

# STEPHEN DARLING HOSPITALITY CONSULTING INC

2<sup>nd</sup> January, 2014

Mr. Emanuel Machado, Chief Administrative Officer  
Town of Gibsons  
474 South Fletcher Road Box 340  
Gibsons, BC V0N 1V0

Dear Mr. Machado,

## **Re: OPTIMAL HOTEL SIZE FOR THE GEORGE HOTEL, GIBSONS, BC**

I have been asked by Mr. Klaus Fuerniss, the owner of the proposed George hotel development, to give my professional opinion on the most appropriate size for the hotel. Determining the optimal and minimum viable size of a hotel is complex and involves several inter-related factors. Most importantly, one must ensure that the size, scope of facilities, room-type and bed mix appeal to multiple market segments to deliver a balanced trade, that will ensure a financially sound business year-round.

In reviewing the size of the proposed hotel, one must focus on both the size plus the number of guest rooms. Harry Nobles' article in Hotel Online (September 2006) emphasizes that of "those [hotels] being built today are expected to be much more spacious [in room size]". Research on this matter helps focus on two factors: a) the greater the number of rooms and room types there are, the more potential business the hotel will be able to attract and b) as this proposed hotel is intended to generate *new* demand that is not currently coming to Gibsons, it will have to invest significantly in marketing and sales.

The "HOTCAP [hotel capacity] Model" developed by Joseph Waddell, Stanford University<sup>1</sup> advises that while there is no perfect calculation for the number of rooms, it does provide "an educated and informed basis for making this choice of capacities, knowing the economic trade-offs" through four factors: demand, supply, market maturity and product & service offerings. Shaul Ladany's article "A Model for Optimal Hotel Size"<sup>2</sup> delves into the concept of how "the demand for rooms is distributed over a long period prior to the actual rental, and that distribution for various room types are not necessarily equal".

Gibsons is a destination with little drive-by or impulse demand. The motivation and decision to choose Gibsons and this hotel as a stopping off point will likely be made well in advance of customers' departure from home or office in both domestic and international markets

Leisure and tourist travel through Gibsons is mostly seasonal (May to September), hence this hotel must offer a variety of room configurations and bed-types to meet the maximum number of travellers' needs. Facilities and services that appeal to families and individuals will be necessary to motivate them to include Gibsons as their over-night choice on itineraries planned to/from the Sunshine Coast.

<sup>1</sup> Joseph Waddell, Stanford Research Institute, published Cornell Hotel Quarterly 1977

<sup>2</sup> Shaul P Ladany, International Journal of Systems Science, Ben Gurion University 1977 & 2007

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During the shoulder and off-season of the year, the business' fundamental viability will be dependent on meetings/conference guests during the week and leisure travellers on weekends and holidays. This is not a matter of 'build it and they will come': the hotel will have to invest significant financial resources in marketing and sales, plus orchestrate a highly focused sales team to secure business year-round.

Most meeting planners will not consider booking a hotel of less than 100 rooms and 5,000 square feet of function space in a non-urban location. In resort destinations such as Whistler, the larger hotels secure the meeting and conference business -that in turn drives economic impact (compression) to the municipality as a whole. Accordingly, the proposed George Hotel must have sufficient guest rooms to create the economy of scale necessary to support the marketing and sales investment.

Operating efficiency is dependent on the number and layout of guest rooms on each floor. Typically, Room Attendants service 12 to 14 guestrooms per day, so the ideal guest floor configuration will be a multiple of 14 rooms (ie 28 or 40) to maximize efficiency and minimize duplication of operating facilities, equipment and supplies.

Finally, there must be sufficient facilities (spa, pool and fitness, marina, wedding, food and beverage, etc) to attract guest room business -the core financial engine of the hotel. Similarly, there must be sufficient back-of-house and support facilities to operate the hotel efficiently and profitably. All these facilities have a significant capital cost to build; and therefore, there must be sufficient hotel rooms to generate a reasonable return on investment.

In Summary, designing a hotel to ensure financial viability must be achieved through at least 100 or more guest rooms plus facilities that support a year-round business. The investment in marketing and sales required will be significant in the early years -at least until the hotel and destination become known and achieve a reasonable level of repeat clientele plus word-of-mouth recommendations.

It is my professional opinion that the proposed guest room count of 118 is optimal from a marketing and efficiency standpoint, and I would be happy to answer any further questions in this regard.

Sincerely,



Stephen M Darling  
Principal

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c.c. Mr. Andre Boel, Director of Planning  
Mr. Klaus Fuerniss

1 Joseph Waddell, Stanford Research Institute, published Cornell Hotel Quarterly 1977

2 Shaul P Ladany, International Journal of Systems Science, Ben Gurion University 1977 & 2007 Page 2 of 2