

The Midnight Motel

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The Midnight Motel is a single-storey, independent 60 room motel located 20 miles from a major, family resort area. The motel offers clean, basic accommodation for the traveler, including colour cable television and in-room, direct-dial telephones. Local calls are free. The motel is located at the exit of a major highway. In fact, the motel is visible from the highway. The highway exit at which the motel is located is the main route to the resort area.

For a fee of \$125 a month in each case, the motel has arranged to have billboards placed on farm land along the highway about one mile from the exit in both directions. The bright yellow (background) and black (text) signs identify the name of the motel, its location at the next exit, and the price for a single room per night. All of the information is clearly visible to the cars passing the locations, even at night, since the billboards are illuminated from above. The motel does not use any other form of advertising and it does not maintain a website.

Nightly room rates are \$49.95 for a single, \$54.95 for a double, and \$3.00 more for each additional person. Children under 12 stay free. There is a weekly rate which is set at the equivalent of 7 nights for the price of 6. A monthly (30-day) rate is available for the regular rate for 21 single-night stays. A corporate discount of 10% is also available for each of the rates. Payment can be made by means of cash or any major credit card (i.e., Visa, MasterCard, American Express, Diners Club, Discover). Cheques (checks) of any type are not accepted for payment.

While much of the business is walk-in in nature (i.e., no advance booking), many of the regular customers make future reservations before checking out during a previous stay. Telephone reservations are also accepted, if guaranteed by a major credit card. Cancellations up to 6:00 p.m. of the scheduled day of arrival are allowed without a penalty. The one-night single rate is charged for non-arrivals under the guaranteed option. The motel does not belong to any corporate franchise reservation system, and it does not pay travel agent commissions for bookings through such a channel.

Although checkout time is 11:00 a.m., the motel is almost empty by 8:30 a.m. during the week. On the weekends, most customers check out between 9:00 a.m. and 11:00 a.m. on the weekends. Most customers check in after 7:00 p.m. on any day, even though check-in time starts at 1:00 p.m. The motel offers a complimentary continental breakfast of donuts, muffins, coffee, tea, and orange juice from 6:00 a.m. until 11:00 a.m. during each day of the week.

The motel is three years old. Since opening, the occupancy rate has steadily increased to and stabilized at 65%. Ninety-three percent of the customers stay only one night at a time; 4% stay for two to six nights at a time; 2% stay for a week at a time; and 1% stay for more than a week to a month at a time. No one has stayed for more than a month at a time.

The motel has many regular customers. The majority of the customers are sales representatives who either service the resort area or are just passing through the area. Approximately 75% of the clientele of the motel is traveling on business.

The closest stores, gas stations, and restaurants are at least 5 miles from the motel. Occasionally, but very rarely, the motel owner or his staff will notice a pizza delivery or similar vehicle making a delivery to one of the rooms. The motel has no laundry or dry-cleaning services available to the customers. There are no other motels or hotels within 10 miles of the motel in any direction.

An interesting, yet, somewhat annoying event which happens throughout the day, evening, and late at night is the flow of traffic into the parking lot of the motel. The traffic enters the parking lot, pauses for a few seconds, and then leaves. Most often, there are parents and young children in the cars.

The motel generally enjoys a stable occupancy level throughout the year and weekdays. However, business drops quite a bit on the weekends and there is a bit of a slowdown during the winter months. At no time during the year does the motel reach the 100% occupancy level, but it does reach 95% occupancy an average 30 nights throughout the year, and only Mondays to Thursdays.

Business during the winter months has been helped by two changes in the resort area: the implementation of the annual Festival of Lights celebration and the recent opening of a casino. The new casino draws up to 20,000 visitors per day. These changes make it worthwhile for many of the businesses in the area to stay open during this time. In the past, many of the motels in the area closed during the winter months because of the lack of business. Nonetheless, the few days around Christmas and New Year's Eve are the most serious down periods for The Midnight Motel, with occupancy dropping to an average of 20% during this time and reaching the 10% level, the lowest level at any time during the year, on some nights.

The owner of the motel runs the operation with his wife, two part-time workers who take turns on the 5:00 p.m. to midnight and the midnight to 7:00 a.m. shifts, one maid who works from Monday to Friday on a full-time basis, and one part-time maid who works on Saturdays and Sundays.

Financially, the motel is earning a very small profit. The owner, however, would like to improve the profit performance of the motel, but without jeopardizing the simplicity of the operation. He is quite concerned that a significant number of rooms remain empty night-after-night. He has surveyed the typical motel/hotel operations in the region and has determined that his room rates are quite a bit lower than those of the other establishments. The closest daily competitive-rate for a single is \$70. However, he also realizes that these establishments are located closer to the resort and business areas and other retail establishments, such as restaurants and convenience stores.

Questions:

1. Conceptually describe the nature of the target market attracted to this motel.
2. Describe the nature of each of the components of the market mix for this motel.
3. What are the business goals of the owner of the motel?
4. Conceptually, describe the profit situation of the motel.
5. What demand state does the motel face on a yearly basis? [e.g., no demand, negative demand, latent demand, full demand, overfull demand, faltering demand, irregular demand, unwholesome demand]
6. What pricing concepts are relevant to the case? Explain.
7. Using the consumer goods classification, describe the consumer market attracted to the motel.
8. Using the industrial market buying process, describe the purchase behavior with respect to motel selection of the sales representatives who stay at the motel.
9. What is the attitude of the patrons of the motel? What are their beliefs and what motel attributes are important to them? What motel attributes are not or are less important to them?
10. What is the fewest number of rooms occupied during the year? What is the highest number of rooms occupied during the year?
11. Assuming the occupancy levels achieved by the motel do not change and represented an accurate forecast when the motel was being built, how many rooms should have been built? Explain.
12. What are the three problems in the case? One of the problems is very minor; the other two problems are major problems. One of the latter problems is relatively easy to solve. If this problem cannot be solved appropriately, then consideration of the other major problem would be necessary in order to address the concerns in the case. This latter effort, however, would be very complex.
13. What are the symptoms to each of the problems? Explain how the symptoms relate to each of the problems?

14. Identify the alternative solutions for each problem. [Maintaining the current nature of the operation is always one of the alternative solutions.]
15. For each alternative solution, what are the advantages, disadvantages, and implications if the alternative is implemented? What is the decision with respect to each alternative [i.e., accept, reject, or hold (i.e., unable to make final decision due to lack of information or other reason)]? Suggesting that more information is required to solve a problem is usually not a sound alternative; all it means is that you are delaying making a final decision.
16. Identify the recommended solution for each problem.
17. Develop the plan of action for implementing the recommended solution for each problem.

Note: See the description of the case study analysis approach on the Marketing Case Tutor website before attempting to solve this case.