NACRA

Crowley Inn: "Une Bonne Place pour Rester"

By Arthur Sharplin, of McNeese State University and Rodney H. Mabry of Clemson University. Originally presented at a meeting of the Southwestern Case Research Association, March, 1992. Management cooperated in the field research for this case, which was written solely for the purpsoe of stimulating student discussion. All incidents are real.

Crowley, Louisiana, hometown of colorful Louisiana governor Edwin "Fast Eddie" Edwards, is in the heart of Cajun country, 60 miles west of Baton Rouge. Crowley Inn, with 59 rooms, a restaurant, and a bar, is at the intersection of Louisiana Highway 13, the main north-south route through Crowley, and Interstate Highway 10. Also at that intersection are a Texaco and an Exxon station, a Kentucky Fried Chicken store, and a Burger King restaurant. But many townspeople took special interest in the inn. Mayor Bob Istre said, "Crowley Inn is the first business you see, the only one out there that calls itself 'Crowley' anything." Inn manager Shirley Miller explained, "C'est pour du monde de la village au Crowley" (It is for the people of the village of Crowley).

The inn was completed in 1973. The owner defaulted on his $800,000 loan in 1986, resulting in seizure by the lender, a savings and loan company. The S&L was taken over by the Resolution Trust Corporation (RTC) in 1990. Then, on May 21, 1991, the RTC sold the inn to Art and Kathy Sharplin, of Lake Charles, 45 miles west of Crowley. Art taught business at McNeese State University in Lake Charles.

They formed Crowley Motel, Inc. (CMI) to hold the property and assigned Art's associate Debbie King to manage the investment with the help of an on-site manager. Debbie, 35, had been one of Art's MBA students and he had employed her parttime after she dropped out of the program. At various times Debbie had worked for the regional "Baby Bell" telephone company and had managed a parcel delivery service and two credit and collection agencies.

The RTC's manager, Pam Potts, quit without notice in June. Debbie had been preparing to terminate Pam anyway, with a month's pay, and immediately promoted Shirley Miller, the daytime front-desk clerk, to manager. Shirley, in her forties, was high-school-educated and active in local society..

The bar at Crowley Inn, Martin's Tavern, had been rented to Burnell Martin, a local barber, and CMI assumed the lease, which was to expire at the end of 1992. The Tavern had become a popular night spot for Crowleyites, frequented by the mayor, the sheriff, and other leading citizens, as well as by rice farmers, crawfishers, and oil-field hands. A true Cajun, Martin had talked of setting up an off-track betting parlor and then arranged to get two of Louisiana's first video poker machines, which were to be legal beginning in June 1992.

In February 1992, famous Cajun chef Roy Lyons agreed to lease the restaurant for two years, naming it Chef Roy's Cafe Acadie. Debbie breathed a sigh of relief. She remarked, "The restaurant has been one big headache. It required more employees than the motel, took most of our management time, ate us alive with repairs, and lost money every month." Art had helped his brother build and operate several other motels years earlier and knew motel restaurants typically lose money.

The Sharplins had intended to sell the inn after fixing it up, and that remained a possibility. But Art had asked Debbie and Shirley to assume a 10-year holding period in management decisions. Given that time horizon, the managers were looking for ways to improve motel operations and to implement a marketing plan. And the idea of getting a national franchise, such as Best Western or Red Carpet, was only temporarily on hold.

Facilities

The physical plant had presented quite a challenge to Debbie, who said she knew "less than nothing about running a motel, let alone fixing one." Most rooms were distinctly substandard—sagging and stained bedding; broken furniture; 20-year-old TVs and room air conditioners; ceilings de-spackled and discolored by leaks; faded curtains hanging loose at one end; plumbing fixtures pitted and coated with white scum; washroom counters spotted with cigarette burns; mouse holes in walls; and tacky traps behind credenzas, each with its own grizzly menagerie of dehydrated bugs and roaches. It all seemed even worse in the dim hue cast by the cheap, old incandescent lamps with their yellowed and tattered shades.

Outside, water seeped through cracked pavement from a broken underground pipe, nurturing a patch of green slime. The clack, clack, clack of the sewer plant blower gave notice of imminent failure in that vital system. From the sewer plant, it was possible to see into the small equipment room, where an aging water heater had piled clumps of damp rust on the floor. From the same vantage point, you could see past the dumpster, overflowing with customer and trespasser refuse, to where a former pothole in the truck parking area had grown to become a muddy pond.

The lobby building was little better. Art discovered that the air-conditioning system heated and cooled the void above the hung ceilings, in addition to the usable space. And one of the two main condenser units had been inoperative for months. Someone had poured tar on leaks in the roof overhang, and the black goo hung in stringy drops from the pegboard soffit and the shrubs beneath. In the restaurant kitchen, only one of the overhead exhaust systems worked; an oven door was tied shut with a stocking; cold air leaked from the walk-in freezer through a cocked door; and a long-disabled deep fryer still held its last charge of grease, stale and mantled with scorched meal.

But the inn had originally been well built—and it was still attractive. The guest room building was made of concrete blocks and steel-reinforced slabs, with front and back walls of grooved wood paneling over pine studs. Piping was copper and cast iron, not plastic. One wall in each room was latex enameled and the others had vinyl wall covering, torn and unglued in a few places, but of good quality. The lobby building, of brick veneer, was shrouded with 90-year-old live oaks and much younger pines, giving a sense of homeyness and comfort. And the neat gray and blue decor, though not striking, added a subdued welcomeness.

From May 1991 to February 1992, Crowley Inn's cash flow was applied to upgrading the property. Art and Kathy bought 60 rooms of used furniture, drapes, lamps, and bedspreads from the refurbishment contractor for a Holiday Inn in Beaumont, Texas. Debbie purchased 60 each of new RCA TVs with remote controls, GE clock radios, and chrome clothes racks with hangers. She also got new shower rods and curtains, bed linens, pillows, and a full complement of new beds and foundations. Kathy modified and helped install the drapes, advised on aesthetics, and livened the lobby with greenery and artwork. Shirley arranged for several local men—unemployed artisans she could hire for minimum wage—to help as needed. As each shipment arrived, they would come in to take out the old and install the new. They did much more—sanding the cigarette burns off the washroom counters, painting, stopping mouse holes, patching concrete, and so on. An air-conditioning contractor replaced or repaired 20 room air conditioners, renovated the lobby building heating, ventilating, and air conditioning system, and worked long hours on the restaurant coolers and freezers. A roofer replaced the leaky third of the motel roof and put proper patches on that of the lobby building. Total cost of the renovations: about $130,000.

Two prospective franchisers were asked to inspect the property. Best Western identified about $100,000 in needed improvements—more modern room lights and furniture, new carpeting, covering the concrete block walls with vinyl, and so on—but seemed anxious to do the deal. Red Carpet Inns was ready to franchise immediately, suggesting only minor changes. Debbie concluded the inn was then essentially up to standard for low-end franchises, such as Day's Inns, Comfort Inns, Scottish Inns, and Red Carpet, but not for lower mid-range ones, like Best Western and Quality Inns. Bubbly front-desk clerk Josie Forrestier put it differently: "Crowley Inn used to be just a dump. Now, it is *une bonne place pour rester*" (a good place to stay).

Personnel and Organization

At the time the RTC's manager resigned, the motel was employing six housekeepers plus a supervisor, a maintenance man, and five front-desk clerks, all at minimum wage. There was no written job description, either for Pam's job or for any other. The RTC had balked at paying overtime, and it had become standard practice to show eight-hour shifts on time cards, although employees often worked more, or less. A housekeeper explained, "Pam gave us more than we could do. So we had to punch out and then go back and finish the work." In fact, most time cards for that period show handwritten checkout times, with no indication of who had made the entries. This was allegedly done because Pam could not keep the time clock working properly. The industry standard for room cleaning time was about a half hour per room, including laundering. Of course, expensive hotels allowed more, inexpensive ones less.

However much time the housekeepers actually spent, the rooms stayed dirty. Two large dogs, or maybe camels, had been left alone for a time in 112. Pale spots in the soiled mauve carpet marked where they had done their "business," and the fetor gushed out to greet new guests. One guest, a nurse from Florida, chose another room. In July 1991, she wrote Mayor Istre:

> I am writing to express my concern re the deplorable condition of the Crowley Inn. The mattresses and springs in our room would probably have been rejected by the worst flophouse in the country. The mattresses had a permanent swag, not to mention, sir, a URINE STAIN about 36 inches in length. The tub has mildew all around the caulking. The drapes and spreads haven't seen a laundry in years, it appears. The carpet has stains. The pillows also are stained, not to mention lumpy. Neither mattresses nor pillows have protective covers that can be wiped down between customers. The swimming pool looked cloudy and green our entire stay, and though the desk clerk assured us it was okay, we declined.

No housekeeper, not even the head one, had worked at any other motel. Each was left to decide the best way to clean rooms. And there was no regular inspection by any manager. During June and July 1991, two or three people a night refused to stay after seeing their rooms.

Inspecting the motel after receiving a copy of the nurse's letter, Art and Debbie agreed with her assessment. Many of the problems, Art felt, reflected the discouragement of his people. In one room, toilet paper came off the bottom of the roll; in another, off the top. Here was a bed with one small, flowered pillow and one large, white one; next door, an identical set.

In room 124 a double bedspread was stretched to half cover a king bed, while a king spread in 122 fell in clumps around a double bed. In one room, five tiny bars of soap; in another, none at all. Waste baskets of various sizes—one, two, or none per guest room; pint freezer boxes for ice buckets; shower curtains loose from hanger rings; a stiff bath cloth behind a commode; another hung on a shower curtain rod; a Kentucky Fried Chicken box with dehydrated chicken parts peeping from under a bed. And the furniture—old, cheap, and stained—was scattered haphazardly throughout the rooms. Chair counts ranged from four to none. An orange sled chair was paired with a puce overstuffed one. Chairs with no tables; tables with no chairs.

Wallace Mayer, the maintenance man, was responsible for cleaning the parking areas, mowing the lawn, taking waste to the dumpster, making bank deposits, moving heavy items, adding chlorine to the sewer plant, maintaining the swimming pool, and fixing anything which broke. Sixty-seven, but physically strong and unfailingly good-natured, Wallace went about his tasks with consistency, if not speed. A motel begets refuse, and housekeepers often stacked bulging bags of it in the vending machine areas until Wallace could take them to the dumpster, 50 feet away. It was just as well; the bags hid the gray-matted residue next to the machines and the cans and candy wrappers cast behind them by long-forgotten guests. Wallace kept the lawn and shrubs trimmed, but dairy cups and flattened cans were often left for another day. And six-packs of empty bottles could sometimes be seen standing at the parking lot curb in mute, noontime tribute to Bacchus, whom Cajuns place just above Zeus.

The province of neither housekeeping nor maintenance, room windows and screens suffered neglect. Rain splatter had formed rivulets on the dusty panes, and layers of ancient cobwebs gave the half screens a fuzzy translucence.

As the renovation progressed, Debbie and Shirley began frequent, though sporadic, inspections. Art decreed, "No employee walks past a piece of trash. Nobody!" Cards saying "It was my pleasure to clean your room" were given to housekeepers to sign and leave on credenzas. Debbie obtained videos on proper bed making and room cleaning. She asked the head housekeeper to train her charges and to inspect all guest rooms daily. Of the six housekeepers, only Sandra Guillotte adapted—and survived. The head housekeeper, a holdover from the RTC, soon decided she, too, could not meet Shirley and Debbie's escalating demands. The new one, Carol Hoffpauir, promised she could. In February 1992, Shirley told of the improvement:

> We're getting compliments. We used to be afraid to ask if a guest enjoyed their stay. But today, at least five people commented on how nice the rooms were. Carol checks every room every day, and I do twice a week. We set a new record last week, a whole week without a complaint. The housekeepers still miss things—a bath cloth, or something left in a drawer—but they are doing so much better.

Art asked Shirley, "Why are the housekeepers doing better?" "Because we keep demanding more," she replied. "If we didn't demand it, they wouldn't do it." Carol Hoffpauir agreed, adding,

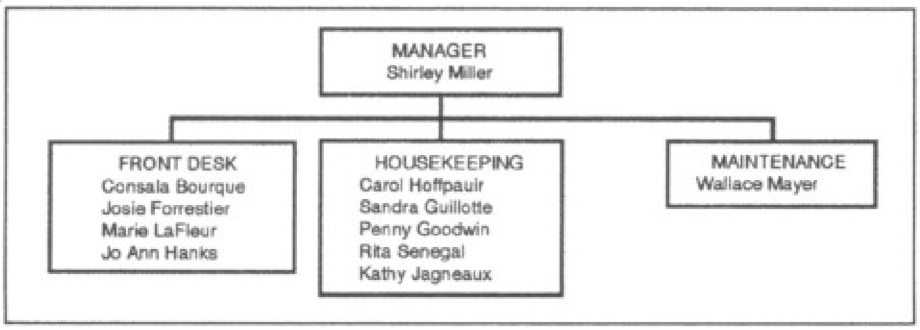
> I write them up every day, which rooms they clean and what they do wrong. We talk, and they can all read my notes on the clipboard, which I leave on the desk. If they do good, I tell them and I tell Shirley.
>
> I wish I could find five workers who take pride in cleaning the way I do. Two of the girls do, but the others seem to just tolerate it. I can hire and fire; I just have to tell Shirley my reasons. But I would rather get them out of their old routine.

Art asked, "Doesn't the improved situation here inspire them?" "I reckon so," Carol replied, "But you have to tell them when they mess up." Debbie added, "We know that new surroundings don't motivate."

Figure 1 shows the organization and employees at the end of February 1992. The desk clerks and Wallace were paid $5 an hour; the housekeepers, minimum wage; Shirley, $300 a week; and Carol, $200. Art had instituted paid one-week vacations, but there was no company medical insurance and no retirement plan. Shirley talked about her job:

> I have a little problem supervising these people. You see, going from housekeeper, to the front desk, to being a manager—I was one of them; I can't come out and fuss at them. It was really hard at first. I called them together and told them it was business for eight hours. After that, we can go have a beer together. I told them, "I don't demand respect—don't call me 'Ma'am' or screen my calls. But when I say I want this done, I want it done. I don't want to stay on your butt." They are not kids. And I'm not running an old folks home, or a community center.
>
> Everybody is from Crowley or Church Point, all Cajun. They take things very lightly. They are all struggling. But they leave their problems at home, unless they get too big. Sometimes, you just need to talk. I listen. I cried when I had to fire Joanne (the former head housekeeper). She's happier though, drinking and trying to get unemployment. Marie works in the restaurant after she finishes here, because she needs the money. Her mother is sick—over ninety percent stoppage in her heart. I could go on and on. This is a second home, for all of us.
>
> Mr. Wallace is part of the furniture. He has been here six, seven, maybe eight years. He does not want forty hours—says it will cut his Social Security. Takes off Friday noon. He is good; you just have to point it out. He loves his job, and we all depend on him. We took a poll the other day on what Mr. Wallace enjoys most; we think he

FIGURE 1
Crowley Inn organization and employees.



> likes blowing off the parking lot best. You get to know the customers. We talk; give them a little Cajun flavor: "Oh, you're from Texas. Well, we went to San Antonio last year . . . blah, blah, blah." It makes them come back. The truck drivers and oil-field hands holler at us when they come in the door. Whether we use the right English they don't care. It's like being a bartender. Our regular guests will just about tell you their life story. You even get to know the ones who come here for a couple of hours. They trust us; park their girlfriend right here in front. Some men leave women behind here. The other day, one stood on the interstate an hour with her thumb up, until somebody stopped.
>
> Cajuns may seem a little stand-offish at first. Not at the front desk; this is *our* territory, and we feel secure. The girls always have a smile and gab for a guest. But at other places you're afraid to say the wrong thing. I was in Wisconsin with Byron (her son, a priest) last year and I told someone, "Catch me a Coke." They kidded me about it. Byron took me aside and said, "Mom, you don't *catch* a Coke; you just get one." He used to bring his priest friends home. I would beg him, "Byron, don't bring these educated people here." But, once I got to know them, I get the biggest kick when they come. And I can't get them out of the house. We shouldn't be ashamed of our language, anyway. Listen to Governor Edwards: "Dis, dat, and dem." And he's a lawyer, definitely an educated man.

Jo Ann and Josie were at the front desk, just outside Shirley's office, and stepped to the door to listen. Jo Ann said, "All the improvements make us proud and we want to do better—makes me smile more. We bring a problem to Shirley and it gets taken care of, immediately. If it is a big one, Shirley gets on the phone with Debbie and it gets solved." Josie added, "It's exciting. Every day, I look forward to coming to work." Jo Ann's shift was over, and she excused herself. Josie continued:

> Customers like to hear us talk. They can't get over how friendly we are. Some say they expected to see a mean type of people. They think Cajuns are ignorant, uneducated, barefooted people with web toes. We are different. But we're Americans—Texas is over here and Mississippi is over there. I tell customers everybody around here is friendly. I make people feel welcome. I want them to feel they are getting their money's worth. I want them to know I am their friend and to think of this as a home away from home. I say, "It's a quiet little place," except on Saturday night, when the band gets too loud and some of the people are—what's a nice way of putting it?—highly intoxicated.
>
> The other night, a guy had invited two girls to his room and the second one showed up early. They were fighting and screaming, disturbing the other guests. So I called the sheriff. The one in the room reached right over the deputy and, "Pow!" laid the other one out. The deputy brought her up here in handcuffs and threw her in the car.
>
> The inn is like my home, too. When Kenny and the Jokers play in the bar, I come about an hour early to hear them. And my kids (17, 15, 14, and 13 years old) love to come here, sometimes to go swimming. There is nowhere else to do that. We eat in the restaurant sometimes. When I worked in housekeeping, I would come by sometimes just to visit. I always try to be here thirty minutes early, and I usually hang around that long after my shift.

During the annual rodeo and the monthly horse show, the inn's regular guests merged with equestrians—from sprite barrel racers to wrinkled Marlboro men. The too-metallic jangle of spurs on concrete stairs was heard throughout the inn, and the air was redolent of the earthy aroma of a dozen horse trailers. Wide-brimmed hats were worn everywhere—at restaurant tables, on the crowded dance floor in the tavern, even in the bathroom. One inebriated October cowboy thought his bed a dance floor, until it collapsed. Another, dispirited by lost love, tried to blow his head off, but managed only to hit his palm, spraying scraps of flesh and bone into a new mattress. And a famous Cajun musician, held hostage during drug withdrawal by two burly friends, broke a table and ripped a towel rack from the wall.

Mostly, though, Crowley Inn was, as Josie said, a quiet little place, a place where Texaco could house visiting executives and straying locals could enjoy secret liaisons. And it seemed so much a part of the employees' and townspeoples' lives that Art wondered if he and Kathy were really the sole owners of the inn.

Ninety-two-year-old retired Catholic priest Msgr. Jules O. Daigle, of nearby Welsh, Louisiana, would agree with Shirley that Cajuns should not be ashamed of the way they talk. He insisted that Cajun was a true language, saying, "To call Cajun bad French is to call French and Italian bad Latin." Daigle fought for years to preserve the Cajun language and culture. In the preface to his Cajun language dictionary he wrote:[1]

> Historically, the Cajuns are the descendants of the French people who colonized the general area of ancient Acadia, now known as Nova Scotia, beginning in 1604. . . . In 1755, the British began a cruel, systematic program of deportation of our ancestors. . . . Penniless, ill-clad and, worst of all, being both French and Catholics, nothing but scorn and hatred awaited them in the colonies. . . . After serving their indenture to the British colonists, some of them made their way back to Acadia or to Canada. Others found refuge in the French islands of Martinique, Guadaloupe, St. Domingue, etc. In the meanwhile, many of the Acadians who had evaded capture by the British sought refuge in the forests among the friendly Indians of the north. Of all the Acadians deported by the British, a considerable number were brought to England as prisoners: eventually, most of these found their way into France. . . . It was from all the above groups that many of the Acadians came to Louisiana, beginning in the early 1760s. Free at last, they had to begin a totally new and different kind of life, in a strange land. . . . The Acadians had to invent a new vocabulary, find new types of foods, develop a new cuisine and a whole new way of life. Thus was born the Cajun language and Cajun culture. . . .
>
> To some, a Cajun is a crude, ignorant, backward person who speaks little or no English. . . . His principal interest in life is boozing, eating and having a good time. To be sure, there are such Cajuns, but they are an infinitesimal minority and are in no way characteristic of the Cajun people.

Daigle added that the Cajuns are bishops, judges, lawyers, contractors, professors, beauticians, bricklayers, farmers, teachers and so forth. He concluded, "Yes, and sure enough some of them are lazy, ignorant bums and drunks: all in about the same proportion as the rest of the American population."

Marketing

Art and Kathy had initially been inclined to seek a franchise—Best Western was the leading candidate, Quality Inns a close second. In February 1992, they were continuing to discuss the matter. Debbie and Shirley expressed ambivalence about franchising, but both were excited about promotion and other aspects of marketing.

Crowley Best Western?

Most motels are franchised. Franchisers typically provide a reservation system, advice on pricing, national advertising, a franchisee directory showing locations and amenities, quality control standards, yearly inspections, training, informational services, design help, and an approved-supplier catalog. Best Western's charge for Crowley Inn would be about $21,000 up front and that much each year. Other franchisers get a certain percentage of room revenue. For example, Red Carpet quoted 4.5 percent for Crowley Inn, with no initial fee. Holiday Inns was collecting as much as 7 percent then.

Art believed Crowley Inn could qualify for a Best Western franchise within six months by making the following expenditures (in addition to paying the annual fee):

Initial franchise fee	$ 21,000
Best Western signs	2,000
Reservation and accounting system	15,000
Required renovations	96,000
Total	$144,000

Debbie, Shirley, and Art reached consensus that this would allow hiking the average daily rate (ADR) by $4.00 or increasing average occupancy by 15 percent, or some combination of the two. Art concluded, "Assuming sixty-four percent occupancy, which I think is about the industry average, the added revenue would be $56,000 a year, a good return on $144,000." Debbie objected:

> Well, sixty-eight percent has been about our average. Even that should jump this year with or without a franchise. We have really improved this property since last summer, when we ran seventy-six percent. Besides, some of the renovations Best Western requires won't improve customer service—things like covering the concrete-block wall with vinyl and replacing the two by four ceiling tiles in the baths and lobby with two by two squares. I'll bet we could do the worthwhile renovations, which would cost maybe $60,000, and raise ADR by $3.00, without a franchise.

"What about Red Carpet?" asked Art, "We can have their sign up in a month."

"I don't think they add a thing," replied Debbie. Shirley nodded concurrence.

Art said, "Okay, but you know there has been talk of a Days Inn just seven miles away, in Rayne. If we were Best Western, no one would dare do that."

After a few more minutes of discussion, they all agreed to defer the decision on franchising for at least six months. "We haven't taken a cent out of this thing," said Art, "And I would like for you to produce some cash before we reinvest any more big chunks."

The Marketing Plan

Art asked Debbie to help prepare a marketing plan. "What should be our main objective," she asked. "What's wrong with 'maximize shareholder wealth'?" he replied. A few days later Debbie brought Art her rough draft. The final version is presented in Appendix A.

Debbie and Shirley were in essential agreement about each element of the marketing plan. During the last week of February 1992, they met to discuss both the process and the time frame for implementing it.

Financing

Art and Kathy paid the RTC $475,000 cash for the inn. They advanced another $21,000 to Crowley Motel, Inc. then and more later for working capital. CMI gave the Sharplins demand notes earning 10 percent interest for all but $1,000 of their investment and issued common stock for that. Exhibits 1 and 2 provide financial reports for CMI.

The Bank Loan

After buying Crowley Inn, Art and Kathy applied for a $380,000 loan from Evangeline Bank, in Crowley, to partly reimburse themselves and to fund improvements. The bank offered a half percent under bank prime (then 10.5 percent) for a seven-year loan with 15-year amortization. But the bank's attorney delayed approving the title, noting that the inn sign and the sewer plant encroached over the adjacent property and 10 guest rooms had been built over an existing right-of-way (for a road to property behind the inn). Art knew this when he bought the inn and thought it a small matter, since the problem had existed without complaint for 20 years. However, he suggested the loan amount be cut to $200,000 in view of the title problems.

The bank continued to delay closing, and after a few weeks Art and Kathy resolved not to bother with the loan. Art explained:

> We might be happier taking eight or ten thousand a month in interest, principal, and fees than we would getting, say $380,000 at once. I never have believed this "optimum debt ratio" stuff anyway. Of course, having the inn financed might make it easier to sell. But we will cross that bridge if we come to it.

Besides, Art acknowledged, there was no certainty they could get the loan anyway.

Cost Structure

The motel business typically involves high fixed costs, partly because of the capital required. For example, Holiday Inns claimed its cost for a new motel averaged $65,000 per room. And Art's brother Jerry said a new 60-room Best Western would cost about $22,000 a room, including land cost.

The problem was not severe for CMI. Its debt was held by its owners, and interest charges had been accrued rather than paid. But Art directed Shirley to pay interest out, along with half the cash flow (which would be treated as payment of principal), beginning in April 1992.

Debbie calculated the variable cost per room-night at Crowley Inn as follows:

Housekeeping labor	$3.21
Supplies	2.61
Laundry	.80
Avoidable utilities and telephone	1.70
Total	$8.32

Debbie had been keeping close tabs on room cleaning costs, supplies, and other variable items. After studying CMI's cost structure, she decided to concentrate more on marketing. Debbie explained:

> At a $32.50 ADR, each extra room-night produces $24.18 for fixed costs and profit. That's $725 per month, about $8,700 a year, almost enough to pay for two billboards on I-10. If we raise prices, rather than let occupancy rise, the result may be even better. At 72 percent occupancy, we sell about 1,275 room-nights a month. So anything that lets us raise rates by $1 produces $15,000 a year.

To Art's chagrin, Shirley also became less tightfisted. On 21 February 1992, Debbie called from Crowley to say she was excited about all the nice improvements Shirley was making. "The oak trees have been pruned and fertilized, she got someone to edge the lawn, and there is new paint all around," said Debbie. Later that day, Kathy told Art she had learned that Shirley wanted to paint the entire motel and lobby building.

Possible Sale of the Inn

In February 1992, Art was approached by two prospective buyers—Mahesh Patel, who owned an Econo-Lodge motel in Huntsville, Texas, and Fred Gossen, Jr., a businessman from Rayne, Louisiana, 7 miles east of Crowley. The Patel name was familiar to Art. It was the surname used by thousands of emigres from western India, many of whom invested in low-end motels and convenience stores in the United States. In fact, Art believed that Patels owned half the economy motels in Louisiana and adjoining states.

Art convinced Kathy they should offer to sell the inn real estate, chattels, and leases to Gossen for $800,000, with $200,000 down and seller financing of the remainder at 12 percent for seven years, with 180-month amortization. They made a similar offer to Patel, but at $900,000 with $250,000 down and a five-year balloon.

Kathy had changed her mind by the next day. "Why don't we take out, say, $10,000 a month for a couple of years," she said, "We can probably still sell the motel for $800,000."

Art called Debbie to meet them at his campus office. "If we refuse an $800,000 offer," he began, "it is as if we just bought the inn for that amount." Debbie and Kathy agreed.

"Assuming Kathy is right," Art continued, "what discount rate should we use to settle the question?"

After a moment's thought, Debbie said, "This is effectively an equity investment in an entrepreneurial business. So I would suggest something like 40 percent."

"But can't we treat the project as a normally financed one—that is, say, $600,000 in 12 percent debt and $200,000 in equity?" Art asked. "If you stick with your 40 percent for equity, that gives a discount rate of 19 percent."

Kathy interjected, "I don't understand this discount rate stuff, Art. But if we get $200,000 in cash, we will have to put it in the Merrill Lynch account at about 5 percent. That's a far cry from 19."

"Instead of doing that, we could pay off the 11 percent debt on the Pepsi building," said Art (the Pepsi building was a building Art and Kathy owned in Pineville, Louisiana).

After a few minutes more discussion, Art promised to fax a note to Gossen withdrawing the offer. "What about Patel?" asked Kathy. "That offer is not in writing," replied Art. "Besides, there is zero chance a Patel is going to accept without negotiating. And when he makes the first counter, the law deems my offer withdrawn. Besides, real estate deals have to be in writing to be enforceable."

"By the way," Debbie asked, "why did you quote $100,000 higher to Patel?"

"Three reasons: I think Fred will treat our people better, I would not be as confident of getting paid, and a broker is involved on that deal," answered Art.

The next day, Art asked Shirley, "What do you think about the sale idea?"

She replied, "It's your decision, but $800,000 is a lot of money." Art knew Shirley hoped he would not sell. She had often said she loved her job; a sale would put it at risk.

He asked, "Do you know that if I put $800,000 in the bank at 6 percent it would only draw $4,000 a month?" "Is that all?" exclaimed Shirley, "Debbie and I can get you a lot more than that without selling."

Art stopped by to see Chef Roy and get his input about a possible sale. Roy said, "I personally hope you keep the motel. But I can't advise you to turn down a profitable deal."

When Art saw Burnell Martin, the lounge operator, Burnell volunteered, "I hear you are thinking about selling. Art, keep this place. It's a gold mine."

APPENDIX A
The Marketing Plan

Mission. The mission of Crowley Inn is to maximize return on invested capital by providing quality lodging and related services delivered by competent and enthusiastic employees operating a clean, well-maintained facility—at prices fully reflecting the quality of service.

Marketing objective. The objective of the marketing plan is to maximize motel revenue while keeping expenses low. Revenue targets for 1992 are:

Room revenue ($33.00 ADR; 72% occupancy)	$512,000
Telephone revenue (1991 rate + 10%)	24,453

Target market. Our current guests are mostly blue-collar persons on business travel, about 20% from Louisiana and the rest from all regions of the country. About 45% pay with cash or check; 36% use credit cards; and 19% have us bill a third party. Here is data taken from 247 folios (forms guests fill out upon check-in) completed in February 1992:

Purpose of tvl	*Home address*	*Payment*
Work crew 48	Louisiana 52	Employer 47
Truck driver 38	Northeast 27	Credit card 89
Local 15	Southeast 17	Cash 111
Tourist 10	Northwest 13	
Business 38	Southwest 21	
Military 2	Foreign 11	
Cannot tell 96	Cannot tell 106	

(Marie LaFleur, who knew most regular inn guests, sorted the folios by purpose of travel. The "local" category, she said, mainly involved romantic liaisons.)

With average occupancy of 41 rooms, we serve a tiny percentage of those who pass our door. Daily traffic counts near the inn during 1990 were as follows (provided by the Louisiana Department of Transportation):

I-10 east of Crowley (both directions)	29,530
I-10 west of Crowley (both directions)	26,600
Hwy 13 north of I-10 (both directions)	7,570
Hwy 13 south of I-10 (both directions)	18,430

Visitors to families and businesses in Crowley (1990 population, 14,038) and surrounding Acadia Parish (1990 population, 55,882) may also be potential new customers. The Cajun tradition of fais-dodo (a country dance, usually involving staying overnight) and family togetherness in general pull many who leave the area back to it frequently.

In addition to our present customer base we will seek to attract more up-scale guests, including (1) white-collar business travelers, (2) tourists, and (3) sojourners in the local area.

Product. Our main product is a room-night, which includes the elements listed below:

1. An attractive, comfortable, secure room—well-supplied, clean, and with all amenities in good order
2. Attractive, functional vending machines

3. Attractive, clean, neat grounds and paved areas
4. Easy access to good food, drink, and entertainment
5. Daily servicing of room by attractive, well-dressed personnel to exceed standards set by Best Western or comparable franchisers
6. Guest services provided by enthusiastic, competent, attractive, articulate, well-dressed personnel who reflect the local culture

A room-night is more perishable than a bruised tomato. We accept delivery of 59 room-nights every day, and unsold ones spoil sometime around midnight.

Shirley and Debbie plan to enhance the value and salability of room-nights in 1992 by:

1. Aggressive training and supervision of housekeepers
2. Aggressive training of front-desk clerks, including role-playing of common types of guest contacts
3. Inspections of all rooms daily by the head housekeeper
4. Aggressive training and supervision of the maintenance person
5. Inspection of all rooms and facilities at least weekly by Shirley, and at least monthly by Debbie
6. Setting up control systems to assure creative compliance with vital policies
7. Upgrading of the work team, through training, supervision, and/or replacement of employees

Price. Current prices at Crowley Inn are shown below. Pricing of room-nights is done by front-desk clerks, who have a list of "approved" commercial customers.

1. Basic room-night $31.00	($29 commercial)
2. Each guest above one/room	$4.00/night
3. Local telephone calls	$0.50
4. Long-distance calls	AT&T rates plus 40%
5. Facsimile transmissions	$2.00/page
6. Rollaway bed or crib	$5.00/night

Members of the American Association of Retired Persons and others over 65 are eligible for commercial rates. ADR has been about $32.50 since a $2 per room-night price increase in July 1991. Two factors tend to pull ADR down. First, few customers are charged the $4 per extra guest. In fact, only about 1 in 20 (based on a check of February 1991 folios) completes the "No of persons in room" blocks on the folio. Second, front-desk clerks give commercial rates to most who ask for a discount. Shirley says pricing policies are clear, and understood by all front-desk clerks, but they do not follow policies well.

Shirley and Debbie plan to:

1. Review pricing policies and change them or enforce them
2. Set up control systems to identify and correct improper pricing practices
3. Insure that telephone billing equipment and practices are correct
4. Price room-nights at no less than the double-occupancy rate during special events, when the inn normally fills up
5. Price room-nights at no less than the double-occupancy rate whenever as many as 40 rooms are reserved
6. Review pricing frequently and quickly implement justified changes, as when occupancy moves reliably above 75%

Promotion. Crowley Inn relies primarily on billboards for advertising. For eastbound traffic there are two signs, on the left 16 miles out and on the right 4 miles out. For westbound traffic, signs are on the left at 13 miles and on the right at 7. The signs carry the slogan, "Comfort you can afford," and have a large inset saying, "24-Hour Grill." They are yellow and white on a black background.

Debbie is developing an image, involving a slogan, logo, and sign designs. A consultant is helping. The new slogan is "Comfortable, caring, and Cajun." This is intended to suggest comfortable lodging supplied by caring personnel with a Cajun flair. The logo is a large C containing a rice design, used alone or in spelling "Crowley Inn."

Debbie plans to rent two additional billboards on I-10, one each direction, and have all billboards repainted. Chef Roy agreed to pay a fifth of the cost, and a fifth of the sign space will be devoted to advertising Cafe Acadie. A "board" across the bottom of each sign will announce special features such as HBO-Showtime, Martin's Tavern, and live entertainment. Each billboard costs about $400 to repaint and about $400 per month.

She also plans to place two signs along Highway 13 a few miles on either side of the inn. Each of these is expected to cost about $300 to paint and $200 per month.

Debbie just purchased space on electronic bulletin boards at the Tourist Information Centers at the east and west I-10 entry points to Louisiana. Users will dial a two-digit code which will connect them to the front desk at the inn.

Crowley Inn will join the Louisiana Travel Promotion Association (LTPA). LTPA publishes the *Louisiana Tour Guide* annually and helps members with advertising, printing, and the like.

Though the inn is right beside I-10, an informal survey suggests that many people pass without noticing it. Kathy and Shirley plan to have the guest-room doors painted a noticeable color, such as burgundy, and to use bright colors elsewhere to make the inn more conspicuous.

Shirley and Debbie plan to start making sales calls on present and prospective direct-bill customers and sending them direct-mail advertisements from time to time. They also are seeking ways to entice tour groups to the inn.

Place. Crowley Inn is 16 miles east of its nearest competitor, a TraveLodge in Jennings. The Jennings Holiday Inn is three miles further west. East of Crowley, the larger town of Lafayette has a Holiday Inn, a La Quinta Inn, a Motel 6, and several other motels and hotels.

Crowley is home to the Louisiana Rice Festival, held annually in May, and nearby towns sponsor festivals celebrating crawfish, frogs, ducks, and other animals and plants. During the days surrounding each festival, the inn normally is booked solid. The inn also fills up during the monthly horse show in Crowley, and during the annual rodeo.

Crowley is the seat of Acadia Parish (county), and Art suggested that this makes it the "Capital of Acadiana" (Cajun country is often called Acadiana). A famous Cajun restaurant, Belizaires', is a half mile south of the Crowley Inn, and its signs attract many visitors. Debbie and Shirley plan to feature the "Capital of Acadiana" theme in ads and signs and to encourage the Crowley Chamber of Commerce to do so. Mayor Istre thought this was a good idea.

Notes

1. Jules O. Daigle, *A Dictionary of the Cajun Language.* Ann Arbor: Edwards Brothers, 1984, viii–x.

EXHIBIT 1
Crowley Inn
Income Statements

	May–December 1991	January 1992
Revenues:		
Room revenue[1]	$272,011	$48,770
Telephone revenue	7,351	1,334
Restaurant revenue[2]	136,977	18,085
Rental income[3]	5,400	1,120
Miscellaneous revenue	9,218	637
Total revenue	$430,957	$69,946
Expenses:		
Food purchases	$ 45,994	$ 5,857
Telephone	11,789	1,224
Salaries and wages	128,029	16,101
Payroll tax expense	14,478	3,085
Operating supplies	11,147	2,376
Office supplies	4,209	127
Taxes, licenses and fees	6,755	1,709
Credit card fees	1,348	715
Professional fees	14,529	1,520
Travel and entertainment	1,199	0
Advertising	12,223	4,984
Repairs and maintenance	14,707	7,447
Miscellaneous	1,358	440
Utilities	36,285	6,655
Cable television	1,307	148
Insurance	15,293	2,002
Interest	31,487	6,344
Depreciation	23,100	3,300
Total expenses	$375,237	$64,034
Income before taxes	$ 55,720	$ 5,912
Income taxes (22%)	12,258	1,301
Net income	$ 43,462	$ 4,611

[1] Monthly room revenue for May 21, 1991, through December, 1991, was as follows: May, $16,648; June, $36,941; July, $46,720; August, $48,303; September, $38,240; October, $40,221; November $38,738; and December, $23,364.

[2] The restaurant was leased beginning February 1, 1992, for $2,300 a month, including utilities (estimated at $600 a month). Up to that point, it had accounted for about 60% of salaries and wages, all food purchases, and shares of several other expense items.

[3] This includes $900 a month for the bar. The remainder is for rental of the banquet room.

EXHIBIT 2
Crowley Inn
Balance Sheets

	May 21, 1991	Dec 31, 1991	Jan 31, 1992
Assets			
Cash	$ 7,745	$ 12,007	$ 9,389
Accounts receivable		17,274	12,277
Land	40,000	40,000	40,000
Improvements	358,728	438,963	441,963
Furniture and fixtures	75,647	132,269	133,069
Accumulated depreciation		(23,100)	(26,400)
Security deposits	11,930	11,930	11,930
Total assets	$494,050	$629,344	$622,228
Liabilities and Stockholders' Equity			
Liabilities:			
N/P, A&K Sharplin	$493,051	$570,969	$555,700
Accrued and withheld tax		13,913	17,455
Total liabilities	$493,051	$584,882	$573,155
Equity:			
Common stock	$ 1,000	$ 1,000	$ 1,000
Retained earnings		43,462	48,073
Total equity	$ 1,000	$ 44,462	$ 49,073
Total claims	$494,051	$629,344	$622,228