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## Exploring the Feasibility of Converting the Mardi Gras Hotel and Casino into a Casino Boutique Hotel

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Exploring the Feasibility of Converting the Mardi Gras Hotel and Casino into a Casino  
Boutique Hotel

by

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A professional paper submitted in partial fulfillment  
of the requirements for the

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## **ABSTRACT**

### **Exploring the Feasibility of Converting the Mardi Gras Hotel and Casino into a Casino Boutique Hotel**

by  
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## **Part One**

### **Introduction:**

The topic of my Professional Paper will be the feasibility study of renovating the Mardi Gras Hotel and Casino in Las Vegas, Nevada. Currently the Mardi Gras is operating as a Best Western and is looking to expand into the boutique hotel market. With the maturation of the Las Vegas hotel market, it is vital to think forward in new methods of design and marketing to attract the next generation of convention attendees and visiting tourist.

### **Purpose:**

The purpose of this study is to determine the feasibility of converting the Mardi Gras hotel and casino into a destination casino boutique hotel. This feasibility study will address the current market, capital budgeting, competition analysis, new target market, performance reports and building constraints to determine the acceptance or denial of the project.

### **Statement of problem:**

Since the recession, Las Vegas has taken a major hit in the tourism and gambling sector. Unlike most of the major hotels on the Las Vegas strip, the Mardi Gras cannot “dump” their room rates and focus on gambling revenues. The Mardi Gras’s revenue model is built on both room revenue and casino revenue, each adding equal value to the bottom line.

In the past two years the Mardi Gras has seen a vast decrease in revenue due to competitive room rates from major strip hotels. By focusing on the main attributes and original design of the Mardi Gras, we look to design a destination “retro” casino boutique hotel with additional amenities.

### **Statement of objective:**

To overcome the current decline in room rates, it is important to reposition the Mardi Gras as a destination property. In doing so, there are a few key aspects in converting the hotel into a casino boutique destination. The main focus of the renovation will take place in the common areas. These common areas include the front entrance, main check-in lobby area, restaurant, lounge, pool and casino space.

**Justification:**

As the Mardi Gras has seen a decrease in gross revenue, it is vital to look at different options to attract a new angle for customer development. This feasibility study will look at the financial aspects of the conversion of the Mardi Gras and end with a conclusion of either an acceptance or denial of the renovation project.

**Constraints:**

There will be constraints placed on this feasibility study when trying to determine exact pricing for building/interior design. The study will determine the closest possible projection number, but will not be a definite number. Also, the feasibility will only study published performance reports from competition hotels. The goal of this feasibility study is to determine an acceptance or denial of the project will at little or no cost.

**Glossary (Glossary of Hotel Terms):****Available Rooms**

The number of rooms available on a day to day basis.

**Average Daily Rate (ADR)**

The total room revenue for a given period (day, month to date, month, year to date), divided by the number of rooms occupied for the same period.

**Accommodations**

Community areas such as restaurants, bars, and meeting rooms.

**Hotel Brand**

The right to market a hotel and/or product often exclusive for a specified market, as granted by the manufacturer, developer or distributor in return for a fee.

**High (Peak) Season / Shoulder Season**

The period of consecutive months during which optimum revenues, room/suite occupancy and average room rates are generated.

**Low (off-peak) Season**

The consecutive months during which the lowest revenues, room/suite occupancy and average room rates are generated.

**Occupancy (Occ. %) (Occ Rate)**

The percentage of available rooms occupied for a given period of consecutive time. This figure is calculated by dividing the number of rooms occupied for a period by the number of rooms available for the same period and is expressed as a percentage.

**Revenue Per Available Room (REVPAR)**

Revpar is the key measure in the performance of the core business of hotels-selling rooms.

Revpar = occupancy (percentage of available rooms occupied)  $\times$  average room rate per night.

Trends in revpar are very important. Revpar can be used to compare companies but only if they have broadly similar hotels - i.e. similarly priced in similar locations.

## **Part Two**

### **Introduction**

In this professional paper we will look at the necessary attributes needed for a successful boutique hotel and what dynamics are involved in creating a realistic feasibility study. By analyzing and understanding the basic foundations of successful boutique properties, we will be able to develop the right attributes for the conversion of the Mardi Gras Hotel and Casino. After which, the ideas and tools generated by the research will be quantified in a feasibility study to become an imperative aspect in the acceptance or denial of the conversion.

### **Boutique Hotel**

Boutique hotels have become a valued commodity in recent years. There is much debate as to what exactly defines a boutique hotel, but Lucienne Anhar provides a explanation; Although no standard definition of boutique hotels has been agreed upon, and the sizes of these types of hotels vary considerably, most boutique hotels do share some common characteristics. As with any other hospitality product, the success stories of boutique properties begin with fundamentals such as location, product quality, market demand, a clearly defined marketing approach, and effective distribution/reservations coverage (Anhar, 2001). Boutique hotels have become the recent trend for the more curious and “in-crowd” travelers. “Although many travelers claim to seek lodging facilities that coincide with the traditional hotel concept, boutique hotels are becoming more and more of a social manipulation: those who do not stay in boutique hotels are categorized as unfashionable and un-hip” (Anhar, 2001). Boutique hotels offer a taste of something new and creative to explore while staying in a traveling city, with the notion that a traveler could alter their standard and typical expectations for a unique and individual experience. “Chain hotels offer rooms that are so generic that any lifestyle could fit it. While that may be a safe route to go it’s not a particularly interesting one. Nor is it one that will really connect with guests in a way that forms rapid loyalty, ecstatic word of mouth, or overnight stays become over night experiences” (Conley). Conley explains that by providing a unique experience to a guest it will instantly form a sense of pride and ownership of the boutique hotel. The most effective and influential marketing tool, word of mouth, will be generated and fuel future guest who are inquisitive of a



similar experience. There are four imperative aspects for a boutique hotel to be successful: location, quality product, market demand and marketing objective/outreach.

The location, as in any real estate deal, is most critical. Without having the right location for your product it will severely impair your demand and limit the potential profits. “In city destinations, location still ranks number one on guests' priority lists. Good locations for boutique hotels are not determined only by manner of convenience, but also by the "trendiness" and "chic-ness" of their respective neighborhoods. Accordingly, most existing city boutique hotels are located in vivacious cities such as New York, London, San Francisco, and Miami. Ian Schrager, for example, claims to only open his hotels in cities with enough depth — i.e., big fashion and media capitals”(Anhar, 2001). The right location can vary from boutique hotel to boutique hotel. Depending on the city and culture of its surroundings a boutique hotel can be successful as long as its marketing and demand is inline with the location. Boutique hotels tend to work best in major metropolitan areas where a wide array of travelers are passing through (Conley). Boutique hotels are also not defined to one specific genre. As in many standard hotels, their customer can range from many different categories. A large metropolitan area with a wide variety of travelers adds to the identity of the boutique hotel. A unique and wide range of customers is a strong character for the boutique hotel; the blend between businessman, artists, musicians, models/actors and the like, all interacting and engaging in a smaller creative space adds to the aura and experience for a diverse boutique hotel. After discovering the precise location, it is vital to understand the importance of creating a strong foundation for the identity and quality product.

Quality product is really broken down into two aspects: architecture design and service. Style, distinction, warmth, and intimacy are key words in the architecture and design of boutique hotels, which seem to attract a niche of customers looking for a special and differentiated property able to fulfill their individual needs. Boutique hotels are not boxed into standards; the definition and expression of a theme is a crucial path to success. Many boutique hotels introduce different themes in each guestroom, making every single stay unique, even for their repeat guests. Many hotel owners are revitalizing older hotels, repositioning them as boutique properties (Anhar, 2001). While true modernism and newly born design generally become "hip" in no time, it is usually those

properties that succeed in combining historic details with chic elegance that outlast the fads (Anhar, 2001). With the combination of location, architecture and a historical story a true identity can be formed. Story development is more important than ever, which relates back to the special nature of the experience or location, or the history behind the creation of the hotel (Anhar, 2001). Successful boutique hotels offer a sense of historic value and find their design and architecture to coincide with this story. Even if the hotel has been renovated throughout the years to accommodate the traditional traveler, boutique hotels that have historical backgrounds are often transformed back in time to resemble the original design. Still technology and modern day electronics are imperative to accommodate guests. A combination between historical value and modern day electronics offers an old world feel with the ease of modern day electronics. “Technology strongly relates to these factors, whether it is technology that enhances the ambience and promotes emotional contact between the guests and the hard attributes of the building (such as lighting and music), or technology that is provided for the convenience of hotel guests (such as in-room DVD players, flat-screen television sets, cordless phones, and computers with high-speed Internet access and the latest monitor genres). Entertainment in boutique hotels is an important dynamic in creating a lively, chic and trendy mind-set”(Anhar, 2001). The use of modern day technology can also extend to other aspects of the hotel such as electronic concierge screens, check in/check out systems, smart phone applications and common area entertainment. Entertainment is not limited to events such as live music and performances; the idea of a boutique hotel is entertainment in its own nature: a hip restaurant, lounge, and bar; an exceptional theme; and visually spectacular decorations (Anhar, 2001). Technology plays a crucial role in this setting by integrating with design and the ambience of the social room. With the use of architecture, design, and modern day electronics the quality product is formed.

Service is also very important in creating the unique experience for boutique hotels, another reason why travelers choose to reside in boutique hotels is the fact that they are much smaller than most major corporate options. The ability for the customer to interact with the smaller staff of the boutique hotel gives a feeling of warmth, acceptance and a certain connection to the hotel. Room size has often been a major topic of discussion among boutique hotel owners and connoisseurs. “The question that blurs the

meaning of boutique hotels is, "Does size matter?" Most boutique hotel "celebrities" insist that it does, and that boutique hotels are properties that do not exceed 150 rooms. They believe that what distinguishes boutique hotels from standardized hotels is the connection that hotel guests experience with members of the hotel staff. Most of these hotels impose the acknowledgment of guest names by all hotel staff members, an experience that is clearly difficult to achieve in a large-scale hotel" (Anhar, 2001). Ian Schrager, founder and president of Ian Schrager Hotels, which currently comprises approximately 3,000 guestrooms in nine properties, is among those who do not believe in this commonly accepted facet of the typical boutique hotel. With creative people as his target market, he defines "boutique" as an approach and attitude, with no regard to hotel size. Personalized service does not appear to be important at Schrager properties, especially in his "biggies," such as the Paramount Hotel (594 rooms) and the Henry Hudson Hotel (821 rooms). Instead, Schrager hotels place the emphasis on entertaining their guests by creating a theatrical atmosphere that attracts all senses through architecture, design, colors, lighting, art, and music (Anhar, 2001). Many boutique hotels do not adhere to all the amenities that most typical hotels offer. The hotel can survive and succeed without such costly amenities as restaurants and ballrooms/meeting spaces; however, these amenities, when styled in a boutique manner, can bring significant additional profitability to the hotel's room revenue (Anhar, 2001). Although the debate of the number of rooms and amenities continues to be ongoing, it is widely accepted the training of the staff is most crucial in providing the personal feel and individual experience for a boutique hotel to be successful.

Market demand and marketing objective are the next steps in building a successful boutique hotel. Boutique hotels are being marketed in a manner that is similar to many other goods, where the experience and the image are sold, rather than the product itself. Boutique hotels generally target customers who are in their early 20s to mid-50s, with mid- to upper-income averages (Anhar, 2001). As stated previously, the target market should be directed towards the traveler who is looking for a unique experience. The use of psychographics vs. demographics is much more of the case in the boutique hotel market. "Psychographics is a marketing classification used to define customers by attributes such as lifestyle, aspirations, interests, attitudes and beliefs".

(Sarheim, 2010) The market demand and objective should reflect the experience the boutique hotel is trying to convey. Another important aspect to the demand and marketing outreach of boutique hotels is what Lara Sarheim describes as the halo effect. “The halo effect of celebrity patronage, as well as the liveliness and buzz of the public areas, allows for these hotel to attract a high proportion of commercial demand and still maintain their trendy, aspirational status without becoming standard business hotels” (Sarheim, 2010). The halo effect of the celebrity and media crowd is enormously important for the ability of these hotels to achieve high average room rates – drawing on their customers’ aspirations to see and be seen with the “in crowd” (Sarheim, 2010). It is in this manner that the patrons of the boutique hotel have an experience that will give the customers’ stamp of approval to begin a word of mouth campaign. By offering an experience that is unique the boutique hotel can use its customers as marketing tools to generate, not only more business, but also loyalty. “Once established, boutique hotels also tend to have a higher percentage of repeat business compared to the industry in general, which may reflect a smaller degree of volatility when going through difficult economic times” (Anhar, 2001). Chip Conley also describes the use of psychographics in term, “Identity Refreshment” – People who stay in a hotel that feels worldly, artistic, literate and sophisticated, feel a little closer to themselves when they leave (Conley). Identity refreshment gives the customer a feeling of enjoyment and refreshment by staying in the boutique hotel. The guest should feel more at ease and closer to the person they want to be upon their departure from the boutique hotel. All aspects of traditional market demand and outreach should be used when compiling the necessary angles when developing a boutique hotel, but the use of strategic marketing tools unique to boutique hotels are what gives the added edge in driving demand and developing loyalty.

### **Feasibility Study**

A feasibility study is often considered a business plan, although similar, they are both very different. Business plans introduce the idea for a new offer and creates the foundation, to be presented for potential supporters. A feasibility study is more concerned with testing the claims and theories that the business plan has proposed (Hassanien, 2010). The steps taken in a feasibility study tend to be much more detailed and thorough quantitative data. The feasibility study begins the process with basic factors as location,

design, budget, detail designs and tenders. All of these factors can change and readjust depending on the fluctuation of each stage a chart is shown below.



(Hassanien, 2010)

After these basic factors are configured the feasibility study becomes more in depth, the table below shows the topic categories and the sub-categories that will be explained in detail.

Introduction	<ul style="list-style-type: none"> <li>- Business description</li> <li>- Business formation</li> <li>- Directors</li> <li>- Management team</li> <li>- Business goals/mission</li> <li>- Business philosophies/identity</li> <li>- Geographical markets</li> <li>- Vision of the future</li> </ul>
Executive summary	<ul style="list-style-type: none"> <li>- Main objectives</li> <li>- Sales summary</li> <li>- Strategic positioning</li> <li>- Strategic alliances</li> <li>- Licenses</li> <li>- Key advantages</li> <li>- Funds required</li> </ul>
Marketing	<ul style="list-style-type: none"> <li>- The product mix</li> <li>- Sales estimates</li> <li>- Analysis current product mix</li> <li>- Competitive research</li> <li>- Market analysis</li> <li>- Marketing goals &amp; strategies</li> <li>- Pricing policy</li> <li>- Advertising &amp; promotion</li> <li>- Sales management</li> <li>- SWOT analysis</li> </ul>
Historic analysis	<ul style="list-style-type: none"> <li>- General view</li> <li>- The market position</li> <li>- Balance sheet historic if available</li> </ul>
The organizational structure	<ul style="list-style-type: none"> <li>- Administrative organization</li> <li>- Management and personnel</li> <li>- Contingency planning</li> </ul>
Operations	<ul style="list-style-type: none"> <li>- Identity</li> <li>- location</li> <li>- layout</li> </ul>
Financial plan	<ul style="list-style-type: none"> <li>- The investment budget</li> <li>- Statistical data (ratios)</li> <li>- The return on investment</li> <li>- Financial projections</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>- Risk reduction</li> <li>- Exit strategy</li> </ul>
Appendices	<ul style="list-style-type: none"> <li>- Personal income statement</li> <li>- Other</li> </ul>

(Hassanien, 2010)

After all these categories and subcategories are researched and completed by the analyst, an informed decision can be made to either accept or deny the proposed purchase, renovation or expansion of a property.

## **Conclusion**

The basic understanding of the foundations of a boutique hotel are vital in the renovation and re-branding of the Mardi Gras Hotel and Casino. It is extremely important to understand all the different dynamics of the concept to have the conversion be a success. The Mardi Gras Hotel and Casino has many of the basic attributes and foundations needed for a successful boutique hotel. The next step in the process is developing a feasibility study to determine if the project is worth the capital investment. Through research we are able to absorb and eliminate different elements of previous boutique hotels and quantitatively project the success of the project.

### **Part Three**

Due to confidentiality of the subject matter, the author has excluded part three.

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