimes known as "design hotels" or "lifestyle hotels", boutique hotels began appearing in the 1980s in major cities like London, New York, and San Francisco. Boutique hotels

EXHIBIT 4 San Francisco Hotel Guest Profile in 2009

Average annual household income:	$93,900
Average spending in SF (per-person, per-day):	$244.33
First-time San Francisco visitors:	17.5%
Traveling with children:	8.7%
Gender:	Male = 53.5% Female = 46.5%
Average age:	46 years old
Average nights in SF hotels:	3.6 nights
Average total length of current trip:	4.6 nights
People per room:	1.77
Used Internet in planning trip:	53.9%
Rental car in San Francisco:	25.8%
Arrived by air:	80.2%
Top five feeder markets of hotel guests [by Designated Market Areas (DMAs)]	Los Angeles – v12.7% San Francisco-Oakland-San Jose – 7.7% Sacramento-Stockton-Modesto – 7% New York City – 5.7% Washington, DC – 3.5%
Primary reason for visit (% of all hotel guests):	39.7% Leisure 35.3% Convention 22.1% Transient business 2.9% Other

Source: http://www.sfcvb.org/research/, accessed April 28, 2010.

EXHIBIT 5 San Francisco Hospitality Statistics, 2008–2010

Avg. Daily Room Rate ($)			
	March 2008	**March 2009**	**March 2010**
Civic Center/Van Ness	$114.16	$ 92.45	$ 90.67
Financial District	230.21	189.47	181.93
Fisherman's Wharf	155.52	116.61	111.48
Union Square/Nob Hill/Moscone Center	200.00	176.57	161.99
Occupancy Rate (%)			
	March 2008	**March 2009**	**March 2010**
Civic Center/Van Ness	79.6%	69.4%	74.3%
Financial District	76.7	69.0	77.0
Fisherman's Wharf	84.0	74.5	86.0
Union Square/Nob Hill/Moscone Center	73.6	66.8	75.2

Sources: http://www.sfcvb.org/research/, accessed April 28, 2010. Hospitality statistics from PKF Consulting.

were furnished in a themed, stylish and/or aspirational manner. Boutique hotels typically were unique properties operated by individuals or companies with a small collection. Their successes in time prompted several multi-national hotel companies to try to establish their own brands in order to capture a market share. The most notable example was Starwood's W Hotels, ranging from large boutique hotels, such as the W Times Square in New York City, to the W 'boutique resorts' in the Maldives, to true luxury boutique hotel collections, such as the Bulgari collection, SLS Hotels, Thompson Hotels, The Keating Hotel, and the O Hotel, among others.

17 *Strategy*. According to Chip Conley, JdV's founder and CEO,

> I went into hospitality because I enjoyed commercial real estate but hated the transactional part. If you get it right and your customer sees the product as an extension of themselves, you're refreshed the identity of the customers because they feel that by using the product they're becoming more of that aspirational self, according to Abraham Maslow's 'Hierarchy of Needs'.[1]

18 In 2007, Conley related JdV's branding strategy to *Travel Weekly*:

> We know California better than anybody else. We are the largest hotelier in the state. About 40 percent of our customers come from within the state. We went through a whole branding process, and what we heard from our customers was that they loved the fact that we create original hotels. We come up with a personality for the hotel by thinking of magazines. It is sort of like a good touchstone for personality. Each [hotel] is its own unique product. You can be geographically diverse, but that means you have to be product-line focused. Or you can be geographically focused and the product line diverse. Holiday Inn is geographically diverse and product-line focused. We are the opposite of Holiday Inn.[2]

19 Among JdV's most recently opened San Francisco Bay Area properties, the Tomo in Japantown was based on two Japanese pop culture magazines, *Lucky* (a popular women's magazine in Japan) and *Giant Robot* (a Japanese magazine devoted to anime and manga and technology-based art). Other properties included the Vitale (*Dwell + Real Simple*), Galleria Park (*Vanity Fair + BusinessWeek*), Kabuki (*Travel & Leisure*), and downtown Berkeley's Durant (*Sports Illustrated + Economist*). The Good Hotel concept was based on two magazines *Ode + Readymade,* and according to Pam, embodied five key words: "Hip, Happy, Humble, Conscious, and Inventive."

20 *Marketing*. JdV spent very little on marketing, preferring to rely mostly on word-of-mouth and social media promotion on the Internet to attract guests to its hotels. According to industry analysts, social media use among travelers continued to grow faster than the travel industry itself.

21 Unique monthly visitors to social travel websites such as TripAdvisor.com and Yelp!.com rose 34 percent between the first half of 2008 and the last half of 2009, to 15.9 million, representing year-over-year growth of more than 30 percent in the first half of 2009 and 45 percent in the second half of 2009. By comparison, U.S. travel gross bookings had declined 16 percent in 2009.[3]

22 *JdV's green programs*. In 2009, JdV's senior vice president of operations and green committee chair, Karlene Holloman, launched the company's Green Dreams portal, a dedicated

[1] Speech to Association of Fundraising Professionals, Commonwealth Club, San Francisco, January 22, 2010. See also Chip Conley's 2007 book on the subject of applying Maslow's Hierarchy of Needs to business, *Peak: How Great Companies Get Their Mojo from Maslow*. San Francisco: Jossey-Bass.

[2] Milligan, M. (2007). Joie de Vivre finds inspiration for properties in pop culture. *Travel Weekly,* May 1, http://www.travelweekly.com/article3_ektid92480.aspx?terms=*joie+de+vivre*, accessed May 1, 2010.

[3] PhoCusWright (2010) *Social Media in Travel: Traffic & Activity,* April.

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EXHIBIT 6 LEED Certified Hotels in Northern California

LEED was an acronym for Leadership in Energy and Environmental Design. Buildings attained LEED certification from the U.S. Green Business Council by earning points in six categories: sustainable sites, water efficiency, energy and atmosphere, materials and resources, indoor environmental air quality, and innovation/design process. Based on the total number of points, a business would then receive a silver, gold or platinum designation. Lower operation costs were typically associated with a LEED building: approximately 30 to 40 percent less energy use and 40 percent less water. Application for LEED certification of an existing property could cost upwards of $10,000, depending upon the size of the property, the number of rooms, and the level of certification sought. Most hotels tried for certification of new construction, which was much easier and potentially less costly to earn than from retrofitting an existing building.

As of March 2010, there were 12 LEED-certified hotels in America, of which four were in San Francisco [Hotel Carlton (Gold), Orchard, Orchard Garden, and W Hotel (Silver)], with more than 100 proposals in the works. See table below. Other reputable certifications by Green Seal and the Green Tourism Business Scheme in the United Kingdom have led to confusion, with no universal stamp of approval available.

Hotel Name and Location	LEED Rating System and Certification Level*	Building Type
SAN FRANCISCO		
Hotel Carlton	LEED EBOM **Gold**	Commercial
Orchard Garden Hotel	LEED NC Certified (v2.1)	Commercial
Orchard Hotel	LEED EB Certified (v2.0)	Commercial
W Hotel	LEED EBOM Silver	Commercial
OUTSIDE SAN FRANCISCO		
Gaia Napa Valley Hotel, American Canyon	LEED NC **Gold** (v2.1)	Commercial
Gaia Shasta Hotel, Anderson	LEED NC Silver (v2.1)	Commercial

* Rating Systems
LEED CI = LEED for Commercial Interiors
LEED CS = LEED for Core & Shell
LEED EB = LEED for Existing Buildings
LEED EBOM = LEED for Existing Buildings: Operations & Maintenance
LEED H = LEED for Homes
LEED NC = LEED for New Construction (and Major Renovations)
LEED ND = LEED for Neighborhood Development

LEED Certification Levels:
Certified, Silver, Gold, Platinum

Sources: http://www.mlandman.com/gbuildinginfo/leedbuildings.shtml (updated every 8 weeks, accessed 4/25/2010), and http://www.executivetravelmagazine.com/page/What+is+an+LEED+hotel+--+and+where+are+they%3F, accessed 4/25/2010.

page on its Web site (http://www.jdvhotels.com/greendreams/), where consumers could track the company's ongoing efforts to preserve the environment. Holloman said at the time:

> We want to be transparent and share the progress we've made and the efforts that continue as we strive to have all our hotels green-certified in the near term. In essence, our guests can be green cheerleaders, watching from the sidelines as more of our hotels reach their goals. We hope Joie de Vivre Green Dreams will become a useful tool and resource for our guests and any consumer evaluating green travel programs.[4]

23 To demonstrate its ongoing commitment to the environment, JdV's hotels had a goal of becoming certified green by their local city or county while using the San Francisco Green

[4] In Gale, D. (2009). The green guests are coming. *Hotels,* 43, January, p. 33.

Business Certification standards, as these were the most stringent in the state. Some hotels, like Hotel Carlton, went beyond this goal by investing in solar power and achieving LEED certification, making it San Francisco's first hotel to be awarded a Leadership in Energy and Environmental Design (LEED) Gold certification. **Exhibit 6** presents a definition of LEED and a listing of Northern California hotel properties carrying this certification as of April 2010.

24 *Financial performance*. In 2009, JdV's hotels, restaurants and spas generated an estimated $250 million in revenues, at properties ranging from the high-end Ventana Inn in Big Sur, California, with rooms at $700 per night, to Good Hotel, at $70 per night. JdV's room revenues dropped 18–20 percent in 2008–09, but appeared to be rising at about the same rate in the first quarter of 2010, according to Conley. JdV was privately held and did not release information regarding individual hotel revenues or profits. Nevertheless, Conley publicly stated that JdV had remained profitable throughout the downturn. According to an April 9, 2010 report in the *San Francisco Business Times,* Conley was actively seeking a strategic capital partner for JdV, a partner that could provide an investment of $150 million or more to expand the number of properties under JdV's management.

GOOD HOTEL

25 *Operations*. Formerly managed by JdV as a Best Western motel and an adjacent property, the Hotel Britton, the Good Hotel was refurbished in 2008 and reopened in November of that year. It was located at the corner of Mission and Seventh Streets—a gritty but slowly revitalizing corner of SoMa, as the area south of Market Street in San Francisco was known. In the immediate vicinity were single-room-occupancy housing, the futuristic-looking San Francisco Federal Building and a sleek plaza lined with cafés. Mass transit, including bus, light rail, cable car and subway, was all within walking distance.

26 Good Hotel's lobby showcased many environmentally and socially conscious features including a bench made of recycled felt blankets, a vending machine branded by *Ready-Made* magazine that dispensed wallets fashioned out of FedEx envelopes ($15) and other goodies; wall art by developmentally disabled artists; and an orange phone that connected to a "philanthropy concierge" who arranged volunteer stints through One Brick, a local non-profit. There was also a photo booth in the lobby ($3 for two prints); the hotel encouraged visitors to add to the photo collage of guests prominently displayed in the lobby. The hotel's 38 motel-style rooms opened onto a courtyard parking lot, and the remaining 79 rooms were located in a five-story brick building.

27 In the rooms, which had the feel of a slightly upscale youth hostel, platform beds made of reclaimed pine were draped with fleece blankets made of recycled soda bottles. The pillows were made from old bedspreads salvaged from the previous hotel, a Best Western. Each room had a chandelier made of empty Voss water bottles, a recycling bin, a fold-down metal desk just big enough for a laptop and, overhead, a secret message from the hotel that glowed in the dark. Bathrooms featured a Japanese-style toilet-top sink: the gray water from the sink was collected in the toilet tank, saving water. Rooms provided free Wi-Fi, an iPod docking station and 26-inch flat-screen televisions. A spacious fitness center and outdoor heated pool were available across the street, at the recently renovated Best Western Americania. At checkout, guests donated $1.50 per day to One Brick (donations were automatically added to each room night stay), offset their carbon footprint through Carbonfund.org, or went on-line on one of the iMacs in the small business center with an option to give a $200 computer through One Laptop per Child.

28 Writing in the *San Francisco Chronicle* in December 2008, just after the hotel opened, John Flinn described his experience: "San Francisco's new Good Hotel doesn't miss many

tricks in its bid to be the greenest, do-goodingest, most politically correct hotel in America. But even Hummer drivers and spotted owl stranglers will appreciate the gratifyingly low room rates, which start at $67 a night."

29 *Leadership.* Pam received an MBA from the University of Texas at Austin in 2004. She initially was responsible for management of three of JdV's smallest boutique hotels. In 2006, she served as the General Manager of Special Projects relating to transitional hotels, a role in which she was responsible for assisting new JdV hotels and restaurants in acclimating to the culture, processes, and operational standards of the company.

30 In 2007 Pam was promoted to the General Manager role at Hotel Carlton, a certified green business by the city of San Francisco. In this role she became involved in many JdV-wide initiatives including the Safety Task Force, Green Committee and Advisory Panel. Pam led the process at Hotel Carlton to install solar panels that provided 9 percent of the energy used on property, and spearheaded the hotel's application process to become certified by the U.S. Green Building Council at the Gold Level for LEED-EB (existing building). As a member of the JdV Green Committee, Pam also contributed greatly to the new JdV Green Dreams Web site, which outlined and rated the company's environmental initiatives in four main focus areas: recycling and waste reduction, energy conservation, water conservation and pollution prevention.

31 While conducting a tour of Good Hotel in March 2010, Pam remarked that part of her job entailed educating staff members to ensure they were aware of JdV's safety and green programs and could explain them to guests and answer guests' questions. Nearly all guests at Good Hotel were leisure travelers or tourists on a budget. She said,

> Recently, we find travelers are more last minute when reserving their hotel accommodations. We see a lot of walk-in and Internet 'on the day of' reservations which drive occupancy. There is a fine line when setting room rates so we are competitively priced but not too low so we attract clientele that we do not want at our hotels. We've also had to focus a lot on service and safety training due to the fact that this neighborhood is still transitional. Our Green Dreams Web site and personal contact together provide the most effective means of attracting and keeping guests who are concerned about the environment. I was hoping that we could convince the owners of the Good Hotel to apply for LEED certification, like we did at the Hotel Carlton, but they were not in a position to immediately move forward on new investments when I arrived at the hotel.

32 *Financial performance.* Smith Travel Research collected monthly operating statistics for hotels. Statistics for the Hotel Britton (the previous property) and the Good Hotel from March 2008 to the end of March 2010 are shown in **Exhibit 7**, providing comparisons of occupancy rates, average daily rate, and RevPAR with five selected peer group competitors in its neighborhood, size, and class. **Exhibit 8** provides monthly operating data for The Good Hotel from its opening in November 2008 to the end of March 2010.

EXHIBIT 7 Operating Statistics: Good Hotel vs. San Francisco Peer Group, March 2008–March 2010

March 31, 2008	Occupancy (%)		ADR ($)		RevPAR ($)	
	Hotel Britton*	Comp Set**	Hotel Britton*	Comp Set**	Hotel Britton*	Comp Set**
Current Month	45.4	67.9	79.38	83.68	36.07	56.79
Year-to-Date	39.3	59.2	73.61	76.76	28.92	45.46
Running 3 Month	39.3	59.2	73.61	76.76	28.92	45.46
Running 12 Month	63.3	69.0	80.23	86.02	50.82	59.38

EXHIBIT 7 (*Continued*)

March 2008 vs. 2007 Percent Change (%)

	Occupancy		ADR		RevPAR	
	Hotel Britton*	Comp Set**	Hotel Britton*	Comp Set**	Hotel Britton*	Comp Set**
Current Month	−18.5	−1.1	28.2	26.9	2.8	25.6
Year-to-Date	0.3	2.9	9.4	14.7	9.7	18.0
Running 3 Month	0.3	2.9	9.4	14.7	9.7	18.0
Running 12 Month	1.1	8.4	6.8	7.8	8.0	16.9

March 31, 2009***

	Occupancy (%)		ADR ($)		RevPAR ($)	
	Good Hotel	Comp Set**	Good Hotel	Comp Set**	Good Hotel	Comp Set**
Current Month	70.3	59.3	65.82	66.51	46.85	39.90
Year-to-Date	55.3	53.4	62.95	63.88	34.36	34.25
Running 3 Month	55.3	53.4	62.95	63.88	34.36	34.25
Running 12 Month	29.7	67.9	85.23	90.22	31.49	60.10

March 2009 vs. 2008 Percent Change (%)***

	Occupancy		ADR		RevPAR	
	Good Hotel	Comp Set**	Good Hotel	Comp Set**	Good Hotel	Comp Set**
Current Month	54.9	−12.7	−17.1	−20.5	29.9	−29.7
Year-to-Date	40.6	−9.8	−14.5	−16.8	18.8	−24.7
Running 3 Month	40.6	−9.8	−14.5	−16.8	18.8	−24.7
Running 12 Month	−53.1	−1.6	6.2	4.9	−38.0	1.2

March 31, 2010

	Occupancy (%)		ADR ($)		RevPAR ($)	
	Good Hotel	Comp Set**	Good Hotel	Comp Set**	Good Hotel	Comp Set**
Current Month	66.2	56.1	73.30	73.66	48.50	41.30
Year-to-Date	57.8	51.7	71.94	67.74	41.60	35.02
Running 3 Month	57.8	51.7	71.94	67.74	41.60	35.02
Running 12 Month	76.7	61.8	78.55	80.27	60.21	49.63

March 2010 vs. 2009 Percent Change (%)

	Occupancy		ADR		RevPAR	
	Good Hotel	Comp Set**	Good Hotel	Comp Set**	Good Hotel	Comp Set**
Current Month	−6.2	−5.7	10.2	9.7	3.4	3.4
Year-to-Date	4.4	−3.3	12.5	5.7	17.4	2.2
Running 3 Month	4.4	−3.3	12.5	5.7	17.4	2.2
Running 12 Month	61.3	−9.9	−8.5	−12.4	47.7	−21.1

Notes

*JdV's Hotel Britton was refurbished and reopened as the Good Hotel in November 2008.

**Comp set was defined as a peer group of competitive hotels selected by hotel management to benchmark the subject property's performance. The competitive set consisted of five San Francisco hotels near Market Street, with a total of 602 rooms, and included: Knights Inn Downtown San Francisco (68 rooms), The Opal Hotel (164 rooms), Hotel Metropolis (105 rooms), Renoir Hotel (130 rooms), and The Powell Hotel (135 rooms).

*** Good Hotel was closed for a few months in 2008 during renovation. This closure affects the running 12 month averages from the 2009 reports.

Source: Smith Travel Research, March 2008 and March 2010.

EXHIBIT 8 Monthly Operating Statistics: Good Hotel, November 2008–March 2010

	2008	
	Nov	Dec
Number of Rooms	117	117
Occupancy (%)	26.87	55.53
RevPAR ($)	20.53	48.93
TOTAL REVENUE	$2,402	$5,725

	2009											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Number of Rooms	117	117	117	117	117	117	117	117	117	117	117	117
Occupancy (%)	40.14	55.49	70.53	77.35	78.22	87.46	91.98	95.01	92.25	90.65	62.28	69.78
RevPAR ($)	26.57	32.50	46.91	56.29	68.65	68.72	77.01	79.63	80.02	83.33	43.48	39.06
TOTAL REVENUE	$3,109	$3,802	$5,488	$6,586	$8,033	$8,040	$9,011	$9,317	$9,362	$9,750	$5,087	$4,570

	2010		
	Jan	Feb	Mar
Number of Rooms	117	117	117
Occupancy (%)	56.96	49.54	66.17
RevPAR ($)	40.31	35.39	48.50
TOTAL REVENUE	$4,716	$4,141	$5,675

Source: Smith Travel Research, March 2010.

MAKING THE TRANSITION

33 As Pam went through her in-box, another message, marked "urgent", had been sent by the organizer of a Norwegian tour group requesting immediate cancellation of 100 rooms booked at The Good Hotel for the week of April 18th. Disruption of all air travel and indefinite closure of nearly all airports in Europe had forced cancellation of the tour, due to the huge plume of ash generated by the unexpected eruption of the *Eyjafjallajökull* volcano in Iceland. Loss of the Norwegian tour group's business meant that many of the 117 rooms would be empty unless last-minute or walk-in bookings showed up. This came at a time when the hotel industry in general was counting on a recovery from the long economic recession in 2008 and 2009, not to mention the normally soft travel bookings during the winter months.

34 In addition to the cancelled bookings, Pam wondered about how to inform and transition the current Good Hotel staff to the new ownership group. She pondered how her recommendation would impact their commitment to the original intent of Good Hotel.

35 Pam's number one task was how best to prepare Good Hotel and its current staff for the transition to new ownership in six weeks' time. She had several weeks remaining to work with her staff to complete a review of Good Hotel, containing her evaluation of the Good Hotel concept.

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