

BOH4M

Mr. Chen

This case is adapted from [Birdville Schools](#)

## Case: Snoozy Inn



### About Snoozy Inn

The Snoozy Inn is a 40-unit, **no-frills** (very basic) operation in the less scenic part of a major Queensland resort town. The owner, Mr. Smith, firmly believes that there is a need for his style of low-cost family accommodation amid the luxury and beauty of the area. His rooms are large, family-style rooms (there is no television, for example). Although there is plenty of room for future expansion, the grounds are fairly bare with a bit of landscaping, but mostly grass.

Mr. Smith can serve breakfast to the rooms and provides tea-making facilities. There are now a lot of good restaurants and take-aways in the area. Mr. Smith's prices are less than half of what similar motels charge and only a fraction of what the big five-star properties are charging. And, really, he isn't all that far away from the beach, shops and other attractions.

### The Problem

The problem is **occupancy**. Occupancy means how full the hotel is. For example, 50% occupancy means half the rooms have customers there.

He has some regulars who come every holiday period (and have been doing so for the four years he has owned the property). Overall, occupancy is about 50% year-round and he knows from the local tourist office that the other properties average around 68% occupancy year-round. New developments could mean trouble. This lack of occupancy can be quite frustrating for Mr. Smith. Cars pull in, drive around the parking areas, and then drive away.

## Attracting Customers

Currently Mr. Smith does very little advertising in local district guides and the holiday papers, mainly because he really thinks word-of-mouth is the best form of advertising. **Word-of-mouth advertising** is when customers tell other customers about a great product they bought or a great experience they had. It is free advertising for the company.

He is a member of the local tourist committee, but he is too busy to go to meetings. However, he does receive the local statistics and knows the average stay in the area is 3.8 nights, and that local families and couples and increasingly overseas visitors are his potential customers.

Recently, Mr. Smith heard about online travel agencies such as Expedia and C-Trip from the local tourist committee. They told him all the young people looking for the best deals go on these sites. He doesn't like to use a computer, but he wonders if he should figure out how to work with these online travel agencies.

## Economic Situation

The world economy is doing well, so tourism is going up. The Queensland city government is trying to attract more tourists into the city and get a better name for the city. To do so, they are offering a \$1000 grant to any hotels on their renovations for the purpose of attracting more tourists.

## Current Situation

Mr. Smith isn't too worried about business, but at the same time, he wonders if it would be a good idea to do some strategic analysis to see if it would be a good idea to invest in renovating the hotel. He thought his hotel would be full with guests, but that hasn't happened.