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Hotel Laguna: Marketing the Restoration of a Historic Hotel in Southern California

by

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PART ONE

Introduction

The renovation of a historic, boutique hotel should be marketed in such a manner to ensure profitability and maintain the history and nostalgic feelings associated with the property. Situated in the heart of downtown Laguna Beach, California, Hotel Laguna has provided over 80 years of continuous service while maintaining the true essence of the community: a beachside, artistically-driven, relaxing city. Since the original structure was built in 1888 it has been demolished, rebuilt, and remodeled (Farnham, 1981). Today, the property has one restaurant, OceanView Bar and Grill, banquet facilities, an exclusive Beach Club, and boasts 65- quaint guestrooms. Upon purchase of the business in 1986, the owners closed the property for lobby renovations to include new tile, bathrooms, and guest room renovations such as updated bedding, furniture, and window treatments. For the last 22 years, renovations have been minimal; however, within the past two years nearly \$1 million has been invested in new bedding, structural and plumbing repairs, furniture, electronics, and aesthetic improvements.

Despite being profitable, Hotel Laguna is suffering from a lack of upkeep. More specifically, Hotel Laguna lacks the basic amenities of a world-class resort and continues to receive negative feedback regarding the state of the property. Consistent with older buildings, pipes are smaller, leaks are eminent, electricity is unstable, and the kitchen is not set up in a manner to provide for efficiency. Despite these limitations, the kitchen staff is still able to create breakfast, lunch, and dinner for over 1,000 guests a day in a poorly designed, old, and ill-maintained structure that requires constant meticulous cleaning in order to pass routine health inspections. In addition, one bartender is able to serve all guests out of one well, with only 63

square feet of actual space to move. Although the staff seems to overcome the difficulties associated with the current hotel structure, the question of how to improve efficiency remains.

This paper will examine: 1) the perceived need for renovations based on the thoughts of (a) employees, (b) customers, and (c) community citizens; 2) how the renovations may influence perceived brand image and 3) how to best market these renovations. Part Two of this paper provides insight into these issues by conducting interviews with employees, customers and community members who frequent the establishment. Part Two will also include a literature review that examines consumer perceptions of historical properties, as well as discusses brand image and marketing management theory and practice. The final part of this paper outlines a marketing plan for Hotel Laguna's renovations.

Purpose

As a historic property, Hotel Laguna must be renovated or conserved in order to properly serve its guests, clients, and community in a positive manner. With such a dilapidated structure, management must decide whether it is worth-while to completely renovate the structure, or merely provide aesthetic renovations that will only last for a few years. This paper will investigate the feasibility of completely closing the property for a specified time period in order to create an improved structure or whether routine maintenance and slight "soft" remodels is sufficient to improve the quality of the property. The purpose of this paper is to determine the perception of renovations on Hotel Laguna and how renovations would impact brand image, while offering recommendations on how best to market these changes.

Statement of Problem

In its current state, Hotel Laguna does not offer a structure or amenities consistent with modern times, negatively impacting its ability to provide a value to its customers. However,

with Hotel Laguna being a historical property, whether or not to renovate a property with such cultural significance remains an issue. Due to the social impact the property has on the community, management must assess the need to deliver an improved product while increasing revenues for themselves.

Justification

This study is useful for historical property management teams, hoteliers, and the industry as a whole. In order to maximize profits and improve guest retention, property managers must deliver a quality product to its guests. The owners of the property will want to learn of the potential for increased revenue over the course of many years. By maintaining the property correctly, it would be possible to extend the life of the hotel and yield a higher return on initial investment from the remodel. Furthermore, understanding consumer reactions to renovations on a historical hotel will assist management in making more informed decisions on future developments.

There have been other historic properties in California that have maintained success from extensive remodels, such as Hotel del Coronado, in San Diego. Indeed, Hotel del Coronado invested \$8 million within 2011 to provide an aesthetic remodel to include televisions, furniture, and paint (Weisberg, 2012). Hotel Laguna could also reap the benefits of such a remodel. In addition, current market research has shown that many travelers are now requiring amenities that used to be associated with luxury hotels (e.g. Wi-Fi and High Definition televisions) (Trejos, 2012). In order to be competitive, Hotel Laguna must develop and provide amenities consistent with market demand.

Constraints

The recommendations and marketing plan discussed in this paper is based on: 1.) interviews with hotel employees, customers and community members, 2.) a discussion of extant literature in the hospitality and marketing fields, and (3) knowledge gained while employed at the property over the course of numerous years. At no point will a thorough business review be conducted. In addition, specific financial data is not made available for review.

Glossary

ADR: Average daily rate. The average room rate realized from the sale of rooms in a given period (Forgacs, 2010).

Boutique Historical Hotel: Accommodations with style, distinction, warmth, intimacy, historical significance to the surrounding area, targeting a market aged between 20 mid-50s with mid- to upper-income levels (Anhar, 2001).

Brand Image: The set of beliefs consumers hold about a particular brand (Kotler, Bowen, Maken, 2010).

Brand Reposition: The process of re-endowing products and services with the power of a brand. Re-creating differences between similar products (Kotler, Bowen, Maken, 2010).

Customer Relationship Management: Database management that helps identify failure points and common problems in service. The research can also be used to calculate the cost of lost customers (Bitner, Gremler, Zeithaml, 2009).

Nostalgia: A wistful desire to return in thought or in fact to a former time in one's life, to one's home or homeland; a sentimental yearning for the happiness of a former place or time (Dictionary.com, 2012).

Renovations: To restore to good condition; make new or as if new again; repair; to reinvigorate; refresh; revive (Dictionary.com, 2012).

RevPAR: Revenue per available room. Room revenue for a period divided by the total number of rooms available for that period. The method of combining occupancy percentage and ADR into a single statistic (Forgacs, 2010).

PART TWO

Introduction: Modernizing a Local Gem

Before embarking on a renovation of a historical hotel it is necessary to examine the property's past, present and future; only after completely understanding the history behind the building is a unifying renovation vision created (Kime, 2011, p. 3). Such was the case at Casa Madrona Hotel and Spa in bohemian Sausalito in San Francisco, California. Matt Bushey, lead designer on the project, oversaw three phases of the redevelopment, including a redefinition of space in the lobby, cottages and guestrooms, and spa. In order to capitalize on the beauty of San Francisco, the designers focused their attention on the view of the city and the bay. However, the design team needed to compliment the "... 'hotels' already existing sense of place, so from the sailcloth in the Lobby, to the colors in both the guest rooms and cottages to the sea glass, and the subtle light blue LED pathway lighting, [the team] wanted the guests to feel a sense of retreat from everything, without [the guests] being really aware of why they feel that way. In addition, [the design team was] always aware of the unique legacy of Casa Madrona, that defines the moving evolution of history, not only of Sausalito, but of San Francisco, Richardson Bay, and the sea beyond,'" (Kime, 2011, p. 9).

Similarly, Hotel Laguna should continue to incorporate the city of Laguna Beach in renovations. The property successfully demonstrates its allegiance and pays homage to the city by prominently displaying restored photographs of the downtown area throughout the years as the city has grown with the times. The property also successfully incorporated muted tones of blue and brown into the décor a few years ago during a soft remodel, to tie into the landscape of beach and sand. It is imperative that a synchronous harmony exist between the building, décor,

land, city, and history in order to properly display the significance of the hotel as it pertains to the heart of the city.

Hotel del Coronado: Lessons to be Learned

Similar in structure and historic feeling, the Hotel del Coronado began an \$8 million renovation of its Victorian guestrooms to include modern furnishings and flat-screen televisions (Weisberg, 2012). The ownership consists of Strategic Hotels and Resorts, Blackstone Group, and KSL Resorts, all of whom are seeking more group business than ever before (Weisberg, 2012). In order to capitalize on such a desire, the three partners have determined that they must compete with other hotels in the market as the historic nature of the property cannot be the sole reason guests stay at the hotel.

Similarly, Hotel Laguna's guests currently do not choose the hotel for the furnishings, or the dining options, or even the historic nature of the building, but instead for its proximity to the beach and other local eateries. In order to maintain some flow of revenue for Hotel del Coronado, the property remains open during renovations and allows guests to enjoy other outlets of the property. This is possible for Hotel Laguna, as much of the other outlets are spaced apart enough to allow for ease of accessibility for its guests. The current owners of Hotel del Coronado have incorporated style from the origin of the hotel, with slight modern twists on the furnishings. Detail work is reminiscent of what was previously done on property, but never fully crafted.

It will also serve to communicate to guests of the ongoing renovations if the property remains partly open during reconstruction. Although most of the property will be shut down, it will still allow the community to be involved with the renovation if they are allowed to enter the property to become part of the renovation process.

The decision Hotel Laguna should make regarding the remodeling and rebranding of the property can only be made after a thorough review of practitioner and academic research. The Literature Review conducted for this Professional Paper consists of two sections: Historic hotels that have been successfully renovated and the marketing efforts associate with historic hotels that have been able to effectively marketing renovations to repeat and first-time guests.

Management Involvement in Renovations

Perhaps one of the best ways for owners of midsize hotels to be involved in the remodel of their historic properties is to be present during construction as well as during the planning phase of the project. This was the case with the now Floridian Palace Hotel in Tampa Bay, Florida, which recently reopened its doors in July, 2012. The hotel's owner, Antonios Markopoulos, has partaken in designing, painting, and even cleaning of the property throughout the renovation phase (Mullins, 2011). After reviewing historical data regarding the property, Markopoulos did not just hand over the project to a General Contractor and turn away; Markopoulos had to submerge himself in the hotel in order to ensure that the grandeur of the property was restored.

The Floridian Palace Hotel has a similar history, both in ownership and occurrences, to Hotel Laguna. The privately owned hotels allow the principals to be empowered- focusing on their guests. For example, Markopoulos was able to focus on intricate details that he knew his guests would appreciate and would re-experience the hotel in the same manner they once did when it was bustling with celebrities in the 1920s and 1930s. Similar chandeliers, banisters, and woodwork were maintained and brought to life for future guests to enjoy and marvel at. Only after being completely involved in the restoration process was Markopoulos able to ensure that the property was rebuilt to maintain the luster it once had.

Hotel Laguna business owners will be able to successfully complete the renovation phase and market these changes to their clientele by similarly involving themselves in the project; immersion in guest suggestions for improvements and studies of what first-time guests pay strict attention to will aid in proper execution of a remodeled property that not only provides for an improved structure, but also improved guest experiences.

The Importance of Signage in Renovations

Given the sheer amount of competition in the surrounding area, Los Angeles hotels must market themselves effectively in order to showcase a different service or product than what can be purchased elsewhere. Perhaps one of the most intriguing ways to market a historical hotel's renovation is via signs throughout the property that depict and inform guests of what is occurring. Signage is one of the most critical components identified by Bitner, Gremler, and Zeithaml (2009, p. 335) in their seminal piece of servicescapes. According to Bitner, et. al, signage is a critical component of the servicescape; it is influential in driving consumer attitudes. Indeed, signs can aid by providing visual cues to illustrate finalized concepts or designs. For example, the Millennium Biltmore Hotel in Los Angeles, California did this with their signs adorning most of their common areas: "Historic structures enhance our lives by establishing a sense of personal history, while defining the character of our individual communities. Our goal is to revitalize and preserve our heritage for generations to come. The Biltmore Hotel is committed to preservation..." (Yen, 2012, p. 2). As the public notices the physical changes, they realize the marketed reasons for these changes are to inform about the modern amenities and services, while simultaneously maintaining the emotional and nostalgic characteristics of the property.

An effort must be made to showcase the need for restoration for the property to "live on" rather than a means for increased revenues, albeit the ultimate goal. Furthermore, management

must seek to maintain the same target market in order to achieve high revenues and improved sales.

The Importance of Customer Involvement

Hotel Laguna is situated on one of the most beautiful beaches in all of Orange County, if not the West Coast of the United States. As a result, management would never let the property out of their grips. Even more so, the original structure maintains the charm of a time that has long passed: crystal chandeliers drape the guestroom hallways, crank-style windows allow the ocean breeze to flow through the room, and an unobstructed ocean view creates a sense of peace for travelers. However, it is the intangible feelings that the property exudes that is a concern during any form of remodel. As Heather Gunter explains regarding London's historical hotel Savoy, many guests that were attached to the property because of how they felt when they remembered the hotel (2009). Just as Hotel Laguna contemplates either a partial closing or complete closing, the Savoy had similar hurdles to overcome. Only after engineers were able to determine what was behind walls and the physical state of the structure was the decision made for complete shutdown (Gunter, 2009). In doing so, design elements of the past were utilized and restored for the new property to enjoy. The design team was able to add in key luxuries, such as wireless internet, heated bathroom floors, and large flat screen televisions, while maintain the essence of the original structure.

Furthermore, the London Savoy had a following of its guests whom wanted to partake in the renovations and were included in the auctioning of furniture that was in the building prior to renovations beginning (Gunter, 2009). Taking the operations managers by surprise, guests still wanted to keep a part of the original Savoy alive. This action resonated with the renovation team

and created a newfound sense of care that had to be taken in order to thoughtfully preserve the experiences guests had.

This case demonstrates the importance of consumer attitudes and the intangible feelings of nostalgia that need to be included in renovations. By ensuring that proper care is provided for the structure and remembering to respect the feelings the property exudes will ultimately also provide for improved guest experiences. Similarly, Hotel Laguna can take the experiences of the team at London's Savoy as particular ways to improve guest relations and maintain the love that guests have for the property.

Marketing a Renovated Historical Hotel

Repositioning

As Kirby Payne, president of The American Hospitality Management Company, stated, "A hotel's image, quality, and market positions are not determined solely by its furniture, fixtures, and equipment. Equally as essential to repositioning is the modification of all functional and operational areas through redesigning procedures, marketing, [and] servicing..." (2012, p. 11). Although the guests primarily see the changes that occur during remodeling, the marketing plan to get them to enter the newly remodeled hotel is actually their first interaction with the new property. It is necessary for the marketing of the renovated hotel to be as detailed as possible to communicate to the guests that the property itself has not changed, but merely the quality of the delivery has changed. Although guests walking by the hotel will notice the new stucco or lighting, they will not know the difference of what it was, what it turned into, and how it was revamped unless it is properly marketed.

It is important that management utilize a wide range of mediums to communicate these changes. Guests will notice the changes that have taken place via internet, blogs, social media

websites, and perhaps most notably- word-of-mouth. In addition, it is necessary to be as straightforward as possible: the New Historic Hotel Laguna. The use of this tag-line will further enhance potential guests to want to explore the changes and rekindle experiences that were once had at the property years ago (Payne, 2012).

An Era of Romance: Nostalgia

In the hospitality industry, properties must invoke an emotional connection to achieve differentiation from the competition (Suggs, 2006). In the case of historical hotels, hoteliers must transport their guests from an era of convenience, immediate gratification and short-lived friendships, to a time of years past – when pace was slower and more at ease. However, this creates complexity; modern amenities should be delivered, while also capturing nuances from the past. Although a guest seeks to be immersed in an environment that provides for a change of pace, the luxuries of today must still be provided in the guestrooms. Just as James Suggs presents, “[the guest] might dream they are having breakfast in Tuscany when they’ve actually gone to San Antonio on business,” (2006, p. 3); guests visiting Hotel Laguna want to feel as though they have been transported to 1930s Laguna Beach and be on the beach with Frank Sinatra and enjoying a glass of wine with Humphrey Bogart, all the while reading an e-book on their tablet when their iPhone vibrates after receiving an e-mail. In order to properly convey this “time warp”, marketers must provide a plan for delivering the luxuries of today, while capitalizing on the feelings of what generations’ past exuded.

Hotel Brand Strategy

O’Neill and Mattila state that, “by establishing a set of promises to consumers, a brand creates a differentiated identity in hotels where functional characteristics of the products are not substantially differentiated,” (2010, p. 6); thus, the consumer is mainly basing their choice on the

promises the property is providing rather than the same product that is delivered. At this point, hoteliers can draw upon the varying emotions that were discussed earlier in order to attract potential clients to their property. In essence, "...a hotel brand represents a relationship with guests. This relationship is built as consumers get to know a brand..." (O'Neill & Matilla, 2010, p. 8), and ultimately is nurtured throughout multiple visits to the property. It is important for the hotelier to understand that customer relationship management plays a vital role in how the brand is perceived and ultimately determines whether or not a guest will be returning to the property. If sufficient care is provided to ensure that a hotel guest is taken care of, like at the Savoy in London, then guests will continue to frequent the establishment – even after the hotel closes for construction (Gunter, 2009).

Interview with a Repeat Guest/Community Member

Throughout the analysis of Hotel Laguna, it was determined that there was one guest who frequented the establishment for over 35 years. All the employees at the property know the guest well and see him at least three days a week as he sips his Arnold Palmer quietly at the bar. He has witnessed the property develop through two owners and maintains that the reason he frequents Hotel Laguna is because of the nostalgia that is evident as soon as he walks through the entrance. Daniel Tiano has been a repeat guest and community member for over 35 years and lives in downtown Laguna Beach. He states that he is "...quickly reminded of all the different managers and how they have come and gone and the discussions [he] has with all the staff," (personal communication, Daniel Tiano, September 28, 2012). Tiano, just over 80 years old, has witnessed all different types of guests within the hotel and has many stories of the guests whom he has encountered. However, when asked what his thoughts were on a renovation and how that would be perceived by the local public, he stated "It's about time. I think the image the hotel has

will stay with it forever, no matter what size TV you put in the room. I think people will thank [the owners] for improving the quality of the [structure],” (personal communication, Daniel Tiano, September 28, 2012).

Perhaps the most important piece of evidence that determines the level of success of this renovation is the local clientele and their responses to the restoration of the property. After speaking with Mr. Tiano, it is clear that locals only want Hotel Laguna to return to its previous state – not become a modern, exclusive watering hole for only the rich.

Interview with an Employee

After working at Hotel Laguna for over 23 years, Ms. Hoffman, the OceanView Bar and Grill Manager knows the building like her own home. In fact, she stated that if the building is remodeled, she will have to “...relearn the layout in order to feel more comfortable in [her] home away from home,” (personal communication, Cathlyn Hoffman, September 27, 2012). When asked about the rebranding of Hotel Laguna, Ms. Hoffman stated to focus primarily on the historical aspect of the property and the need to ensure that the hotel remains historical, both in formality and in design elements. For example, with various “hidden” stairwells come “hidden” banisters that are so ornate in design that it would be a shame to destroy them, when the hotel can capitalize on these elements and showcase them for travelers to see.

Ms. Hoffman stated that the most difficult part in rebranding the hotel would be the difficulty that repeat guests would have with the change of image. However, when proper care has been provided to ensure that these guests would be receiving the same service and a more polished product as previously, Ms. Hoffman concluded that the rebranding would actually excite many guests.

Conclusion

As is evident in much of the research conducted, the primary focus of the remodel of a historic hotel should be on maintaining the nostalgic feeling associated when guests return immediately after the property is renovated. While providing a place to relax and rejuvenate, the property will also provide a sense of excitement and rekindle feelings of generations past. Management is able to mitigate any sort of damaging reputation that may arise by properly depicting the renovation as a restoration and improvement of the original structure.

Both guests and employees alike provide insight into the positive outcome of a renovation at Hotel Laguna pending the image the business owners wish to portray. Through direct communication with both Tiano and Hoffman, one concludes that the historic nature of the property must be delicately restored to reveal the grandeur the property once was.

PART THREE

After conducting a thorough literature review, it has been determined that a complete remodel of the property is necessary in order to maintain the level of appeal to guests and community members alike while returning a profit that is expected of a mid-size hotel in Southern California. As stated earlier, this section will show a marketing plan for the management of Hotel Laguna in order to maximize exposure from a complete rebuilding and refurbishment of the property and its outlets. As evidenced by the success of hotels such as the London Savoy, Millennium Biltmore, Hotel del Coronado, and the Floridian Palace Hotel, owners have earned not only higher returns, but greater respect from other hoteliers and guests by remodeling their properties.

Marketing Plan

Defining the Plan

In order to properly affect change within the organization, it is imperative that the management team create and implement a comprehensive marketing plan. Part of the plan will explain the need for extensive remodeling throughout the property. The marketing of these changes is to maintain the essence and charm of the historic property. Informing and encouraging guests to be a part of the renovations will further communicate the property is improving the quality and value of the hotel for the guests and the community.

Timing the Plan

The current demand patterns of Hotel Laguna revolve around the summer months, namely between Memorial Day weekend in May and Labor Day weekend in September. With increased reservations leading up to the last weekend in May, management can plan for a soft-opening in March and a complete re-launch of the brand in May. By beginning the restoration

phase in late September, the property will be closed for a maximum of eight months. During that time, employees can be trained and retrained in order to ensure proper customer service and positive guest interaction from the moment the doors reopen in May.

Recommendations for Improvements

Although the current structure is fully intact and made of purely lumber and concrete, there are certain areas of the property that must be addressed in order to ensure continuous service to guests in the future. Some of these areas include staircases, walkways, offices, and connecting hallways. A majority of the improvements that will be conducted are for ease of accessibility and to improve the functional usage of the limited space. Currently, the parking lot is able to hold a maximum of about 110 vehicles. An improved, underground lot exactly where the current lot is situated will provide double the number of parking stalls and will allow for expansion of the hotel's amenities on the roof of the lot. This expansion will include a 6-foot deep pool deck and Jacuzzi area that will extend onto the Western Bluff. With the support of stilts rising from the beach area, the pool deck will cascade and create an infinity-type illusion. This pool deck will also house 10-15 private cabanas and will have an unobstructed view of the Pacific Ocean. The construction of an additional bar on the pool deck will allow for improved efficiency during the tourist seasons.

Furthermore, it will be necessary to increase the size of the guestrooms by nearly 50% by opening up certain rooms that have a similar flow pattern. This will create roughly 38-guestrooms in the main building and thus an additional expansion will be eminent upon the Western Bluff rising above the pool deck. Each guestroom will be outfitted with central heating and air conditioning, as well as improved bathroom fixtures, tile work, televisions, headboards, mattresses, and furniture. Improvements to televisions and internet accessibility will also take

place. Common areas, to include the lobby, guestroom hallways, and lobby restrooms will also be retiled, painted, and adorned with new fixtures that are representative of the era of the property. Property-wide electricity will be rerouted with proper wiring and re-plumbing of all guestrooms, bar, and kitchen appliances will also be addressed.

The main bar will be removed and relocated along the western-facing wall in the lounge area. This bar will stretch about 40-feet- the length of the lounge- and receive new furnishings, as well. The original stone fireplace will remain untouched amidst all of the changes. The two dining areas will be restructured to create a better flow pattern for guests walking into the restaurant. The lounge wall will be finished and doors will be replaced with a wall to allow guests to enter only through the main entrance by passing near the hostess station. New furniture, carpet, paint, and decorations will also improve the servicescape in the dining outlet, as well.

Banquet halls will only be improved upon by way of aesthetics, as the rooms are fairly simple in nature in their current state. New carpet and paint will be addressed in these areas, as well. The banquet spaces' air circulation units will be united with the central heating and air conditioning that will be installed property-wide.

The kitchen will receive reinforced flooring, walls, and improvements will be made to the layout of the cooking lines, ovens, and prep areas. Some of the existing appliances will be salvaged as there are few pieces in good working order. Service stations will also receive reinforced walls and flooring to aide in longevity of the property.

External Environment Analysis

Competitive market. There are 23 hotels within the city of Laguna Beach, which stretches for about 9.7 square miles. It is necessary for management to understand the

competitive market in order to reach the potential segment of clientele that they intend to attract. Currently, Hotel Laguna is one of only four historical properties in the city (Casa Laguna Inn, La Casa Del Camino, and The Tides Laguna Beach) and thus must maintain its old-world charm in order to capture a large segment of the market that is looking for this type of accommodation. However, Hotel Laguna maintains its own private Beach Club which no other hotel in Laguna Beach has, including the other historical properties. With room rates of comparable hotels slightly more expensive, Hotel Laguna must maintain its current Average Daily Rate of \$202.00 in the summer season and \$138.00 in the winter season in order to secure an increased number of bookings.

By maintaining the historical presence of the hotel, management will ensure that the brand is not penetrating a section of the market that is inundated with newer, resort-style properties that are already competing with each other for more business.

Demographics. Currently, the demographic analysis of guests is as follows: between 32 and 55 years of age, familial with two children, residing in Southern California, with some schooling, and of various ethnic backgrounds. Albeit a rough estimate of the current population of guests, the property should seek to bring the same type of guests back upon restoration, with one major difference – the education of the guests. It can be assumed that typically, with higher education levels, there is a higher disposable income that the guest is willing to spend. Furthermore, with higher disposable incomes, families will ultimately spend more during their visit over couples since particular services are not found at the property, such as an extensive Spa, Retail Outlets, and romantic dining opportunities.

This age group encompasses two specific generations: Baby Boomers and Gen X. In order to achieve as much revenue as possible, management must realize that with much of the

spending power lying within the Baby Boomer generation, Gen Y is fast approaching entrance into the workforce. Amidst entrance, Gen Y will begin to develop spending power, as well. Thus, it is imperative that management is keenly aware of potential entrants to the market.

Economic. Our nation is currently in a state of economic uncertainty and this impacts whether hotels will invest money in renovations. In 2011, the trend for hotels, as reported by Smith Travel Research, depicted only 352 major hotel renovations (Caterino, 2011). With a large number of other hotels engaging in smaller-scale refreshing (lobby renovation, paint, tile work), even fewer hotels are taking part in rebranding efforts, mainly due to the necessary capital involved in both marketing and renovations (Caterino, 2011). Furthermore, Donald Harrier reports that there is no set timeline of when to renovate rooms, as hotels choose based upon client needs and brand requirements (Caterino, 2011). A prime example, Montage Hotels and Resorts in Laguna Beach, California, renovated guestrooms only four years after initially being built (Caterino, 2011).

If the property wants to stay competitive and attract local customers, at a minimum it must maintain modern amenities. By utilizing sales revenue to pay for such capital expenses, the best time to begin any sort of renovation for Hotel Laguna would be immediately upon the conclusion of the summer tourist season. In this manner, the property produced its highest revenues during the busiest season and the upcoming fall and winter season (traditionally the slower seasons from a revenue perspective) to renovate common areas and guestrooms.

Furthermore, many consumers of the property make reservations in “packages” and consistently seek to achieve better deals. Thus, the property will continue to offer packages for guests such as “Weekday Getaways”, “Buffet and Stay”, and “Beer, Beach, and Bumming” in order to entice guests -in a mediocre economy- to continue to frequent the property. Since the

purchasing power of consumers is limited, it is imperative that management offer inclusive packages so guests are under the impression that they are receiving an incredible bargain at little cost to them.

Natural. As the property is located directly on the sands of Laguna Beach, the location is one of the most sought-after reasons guests flock to the property. It is necessary for management to continue to nurture the landscape in front of the property so that the guests will continue to enjoy the surrounding natural environment.

Furthermore, in an effort to pay homage to the past, while still looking forward, management may strategically align the property with sustainable processes that will decrease the amount of toxic pollutants that are used around the shoreline. This will be marketed to guests in order to attract those whom have never been to the property yet and witnessing the changes taking place.

Technological. Technology is one of the most dramatic external forces that the hospitality industry currently faces. One of the biggest flaws of the current structure is the lack of technology. This will be a paramount focus of the renovations. Other hotels throughout the city and the rest of the world have introduced newer technology than what is currently used at Hotel Laguna. Only recently was the property able to successfully implement a wireless internet program to its short list of improvements. Especially as travelers are requiring more amenities out of their hotels, this will prove to be an advantage to the property upon restoration. By limiting the capital that was invested “prematurely”, the property has saved a substantial amount and can begin the restoration process with basic, reliable technology. Management will be able to market the property’s hard-wired internet connectivity in each room, wireless internet access points throughout the property, on-demand programming, in-room intelligent lighting, and large-

screen high definition televisions; all available in a historic property that has been retrofitted for the comforts of today.

With many food and beverage outlets also utilizing iPads, tablets, and handheld devices in lieu of Wine Lists and Point-of-Sale computers, it would be necessary for Hotel Laguna to further develop such technology to improve sales within the food and beverage outlets. Furthermore, with no other hotel in Laguna Beach offering self check-in kiosks in the lobby, this will provide a means of attracting business travelers for rapid service.

Political. The property must ensure that pollution is kept to a minimum and adhere to state and local agencies, such as the California Coastal Commission and the City of Laguna Beach in order to maintain its private Beach Club. It must be noted that the private Beach Club is a method of revenue, therefore, management must pay strict attention to new laws that may interfere with the property's ability to capitalize on its location.

During the renovation, management must also ensure that the property will become ADA compliant in order to make certain easy accessibility is possible for handicapped guests. Furthermore, since the property will retain much of its wood structure Fire Codes must also be adhered to and improvements made to retrofit the property to sustain natural disasters that might occur due to the property's location (earthquakes, tsunamis, etc.).

A Changing Servicescape

In order to provide an environment that has visually changed to its guests, Hotel Laguna must undergo a change to not only the guestrooms, but also to the servicescape in general. Offices will be located adjacent to one another, Valet Parking will be a short walk from the Front Desk, and elevators will be located throughout the property to aide in moving guests from their rooms to the outlets. Thus, the spatial layout and functionality of the property will have both

changed and improved. Furthermore, signs will be present on the outside of building and will reflect the outlets residing inside, in order to increase foot-traffic into the building. The guestrooms will utilize colors and textures that are conducive of a beach-side property. All these changes will help the guest feel more comfortable and will exceed the expectations of a historic, retrofitted hotel.

The restaurant outlets will also change their functionality and will appeal to the target market more effectively by offering a casual-style environment that produces premium- quality meals, utilizing fresh and local ingredients. This will further enhance the image of the property by ensuring its guests are aware of the utilization of local purveyors rather than large-scale distributors. Guests will be able to enjoy “Grab-n-go” sandwiches at a lobby deli and take it to their lounge chair on the beach. The property will be able to capture revenue from inexpensive, quick meals, rather than letting that guest bring their food from an outside vendor. The property will be branded so guests can assume it is a “one-stop hotel” that maintains all the necessary luxuries of a destination resort within the confines of a mid-size property.

Pricing Strategy

Prior to the re-opening of the property, management must engage in a value-based pricing strategy in order to attract the most number of guests and achieve higher ADR. Thus, discounts will be offered to those guests who choose to stay at the property within the first four months of reopening. By utilizing this strategy, the guests’ perceptions of the nostalgic emotions that are prompted upon entering the property will reflect the higher rates. Due the high number of hotels within a confined geographic area, guests have the potential to choose their accommodations based upon price. However, Hotel Laguna will use its historic charm and retrofitted interior space to capitalize on the emotions it creates in its guests.

Management will also focus on Product-Bundle Pricing strategy in order to combine products from the restaurant and beach outlets together with guestroom accommodations. This will ensure that guests are spending as much time and money within the property's reach. Furthermore, guests will continue to seek the destination-resort feel that the property is delivering when it is merely a mid-size property. The property will continue to offer discounts based on time of purchase in order to keep occupancy rates high in the winter when, traditionally, the number of guests diminishes significantly.

Intermediaries

In order to further increase occupancy rates, management will work with intermediaries such as corporate travel agents, tour wholesalers, other hotel representatives, and the internet. By utilizing Corporate Travel Agencies around the world, the property will be able to retain high occupancy rates in the winter months when leisure travelers are less common. Tour wholesalers will be utilized, as well, in order to secure full occupancy in the summer season for leisure travelers. By encouraging stronger relations with surrounding hotels, the property will be able to receive additional guests when there are unoccupied rooms and surrounding properties are fully occupied. Furthermore, this will allow the property to "walk" guests to other hotels when the property has been over-booked. By establishing an easy-to-use website, integrated with the property management system, guests will also be able to use the internet to reserve their accommodations. Increasing the property's virtual footprint will also illustrate that even though the property is historical in nature, the vision and ideas that are generated within the company are in keeping with today's market expectations.

Promotions

It is imperative that the property communicate value to potential customers. This is perhaps the most important caveat the property should heed, considering much of the feedback that was received by the property before any renovation taking place is the lack of communication between property and guest of what the product being delivered entailed. Thus, the property will focus on selling its location, history, nostalgic feelings and emotions that it brings about in its guests.

Management will focus on the following medium to communicate information about the renovation: television, radio, newspaper, magazine, and internet. Television and radio advertisements, which have never been implemented before for this property, will be aired locally. The property will focus on utilizing its connections with America's Broadcasting Corporation and advertise with this channel since it has placed a Webcam on the roof of the property. This will help drive local guests to the property in the off-season in order to make up for the lack of tourism. Targeting guests ages 35 through 50, these advertisements will be limited in scale and should not have much investment, as local advertising is not expensive. Newspaper and Magazine advertisements will continue to be used to inform local guests of upcoming holiday promotions and general accommodations. Targeting guests ages 35 through 45, much of the advertisement budget should be expensed within these types of outlets.

Internet advertisements will be kept to a minimum, yet an online presence should still be maintained, as this has become an increasingly important communication outlet. By appealing to guests aged 20 through 30 years of age, internet advertisements will be kept short and provide pictures in order to appeal to a demographic seeking quick information. In addition, it is necessary that Hotel Laguna utilize social media. More specifically, Facebook, Twitter, Pinterest, and YouTube accounts will be created to communicate discounts, promotions, current

events, special occurrences, and announcements. In order to raise brand awareness and build customer relationships, continuous updates to these mediums will ensure that the community and guests are informed of property-wide promotions and events. This will aid in increased revenue in food and beverage outlets, as well. In addition, the restaurant outlets will utilize OpenTable for direct reservations and further online marketing.

Hotel Laguna will also use public relations to reach out to the community; the property will also engage in a ribbon-cutting ceremony that will re-dedicate the property. This ceremony will also allow management to showcase the rebranding efforts and changes to servicescape that have been improved upon. Local and state dignitaries will be invited to this ceremony, as well as city officials and each guest that has stayed at the hotel prior to it being restored. In order to properly market this and other events that the property will engage in, press releases will be circulated in internet forums globally.

Service Culture: Employee Relations and Training

As is evident by the responses from current employees, staff members will welcome the changes that occur and support management in the progressive shifts that will be emphasized in the servicescape. Many of the physical changes to the property will help the staff become more involved with guests and thus positive experiences will be made. No longer will employees be accustomed to management not implementing changes due to lack of investment in the property. A new service culture will be established; one that exhibits care and attention to all of the guests' needs and desires.

However, much of the same corporate culture will be the same, as the entity itself is not changing, but merely the branding image. The familial relationship that is currently present will carry forward after the physical restoration is complete. It will also be imperative that much of

the same staff members are retained with the property. This will aid in providing regular guests with a sense of familiarity throughout the physical changes the property has undergone.

Furthermore, by retaining much of the service staff, management will be able to empower the line-level employees by informing them of the changes that have occurred to the property. These staff members will play a vital role in the rebranding of the property as they are individuals whom will communicate directly with customers. Although it is evident that there will be the few employees whom will resist change, new staff can now be sought for employment and training prior to the re-opening of the property in May.

By holding weekly meetings with employees at three, two, and one month prior to re-opening, service staff will further feel a part of the process. As long as these individuals feel a sense of loyalty from their employer, they will reciprocate that same loyalty and customers will respond to this increased sense of family. In times of a stagnant economic environment, this will further enhance the image of the property as it has retained much of the same staff rather than engaging in a mass layoff.

Conclusion and Recommendations

Much of the recommendations stated within Part 3 of this Professional Paper should be followed in order to successfully market Hotel Laguna upon the completion of its restoration. Through rebranding efforts, management will be able to successfully accomplish the following goals: 1) repair negative feedback regarding the poor state of the property, 2) increase community awareness of historical nature of the property, 3) improve occupancy rates through effective marketing strategies focusing on nostalgia of the property, 4) utilize new technology to increase guest amenities, 5) retain employees and utilize same staff to create a sense of welcome for repeat/regular guests.

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