****

9B18M126

Banff Aspen Lodge: Evolving the Business Strategy

[Laurie George Busuttil](https://iveypubs.my.salesforce.com/003A000001CqbD6) and Susan Van Weelden wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

*This publication may not be transmitted, photocopied, digitized, or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e)* [*cases@ivey.ca*](mailto:cases@ivey.ca)*;* [*www.iveycases.com*](http://www.iveycases.com)*.*

Copyright © 2018, Ivey Business School Foundation Version: 2018-08-31

In June 2013, Chris Barr, general manager of the Banff Aspen Lodge (the Aspen) in Alberta, Canada, sized up the prime corner space formerly occupied by a gift shop within the lobby of the hotel. Barr was eager to deliver on the hotel’s mission to provide every guest with an exceptional experience and wondered if he should add a new guest service to replace the gift shop. With high occupancy rates and no immediate pressure to add significantly to the hotel’s bottom line, Barr had the luxury of experimenting with complementary service offerings. However, he was concerned about potentially diverting critical resources from the core hotel business, and he had to work within the hotel’s footprint. Barr wondered what he should do with the space. Should he enhance the Aspen’s guest experience in new ways; if so, how? Should he instead focus his attention on developing new target markets and providing the best possible service to ensure repeat customers?

THE ACCOMMODATION INDUSTRY

Canadian Accommodation Industry

Since 2010, the Canadian accommodation industry had been characterized by modest growth, with actual revenue increases of 7.8 per cent in 2010, 5.7 per cent in 2011, and 4.3 per cent in 2013. Forecasted revenue increases were 3.4 per cent in 2013 and ranged between 4.0 per cent and 4.2 per cent for 2014 through 2017. The Conference Board of Canada described profits as “healthy,” with an actual profit margin of 5.4 per cent in 2012, a forecasted profit margin of 6.1 per cent for 2013 that would return the industry to its pre-recession peak, and forecasted profit margins of between 5.5 per cent and 5.6 per cent for 2014 through 2017.[[1]](#endnote-1)

A key threat faced by the industry was Canada’s soft domestic economy, leading to “flat” demand from Canadian tourists. Although the American economy was improving, it was not leading to a significant increase in overnight visits to Canada, and austerity measures in Europe continued to dampen consumer spending. Therefore, the industry was looking to develop new markets.

Residents from the United States contributed the most to Canada’s international tourism spending. Chinese travellers were next with China being the third-largest outbound tourism market in the world.[[2]](#endnote-2) In Canada, from 2010 through 2012, the number of visitors from China increased from 170,000 to 300,000, and increased again by another 20 per cent through the first half of 2013. The recently expanded air transport agreement between Canada and China was expected to continue to result in double-digit growth in the number of travellers from the Chinese mainland.[[3]](#endnote-3) A survey reported by the Canadian Tourism Commission in *Global Tourism Watch* predicted that China would become the largest tourism-generating market by 2020.[[4]](#endnote-4)

Long-haul travel was expected to grow from just under 14 million trips in 2011 to 20 million trips by 2015. An estimated 1.5 million long-haul travellers either planned to, or were likely to, visit Canada in the next two years, and 29 per cent of them (439,000) were likely to visit Alberta.[[5]](#endnote-5)

Canada was perceived to be friendly and beautiful. It ranked highest among seven destination countries for product interest associations with skiing and snowboarding and other winter activities. Forty-one per cent of survey respondents associated Canada with skiing and snowboarding and 46 per cent of survey respondents associated Canada with participating in other winter activities. However, these products were of relatively low importance when choosing a destination, with only 41 per cent of respondents always or often being interested in skiing and snowboarding and 45 per cent of respondents always or often being interested in other winter activities. Canada ranked a close second behind Australia, for being associated with seeing beautiful scenery (by 38 per cent of respondents). Seeing beautiful scenery was the most important product interest when choosing a destination (with 86 per cent of respondents always or often being interested in this product).[[6]](#endnote-6)

Key success factors for the accommodation industry included access to a multi-skilled and flexible workforce, being part of a franchised chain, and word-of-mouth recommendations.[[7]](#endnote-7) Close monitoring and managing of listings on online travel agencies such as Expedia and Hotwire and with metasearch engines such as TripAdvisor, Kayak, and Trivago were important given customer desires to read other users’ feedback.[[8]](#endnote-8) Being listed on online travel agencies significantly increased the number of reservations made directly on a hotel’s website.[[9]](#endnote-9) Such bookings were welcomed by a hotel because there was no need to pay commission to resellers.

Canada’s top two hotel companies at the time, Four Seasons Hotels and Resorts and Fairmont Raffles Hotels International, were global players who dominated hotel revenue in Canada, with 24 per cent and 22 per cent, respectively, of Canada’s 2011 national accommodation revenue of $16.4 billion.[[10]](#endnote-10) The next eight-largest hotel companies by revenue generated another 33 per cent of Canada’s 2011 national accommodation revenue. Therefore, many small companies competed in the Canadian accommodation industry, where in 2013, the occupancy rate was forecasted at 63 per cent, the average daily rate (ADR) at $133, and revenue per available room (RevPAR) at $83.[[11]](#endnote-11) The RevPAR was a performance metric calculated by multiplying a hotel’s ADR by its occupancy rate.

Alberta Accommodation Industry

Western Canada was projected to lead the country’s accommodation market, with 2013 forecasts of 64 per cent occupancy rates, $136 ADR, and $87 RevPAR.[[12]](#endnote-12) From January to June 2013, Alberta had posted the second-highest growth in room demand in Canada, at close to 4 per cent.[[13]](#endnote-13)

The Alberta accommodation industry was highly dependent on tourism. During 2012, visitors spent approximately 46.1 million nights in Alberta, with 13.778 million nights spent in hotels, motels, resorts, cottages, bed and breakfasts, and other commercial roofed properties. Of the 13.778 million person nights, 5.519 million were spent by Albertans, 4.315 million were spent by other Canadians, 1.955 million were spent by Americans, and 1.989 million were spent by overseas visitors. Overseas visitors had the longest average stay, at 11.7 nights, followed by American visitors with an average of 5 nights. Visitors from within Canada stayed between 2.4 nights per visit (from Alberta) and 5.1 nights per visit (from Ontario).[[14]](#endnote-14)

Tourism and Accommodation in the Canadian Rockies and the Banff Region

Travel to the Canadian Rockies had fluctuated between 2010 and 2012, with 3.208 million person-visits in 2010, 4.376 million in 2011, and 4.271 million in 2012 (see Exhibit 1). The highest per-person spending on accommodation, food, and beverage came from overseas visitors and other Canadian visitors (non-Albertans).[[15]](#endnote-15)

The 4.271 million person-visits in 2012 yielded 2.14 million overnight visits. Residents of Calgary and Edmonton comprised the largest group of overnight visitors, at 23 per cent and 15 per cent, but the region was also a popular overnight spot for visitors from Europe (11 per cent) and the Asia Pacific region (8 per cent).[[16]](#endnote-16)

The dramatic increase in outbound Chinese travellers was attracting attention from the ski industry worldwide, including in Canada. According to a 2011 survey reported by the Canadian Tourism Commission in *Global Tourism Watch*, 14 per cent of respondents listed skiing and snowboarding as the “top Canadian dream vacation experience.” The survey also found that 8 per cent of China’s likely visitors said they would probably visit Banff (compared to 12 per cent for Whistler and 5 per cent for Jasper).[[17]](#endnote-17)

In 2011, the Banff Region (the broader Banff–Jasper–Rockies region, including the towns of Banff, Jasper, and Rocky Mountain House) experienced a total of 3.2 million visits. Overnight visits totalled 2.4 million, comprised of 1.6 million in the summer and 0.8 million in the winter. The Banff Region experienced a 3.4 per cent compound annual growth rate in tourism from 2007 to 2011, which was lower than Alberta’s growth of 5.7 per cent but higher than the national rate of −0.3 per cent. For the summer, the compound annual growth rate of 2.2 per cent was lower than Alberta’s rate of 6.2 per cent but higher than the national rate of 0.3 per cent; however, the winter growth rate of 5.7 per cent exceeded that of both Alberta (5.1 per cent) and Canada (0 per cent). Overall tourism spending in 2011 in the Banff Region was estimated at $1.1 million, with a compound average growth rate of −0.3 per cent between 2007 and 2010.[[18]](#endnote-18)

In 2012, STR Global reported that the Banff Region had an annual occupancy rate of 62 per cent (74 per cent in summer, 49 per cent in winter), with an ADR of $180 ($189 in summer and $156 in winter), up from $170 in 2009, and higher than the rates of $129 and $139 for Canada and Alberta, respectively. The Banff Region’s 2012 RevPAR was $111 ($144 in summer and $77 in winter), up from $100 in 2009, and higher than the national average of $80 and the provincial average of $91.[[19]](#endnote-19)

There were 33 hotel properties in the town of Banff, a picturesque community located in Banff National Park, in the heart of the Canadian Rockies. With a government-imposed moratorium on building in Banff, these properties encountered significant constraints on increasing their physical footprints (either building out or building up). As well, the moratorium meant no new properties could be developed.

A 2009 visitor survey conducted by Zins Beauchesne and Associates suggested that the town of Banff had a reputation for a negative visitor experience, with a “value for money in accommodations” satisfaction ranking of 32nd out of 34 items on this number one ranked area in importance.[[20]](#endnote-20)

Euromonitor forecasted that from 2012 to 2017, arts and culture would increasingly draw tourists to Canada. Theatres, art galleries, and museums had forecast compound average growth rates of 2.6 per cent, 2.5 per cent, and 1.6 per cent, compared to the forecast growth rate of 1.4 per cent for national parks and areas of natural beauty. The Euromonitor forecast and the Zins Beauchesne survey both pointed to the need for innovation and a willingness to cater to changing customer tastes.[[21]](#endnote-21)

The Banff Aspen Lodge

The Aspen was a three-story, 89-unit hotel on Banff Avenue, the main street of the town of Banff. It was one of 17 hotels located on a five-block stretch of Banff Avenue. The Aspen was currently ranked eighth by Canadian Hotel Guide, with an average guest rating of 8.3 out of 10.[[22]](#endnote-22) It was one of the few remaining family-owned hotels in Banff, in an era of consolidation within the hospitality industry.

The Aspen was a four-minute walk from the town centre, with its many quaint shops and numerous restaurants; a four-minute drive from the Trans-Canada Highway; and a nine-minute drive from the Banff Upper Hot Springs and the Banff Gondola at Sulphur Mountain. The hotel featured quiet, clean, comfortable rooms with mountain views and a courtyard with two hot pools. A deluxe breakfast buffet plus underground and outdoor parking were included in room rates to provide a simple, single, moderately-priced hotel experience.

The Aspen’s mission was to “create an exceptional guest experience by providing outstanding service and value.” Its value proposition was as follows:

We are a leader in the hospitality industry. We are focused on creating exceptional experiences for every guest, every time. We have an innovative, multi-skilled team, within a respectful work environment.

That “exceptional guest experience” was engrained into all staff, creating a culture of friendly and innovative customer service. Guests arrived to find a personalized welcome note on their bed in their favourite room. If an extra blanket had been requested during a previous stay, the correct bed in the room would be made up accordingly, based on a customer profile that was maintained for repeat guests. If a guest mentioned to housekeeping that dark coffee was a favourite, the coffee maker would be regularly replenished with a dark roast. Guests enjoyed fresh-cut fruit salad, home-made granola, and locally-sourced bacon and sausages at the breakfast buffet; they were welcomed to stay for an extra cup of coffee even if it was past closing time. At night, if guests were returning late from the day’s sightseeing excursion, a phone call with an estimated arrival time was sufficient to keep the parking garage open. Employees were empowered to create positive experiences for each and every guest throughout their stay.

According to Barr, the Aspen aimed to position itself as the number one mid-scale property in Banff. Its primary target markets were the United States, Calgary, and Edmonton. It attracted many repeat customers because of the relationships staff developed with guests. The Aspen also served the tour market, but it limited group bookings to no more than 40 per cent of rooms because it could get a higher price from individual bookings and because the breakfast room only held 60 people at a time. Tour groups came primarily from the United States and Asia—mostly Japan or Korea, but China was identified as a new source of tour revenue. In recent years, Barr had made annual trips to China in an effort to develop business from that country. He recognized that continually looking to new opportunities was crucial in the volatile and rapidly-changing hotel marketplace. He also realized that new business development in foreign markets, such as China, was a lengthy process of developing relationships.

The Aspen’s capacity was 356 people, bounded by the 89 rooms in the property and seating in the breakfast room. Occupancy rates ranged from 51 per cent in late fall to over 90 per cent in July and August (see Exhibit 2).

One of the Aspen’s key challenges, with its emphasis on an exceptional guest experience, was attracting and retaining staff. The 2011 census indicated that the population of the Town of Banff was only 6,245,[[23]](#endnote-23) so there was a very small local talent pool. Like most hotels in Banff, the Aspen relied heavily on the Working Holiday Program[[24]](#endnote-24) (which allowed adults from a list of developed countries who were between the ages of 18 and 30 to work or study for up to 24 months in Canada) and on exchange programs with Korea, New Zealand, and the United Kingdom. To ensure that guests were provided with an exceptional experience through outstanding service, the Aspen devoted significant time to training staff, having new employees shadow veterans before working on their own.

The Gift Shop

The gift and souvenir shop industry in Canada encompassed just under 3,000 businesses with revenue of approximately $1 billion. Industry revenue had declined by almost 6 per cent between 2008 and 2011. With the economic recession of those years, the per capita income of shoppers, on which sales were dependent, also had declined. External competition for disposable income, along with rising internal competition from other retailers, hurt gift shops. The outlook was not positive, either. While projections suggested an annual growth rate of 0.6 per cent between 2011 and 2016, the following five years, 2016 to 2021, were expected to see an annual decline in revenue of 1.2 per cent.[[25]](#endnote-25)

In 2013, the gift shop’s declining revenues led Sam Hong to conclude that it was time to close the shop that he had owned and operated for 25 years since emigrating from Korea. His monthly rent to the Aspen over the past year had been $1,204. He had offered his customers a best price guarantee and had a quieter location than gift shops in the downtown core. However, his 340-square-foot (31.6-square-metre) shop faced stiff competition from an array of gift shops, both within Banff and two other tourist communities—Lake Louise and Jasper. The industry was going through a period of consolidation, and this was evident even in Banff. Three of the larger gift and souvenir shops on Banff Avenue were owned by the same company, and they were just two blocks away from the Aspen. Since Hong also managed the hotel’s breakfast room, he would continue to work for the Aspen, but the closure of the gift shop meant that his wife would be out of a job.

Options under Consideration

With the closure of the gift shop, Barr was considering other potential uses for the space (see Exhibit 3) that would fit with the Aspen’s differentiation strategy. Alternatives he was considering included opening a café, opening a restaurant, or using the space as a second lounge area for guests so he could focus on making the Aspen the number one mid-scale property in Banff by developing new potential markets and by continuing to enhance customer service to ensure repeat customers.

Opening a café or restaurant would give the Aspen greater access to the food and beverage sector of the tourism economy in Banff. Roughly 75 cents was spent on food and beverages for every dollar spent on accommodation in Banff.[[26]](#endnote-26)

The gift shop had been run by Hong and his wife, but the Aspen would be responsible for staffing either a café or restaurant. While resort employees and managers were flexible and well-trained, and retention rates were higher than industry norms, Barr knew it would be a challenge to ensure that the Aspen’s exceptional service was maintained across complementary products and services provided by a café or restaurant. Managing and staffing a restaurant, in particular, would require a significant number of new hires. And, while the Aspen was famous for its breakfast buffet, managing a full-service restaurant would be significantly more time-consuming.

Café

A daughter of the hotel’s owner, whose interests did not lie in the hotel industry itself, was interested in turning the gift shop space into a small café. However, a café would face competition from the Wild Flour Bakery, Banff’s “artisan bakery café,” and franchises such as Starbucks and Evelyn’s Coffee Bar, just a few blocks down Banff Avenue. The only Tim Hortons was located near the train and bus terminal several blocks from downtown. For tourists and locals, the Aspen’s corner location on Banff Avenue and Moose Street would be a convenient place to stop. However, a café would be expected to primarily serve hotel guests. Given the Aspen’s goal to become Banff’s number one mid-scale hotel, enhancing the customer experience of guests was more important to the management team than the revenue a café would generate.

The coffee industry had seen average annual growth in revenue of 5.7 per cent with profit margins of 7 per cent between 2006 and 2012, and strong growth was expected to continue, particularly for specialty coffee. Two players dominated the coffee shop market space in Canada—Tim Hortons and Starbucks. Fierce competition was expected over the next five years between these large chains and smaller, independent cafés as consumers’ expectations for quality and price were refined. Demand determinants included a higher level of disposable income, convenience, and a rising consciousness about high quality and healthy food choices.[[27]](#endnote-27)

Key success factors for cafés reflected the concentration and maturity of the industry: a clear market position against the competition; careful control of costs and waste; the ability to franchise; access to a multi-skilled and flexible workforce; and a high profile location with easy access and parking.[[28]](#endnote-28)

A small storefront café could be added for a minimal capital investment of approximately $60,000. The Aspen’s breakfast room was known for the fresh muffins and sweet loaves offered as part of its breakfast buffet. The hotel’s small kitchen could supply the café with a limited menu of quiches and baked goods by extending the baker’s hours, but food would have to be transported from the basement kitchen to the café using the stairs or the hotel’s single elevator.

Fair trade, organic coffee could be sourced from Moja Coffee in North Vancouver, and teas were readily available from the Banff Tea Company. This would enable the Aspen to compete in the speciality coffee segment, where coffee was considered an artisanal product, instead of a commodity, and the focus was on creating an experience for the customer. Specialty coffee was one of the fastest-growing segments of the industry.[[29]](#endnote-29) The space occupied by the gift shop would not be big enough to provide non-hotel patrons with seating beyond the outside courtyard. This courtyard would be a pleasant place to sit in late spring, summer, and early fall, but it would be a chilly place to sit in the Alberta winter!

Barr conservatively estimated that a café could serve 20 customers per hour over the course of an 11-hour day, from 6:30 a.m. to 5:30 p.m. Purchases such as a cappuccino or latte and a sweet treat or light lunch would yield an average revenue per customer of $5.00.

Restaurant

Another alternative to consider was opening a restaurant. This, too, would provide added value to the guests, who currently enjoyed a superb breakfast buffet each morning but went to neighbouring hotels or downtown restaurants for lunch and dinner. A restaurant would support management’s desire to offer full-time employment to the breakfast room staff. However, hiring additional chefs and cooks might be a challenge since vacancy rates in Banff were 12.4 per cent for chefs and 13 per cent for cooks, significantly higher than the provincial vacancy rates (11.8 per cent and 7.9 per cent respectively).[[30]](#endnote-30)

Banff was home to more than 50 restaurants, including large chains (Chili’s Grill and Bar, The Keg Steakhouse and Bar, and Tony Roma’s Steakhouse Restaurant) and independently-owned operations (Meatball Pizza and Pasta, The Grizzly House, and Three Ravens Restaurant and Wine Bar). There were numerous restaurants within a few blocks of the Aspen, 12 of which were housed in nearby hotels.

Key success factors were similar to those for the café sector: access to a multi-skilled and flexible workforce, location and proximity to key target markets, ability to control stock and costs, an appropriate pricing policy, and a clear market position. While restaurants were subject to a low level of capital intensity once up and running, the entry costs could be high.[[31]](#endnote-31) As well, a liquor licence would have to be obtained.

As with a café, the main goal of the restaurant would be to enhance the experience of hotel customers, but unlike a café, a restaurant would not be sustainable unless it could attract a reasonable share of other tourists visiting the Banff area. Yet, the space provided by the breakfast room was not ideal for a restaurant, if the Aspen wanted to attract non-hotel guests. The basement breakfast room had a capacity of 60 patrons and it lacked the storefront, street access that restaurants in nearby competing hotels offered. While the basement was fine for breakfast, visitors to Banff wanted to soak in the mountain views over a leisurely dinner in the evening. Therefore, extensive renovations to the front lobby and conversion of one guest room across from the elevator (Room 110) would be required to launch a new storefront restaurant (see Exhibit 3). Like all businesses in Banff, the Aspen was not able to expand its “footprint,” so it would have to work within existing space constraints.

A final constraint was the small kitchen. If the Aspen were to launch a restaurant, the kitchen would need to be expanded. This change would reduce the size of the existing breakfast room, likely by 25 per cent, which would have an adverse impact on the free breakfast buffet that currently helped differentiate the Aspen, by causing longer line-ups and creating a frantic pace for staff.

As well as the renovations to both the lobby and the kitchen, there would be a large difference in equipment requirements. For example, the Aspen would have to purchase and install a new stove, flat top ranges, and ovens; upgrade the existing ventilation hoods; add prep stations for salads and garnishing; and provide new pastry sections, cooling racks, and server stations. The kitchen would need additional freezers and refrigerators, and small wares would be needed for the kitchen and dining room.

Barr’s very rough estimate was that, in total, renovations to the downstairs kitchen and the main floor restaurant and lobby would cost $400,000 to $500,000. Therefore, the alternative of a restaurant was of less interest to Barr than the other options. His initial thought was that the costs of the restaurant would outweigh its potential benefits. However, it could be worth further consideration.

Barr estimated that a restaurant could accommodate three sittings of up to 40 people over the dinner hour from 5:00 p.m. to 10:00 p.m. The average spend would be $40 per person at dinner. Profit margins within the full-serve restaurant sector were 3.0 per cent and annual growth projections for the industry were 1.4 per cent.[[32]](#endnote-32) Opening the restaurant earlier for lunchtime operations would not be feasible, given both shortages in the labour market and the additional burden it would place on hotel management.

Develop the Hotel’s Market and Focus on Its Core Service Offerings

Finally, Barr wondered if the space vacated by closure of the gift shop would best be turned into a second lounge area for guests so that he could focus his energies on developing relationships within China and other target markets, while the staff members could focus their full attention on the core product of lodging. This option would not generate additional revenue from complementary products and services, nor would it make the best use of the prime storefront space vacated by the gift shop. However, Barr thought that a “stick to your knitting” approach might be the best way to achieve the Aspen’s goal of positioning itself as the premier mid-scale resort property in Banff in an industry where competition was expected to remain intense. Moreover, not being part of a franchised chain made it all the more crucial for the Aspen to “stay ahead of the curve” in developing new markets to offset inevitable changes in demand in this cyclical industry and to provide exceptional service that would lead to repeat customers and word-of-mouth recommendations.

The Vancouver–Banff–Calgary–Vancouver loop was a popular route for tourists from China, with visitors eager to experience the scenic views of the Canadian Rockies. Travelling to China, Vancouver, Calgary, and Toronto with representatives from Banff and Lake Louise Tourism would enable Barr to establish and develop relationships with both Chinese tour operators and the Canadian tour operators with whom the Aspen partnered.

Barr had recently begun to travel on these trips, knowing they would be crucial for successfully tapping into the China market since the trips would ensure that the Aspen became known to and trusted by the “receptive tour operators” registered with the Canada–China Inbound Tour Operator Registration Program. Travellers from China could only use travel agents approved by the Ministry of Culture and Tourism of the People’s Republic of China. This accreditation program had been created by a memorandum of understanding between China’s Ministry and Global Affairs Canada, dated June 24, 2010, to facilitate outbound tourist group travel from China to Canada.[[33]](#endnote-33)

As Chinese tourists began to try the skiing and snowboarding experience of the Canadian Rockies and as the Aspen’s reputation for creating exceptional customer experiences continued to grow, Barr estimated that a 2–3 per cent increase in annual occupancy might be achievable, and that the ADR might be increased by between 5 and 10 per cent over the next five years.

Establishing relationships with tour operators in China was a double-edged sword: while 20 or more rooms would be booked for each tour, it could take up to 24 months for Chinese citizens to receive travel visas to Canada, and if visas didn’t come through, those 20 rooms would be back on the market at the last minute and might be left vacant.

However, the increased personal wealth in China was creating a new generation of travellers to consider. Wealthy millennials were choosing to travel with their families and friends, instead of travelling in tour groups. Skiing was seen as a family activity when combined with shopping, dining, and sightseeing.[[34]](#endnote-34) This made Banff an ideal destination for Chinese families. The Chinese ski industry, only in its infancy, was characterized by a reputation for poor service and low-quality facilities.[[35]](#endnote-35) The Aspen’s focus on creating an exceptional guest experience could result in strong word-of-mouth marketing among this target market of wealthy Chinese tourists.

Profit margin estimates varied for the hotel and motel sector, ranging from 5.4 to 9.3 per cent, and the anticipated growth rate for the next five years was 1.9 per cent.[[36]](#endnote-36)

A Nice Dilemma to Have

While they would provide additional revenue streams, an in-house café or a restaurant would not be the deciding factor in a guest’s choice of lodging. Such services were especially not important to the tour bus segment of the target customer group, who often arrived in the evening and were out the door first thing in the morning. Many other tourists used the hotel only as a base of operations, content to explore the Banff area. For them, the complimentary breakfast was a convenient, nutritious way to start the day’s adventures, but they were less interested in arriving back in town in time for dinner—especially during the long summer days when daylight stretched until 10:00 or 11:00 p.m. On the other hand, pursuing new markets, such as China, and maintaining the staff’s focus on the customer’s experience at the hotel was a way to grow the Aspen’s main source of revenue for the future. Barr had to prepare a recommendation for his upcoming weekly meeting with the owner. He had much to consider as he contemplated the evolution of the Aspen’s business strategy.

Exhibit 1: Canadian Rockies Tourism Region—Visitors, Accommodation, and Economic Impact

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | (1) | | | (2) | (3) | (4) | (5) |
| (a) Person visits | (b) Person nights | (c) Person nights in hotels | Total direct tourism expenditures | Expenditures on accommodation, food, and beverage | Average length of stay | Per visitor spend on accommodation, food, and beverage  (3) ÷ (1)(a) |
|  | (millions) | | | (CA$ millions) | (CA$ millions) | (nights) | (CA$) |
| 2010 total | 3.21 | 6.41 | 2.76 | 1,110.55 | 650.38 | 3.50 | 202.74 |
| Albertans | 2.23 |  |  | 445.59 | 236.71 | 2.30 | 106.39 |
| Other Canadians | 0.27 |  |  | 177.31 | 125.66 | 3.50 | 467.15 |
| United States | 0.29 |  |  | 159.26 | 91.46 | 4.20 | 316.47 |
| Other International | 0.43 |  |  | 328.39 | 196.54 | 5.50 | 460.10 |
| 2011 total | 4.38 | 7.91 | 3.35 | 1,266.99 | 770.04 | 3.30 | 175.81 |
| Albertans | 3.37 |  |  | 616.95 | 358.41 | 2.30 | 106.48 |
| Other Canadians | 0.34 |  |  | 154.45 | 95.36 | 3.50 | 284.67 |
| United States | 0.24 |  |  | 154.05 | 91.10 | 4.30 | 381.18 |
| Other International | 0.44 |  |  | 341.54 | 225.17 | 5.50 | 516.44 |
| 2012 total | 4.27 | 6.94 | 3.28 | 1,291.00 | 780.64 | 3.20 | 182.78 |
| Albertans | 3.21 |  |  | 599.65 | 335.64 | 2.10 | 104.69 |
| Other Canadians | 0.37 |  |  | 168.30 | 107.05 | 4.10 | 287.78 |
| United States | 0.27 |  |  | 196.26 | 127.22 | 3.80 | 480.08 |
| Other International | 0.43 |  |  | 326.80 | 210.72 | 5.20 | 492.34 |

Source: Created by the case authors based on Government of Alberta, *Tourism in Canadian Rockies:* *A Summary of 2010 Visitor Numbers and Characteristics* (2012), accessed September 4, 2017, https://taprdsccdn.azureedge.net/cms/-/media/Industry/Files/resources/research/visitor-profiles/2010/2010-Visitor-Profile-for-Alberta-Rockies; Government of Alberta, *Tourism in Canadian Rockies:* *A Summary of 2011 Visitor Number and Characteristics* (2013), accessed September 4, 2017, https://taprdsccdn.azureedge.net/cms/-/media/Industry/Files/resources/research/visitor-profiles/2011/2011-Visitor-Profile-for-Alberta-Rockies; Government of Alberta, *Tourism in Canadian Rockies:* *A Summary of 2012 Visitor Numbers and Characteristics* (2014), accessed September 4, 2017, https://open.alberta.ca/dataset/f781c745-926a-45db-b98c-d1587171d63b/resource/839405c1-c10a-4611-9a9d-3734158a77a4/download/6659903-2012-person-visits-canadian-rockie.pdf; Government of Alberta, *Tourism Works for Alberta: The Economic Impact of Tourism in the Canadian Rockies Tourism Destination Region, 2010*, accessed September 4, 2017, https://taprdsccdn.azureedge.net/cms/-/media/ Industry/Files/resources/research/economic

-impact-studies/2010/economicimpact-canadianrockies-2010; Government of Alberta, *Tourism Works for Alberta:* *The Economic Impact of Tourism in the Canadian Rockies Tourism Destination Region, 2011*, accessed September 4, 2017, https://taprdsccdn.azureedge.net/cms/-/media/Industry/Files/resources/research/economic-impact-studies/2011/economicimpact-canadianrockies-2011; and Government of Alberta, *Tourism Works for Alberta:* *The Economic Impact of Tourism in the Canadian Rockies Tourism Destination Region, 2012*, accessed September 4, 2017, https://taprdsccdn.azureedge.net/cms/-/media/Industry/Files/resources/research/economic-impact-studies/2012/economicimpact-canadianrockies-2012.

Exhibit 2: Banff Aspen Lodge—Occupancy and Average Daily Rates,

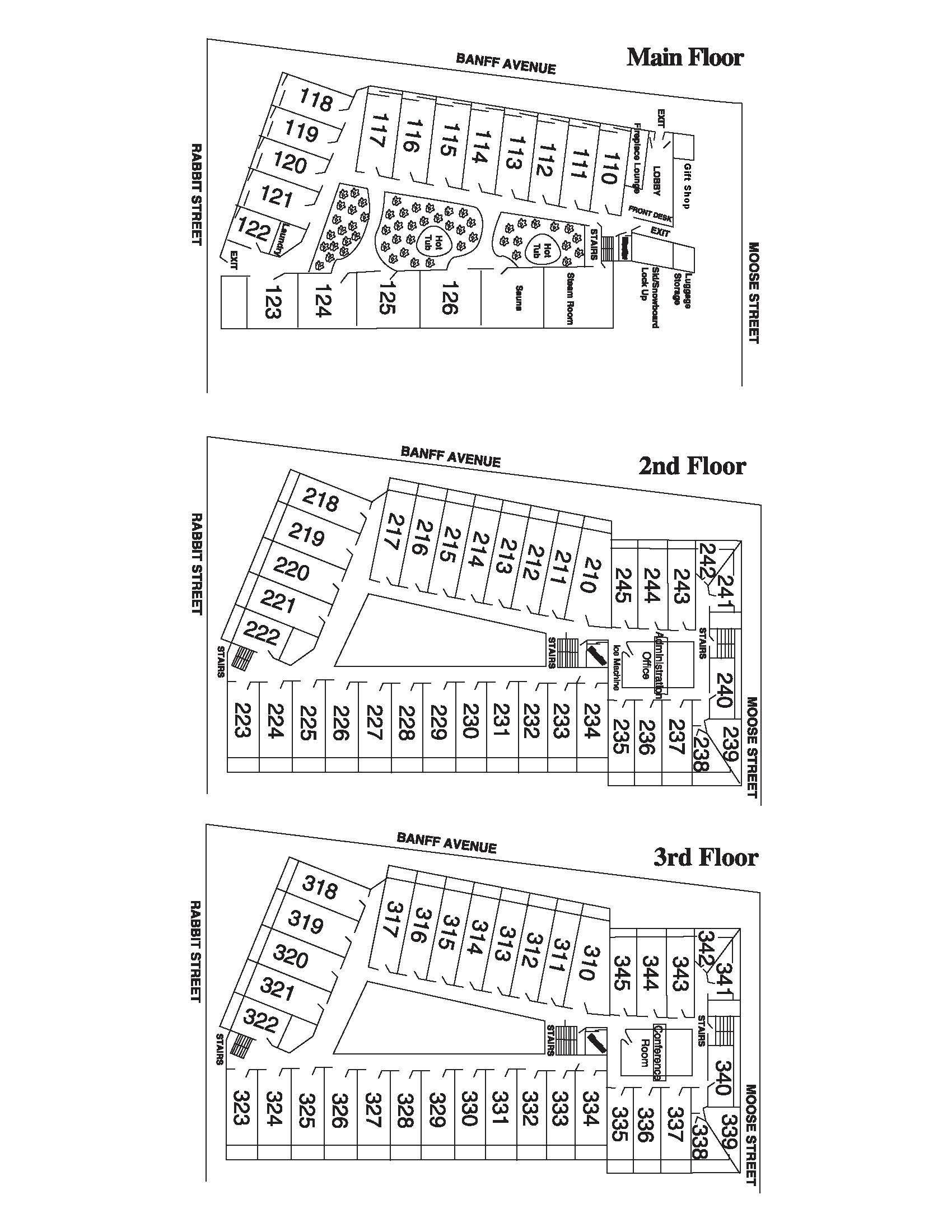
Fiscal Years 2012–13 and 2013–14

|  |  |  |  |
| --- | --- | --- | --- |
|  | **# Rooms Occupied** | **Occupancy**  **(%)** | **ADR**  **(CA$)** |
| **2012–13** |  |  |  |
| February | 2,154 | 86 | 104.45 |
| March | 2,474 | 90 | 108.55 |
| April | 1,814 | 68 | 96.55 |
| May | 2,076 | 75 | 111.91 |
| June | 1,956 | 73 | 156.19 |
| July | 2,513 | 91 | 171.91 |
| August | 2,635 | 96 | 174.58 |
| September | 2,302 | 86 | 163.91 |
| October | 1,650 | 60 | 109.86 |
| November | 1,373 | 51 | 96.79 |
| December | 1,602 | 58 | 127.82 |
| January | 2,069 | 75 | 92.00 |
| **2013–14** |  |  |  |
| February | 1,958 | 79 | 113.89 |
| March | 2,157 | 78 | 110.34 |
| April | 1,936 | 73 | 101.69 |
| May | 2,114 | 77 | 130.92 |

Note: ADR = average daily rate.

Source: Company documents.

Exhibit 3: Floor Plan of the Banff Aspen Lodge



Source: Company documents.

ENDNOTES

1. Kristelle Audet, *Canada’s Accommodation Industry: Industrial Outlook Summer 2013* (Ottawa, ON: Conference Board of Canada, 2013), accessed August 26, 2017, www.conferenceboard.ca/e-library/abstract.aspx?did=5776. [↑](#endnote-ref-1)
2. Canadian Tourism Commission, *2012 China Ski Study: Desk Research Report* (2012), accessed February 18, 2018, www.destinationcanada.com/sites/default/files/archive/2012-04-01/Intelligence\_MarketInsights\_ChinaSkiStudyDeskResearchReport\_Apr2012\_EN.pdf. [↑](#endnote-ref-2)
3. Audet, op. cit. [↑](#endnote-ref-3)
4. Canadian Tourism Commission, *Global Tourism Watch: 2012 China Summary Report*, accessed February 18, 2018, www.destinationcanada.com/sites/default/files/archive/2012-12-01/Intelligence\_MarketInsights\_GlobalTourismWatch\_China\_2012\_EN.pdf. [↑](#endnote-ref-4)
5. Ibid. [↑](#endnote-ref-5)
6. Ibid. [↑](#endnote-ref-6)
7. A. Alvarez, *Hotels & Motels in Canada* (IBISWorld Industry Report #72111CA, 2017). [↑](#endnote-ref-7)
8. Audet, op. cit. [↑](#endnote-ref-8)
9. Chris Anderson, “Search, OTAs, and Online Booking: An Expanded Analysis of the Billboard Effect,” *Cornell Hospitality Reports* 11, no. 8 (2011): 6–10. [↑](#endnote-ref-9)
10. All currency amounts are in Canadian dollars unless otherwise specified. [↑](#endnote-ref-10)
11. Hotel Association of Canada, *Hotel Industry Fact Sheet* (2013), accessed August 26, 2017, www.naylornetwork.com/hoc-nwl/pdf/Hotel\_Industry\_Facts\_Sheet\_March\_2013.pdf. [↑](#endnote-ref-11)
12. PKF Consulting, “Alberta Accommodation Outlook 2013” (presentation to Tourism Division of Alberta Tourism, Parks and Recreation, n.d.), accessed August 26, 2017, https://taprdsccdn.azureedge.net/cms/-/media/Industry/Files/resources/research/alberta-accommodation-outlook/alberta-accommodation-outlook-2013.pdf. [↑](#endnote-ref-12)
13. Audet, op. cit. [↑](#endnote-ref-13)
14. Government of Alberta, *Tourism in Alberta: A Summary of 2012 Visitor Numbers and Characteristics* (2014), accessed August 26, 2017, https://taprdsccdn.azureedge.net/cms/-/media/Industry/Files/resources/research/visitor-profiles/2012/2012-Visitor-Profile-for-Alberta. [↑](#endnote-ref-14)
15. Government of Alberta, *Tourism in Canadian Rockies:* *A Summary of 2010 Visitor Numbers and Characteristics* (2012), accessed September 4, 2017, https://taprdsccdn.azureedge.net/cms/-/media/Industry/Files/resources/research/visitor-profiles/2010/2010-Visitor-Profile-for-Alberta-Rockies; Government of Alberta, *Tourism in Canadian Rockies:* *A Summary of 2011 Visitor Number and Characteristics* (2013), accessed September 4, 2017, https://taprdsccdn.azureedge.net/cms/-/media/Industry/Files/resources/research/visitor-profiles/2011/2011-Visitor-Profile-for-Alberta-Rockies; Government of Alberta, *Tourism in Canadian Rockies:* *A Summary of 2012 Visitor Numbers and Characteristics*, op. cit.; Government of Alberta, *Tourism Works for Alberta: The Economic Impact of Tourism in the Canadian Rockies Tourism Destination Region, 2010*, accessed September 4, 2017, https://taprdsccdn.azureedge.net/cms/-/media/Industry/Files/resources/research/economic-impact-studies/2010/economicimpact-canadianrockies-2010; Government of Alberta, *Tourism Works for Alberta:* *The Economic Impact of Tourism in the Canadian Rockies Tourism Destination Region, 2011*, accessed September 4, 2017, https://taprdsccdn.azureedge.net/cms/-/media/Industry/Files/resources/research/economic-impact-studies/2011/economicimpact-canadianrockies-2011; Government of Alberta, *Tourism Works for Alberta:* *The Economic Impact of Tourism in the Canadian Rockies Tourism Destination Region, 2012*, accessed September 4, 2017, https://taprdsccdn.azureedge.net/cms/-/media/Industry/Files/resources/research/economic-impact-studies/2012/economicimpact-canadianrockies-2012. [↑](#endnote-ref-15)
16. Government of Alberta, *Tourism in Canadian Rockies Tourism Region: A Summary of 2012 Visitor Numbers and Characteristics*, op. cit. [↑](#endnote-ref-16)
17. Canadian Tourism Commission, *2012 China Ski Study*, op. cit. [↑](#endnote-ref-17)
18. Deloitte, *Town of Banff Economic Prosperity Strategy* (2014), 32–33, accessed August 26, 2017, http://banff.ca/DocumentCenter/View/2094. [↑](#endnote-ref-18)
19. Deloitte, op. cit., 33–34. [↑](#endnote-ref-19)
20. Deloitte, op. cit., 36–37. [↑](#endnote-ref-20)
21. Deloitte, op. cit., 36–37. [↑](#endnote-ref-21)
22. “Banff Aspen Lodge,” Canadian Hotel Guide, accessed September 4, 2017, http://canadianhotelguide.com/ca/Alberta-hotels/Banff-hotels/Banff\_Aspen\_Lodge-hotel.html. [↑](#endnote-ref-22)
23. Statistics Canada, “NHS Focus on Geography Series: Town of Banff,” *2011 Census* (2013), accessed September 9, 2017, <http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/fogs-spg/Pages/FOG.cfm?GeoCode=4815035&lang=E&level=4>. [↑](#endnote-ref-23)
24. “International Experience Canada,” Immigration and Citizenship, Government of Canada, accessed September 9, 2017, http://www.cic.gc.ca/english/work/iec. [↑](#endnote-ref-24)
25. A. Alvarez, *Coffee and Snack Shops in Canada* (IBISWorld Industry Report 72221bCA, February, 2017). [↑](#endnote-ref-25)
26. Extrapolated from Grant Thornton, WMC, and Econometric Research Limited, *Banff, Jasper and Canmore: Tourism Economic Impact Study* (2016), accessed August 27, 2017, https://canmore.ca/documents/975-tourism-economic-impact-study-2016. [↑](#endnote-ref-26)
27. A. Alvarez, *Coffee and Snack Shops in Canada*, op. cit. [↑](#endnote-ref-27)
28. Ibid. [↑](#endnote-ref-28)
29. Ibid. [↑](#endnote-ref-29)
30. Deloitte, op. cit. 14. [↑](#endnote-ref-30)
31. A. Alvarez, *Full-Service Restaurants in Canada* (IBISWorld Industry Report 72211CA, 2017). [↑](#endnote-ref-31)
32. Ibid. [↑](#endnote-ref-32)
33. “About the Canada–China Inbound Tour Operator Registration Program,” Tourism Industry Association of Canada, accessed February 18, 2018, <https://tiac-aitc.ca/itoabout.htm>. [↑](#endnote-ref-33)
34. Canadian Tourism Commission, *2012 China Ski Study*, op. cit. [↑](#endnote-ref-34)
35. Ibid. [↑](#endnote-ref-35)
36. Alvarez, *Hotels and Motels in Canada*, op. cit.; and Audet, op. cit. [↑](#endnote-ref-36)