

Entrepreneurship in Context

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The Hides Hotel, Cairns

Introduction

Hides Hotel is one of the oldest Hotels in Cairns. The Heritage listed hotel is an integral facility that has served the city and its visitors for more than 70 years. The three-storeyed building within the CBD is ideal as it offers one an opportunity to experience Cairns culture while staying at one of the community's historical facility. The Hotel provides Heritage style rooms which team up with an iconic breakfast balcony parlour in the heart of Cairns City to expose Guests to a vibrant community culture (Hides, 2018). Cairns city was established as a harbour port and is highly preferred by investors due to its economic prospects (Frost et al., 2016). The city has developed over the years to be a financial giant as well as one of the typical Australian towns that attract tourists from all over the world. Its uniqueness is highlighted by the fact that the city offers access to the Great Reef Barrier and its tropical Climate which is ideal for holiday visits (Frost et al., 2016). The Hides Hotel is one of the facilities that have defined Cairns over the decades and hence has the potential of offering its vast heritage along with a contemporary design to prospective domestic and foreign visitors.

Current Business Landscape

Hides Hotel offers budget accommodation to its clientele along with a tour desk that advises visitors on the places to visit while at Cairns. Before 2013, Hides Hotel had a low-profit-margin of \$14,000 per room per annum. The Hotel has 32 rooms which vary from single to double rooms (Hides, 2018). Even though the Hotel industry experienced a decline in 2013, the average profit margin per room within the city was \$25,000 (Cohan, 2013). The low turnover rates can also be attributed to a high competition within the Cairns region due to the entry of

foreign investors into the hotel industry. Within the last five years, the hotel has undergone costly renovations that have hampered its financial well-being and also improved its room occupancy. Thus, the Hotel's current Gross Operating Profit is \$20,000 per room per annum with the hotel benefiting from foreign visitors with a high preference for budget and context accommodation. This substantial growth has been achieved due to the renovation of hotel rooms and the Hotel's second floor as well as a redesign of rooms to fit a more modern look (Hides, 2018). The Hotel as also benefits from the publication of the 130 years milestone which improved its prospects in the local industry (Dalton, 2018).

However, the growth was still curtailed by other competing hotels that have significantly grown in the last five years. The hotel industry in Cairns has managed to build rapidly due to its quick adoption of new trends and technology (Assaf et al., 2017). However, the inability of Hides Hotel to adopt latest trends and technologies such as a reliable and robust WI-FI infrastructure as well as mobile communication and automation in check-ins has limited its competitive advantage (Robinson, 2017). On the other hand, the hotel's competitors have gone further to ensure a better-staying experience rather than just sleeping by providing digital conference rooms, technologically driven check-ins and additional perks exclusive to different hotel packages (Patiar, 2016). Thus, the current Gross Operating Profits of competitors within Cairns is at \$29,000 per room per annum which is way above Hides' \$20,000 per room per annum margin (Cohan, 2013).

Future Proof- 5 year Growth strategy

The current position of Hides Hotel needs to be improved to match the local industry's benchmarks. Within five years, a turnover of \$30,000 per room per annum can be attained through the rebranding and redesign of Hides Hotel along with a new marketing approach that

suits its target market who are mainly foreign visitors. The Hotel will also introduce an exclusive meals program for only Australian cuisine served to its clients for dinner as well as breakfast at its iconic balcony. The introduction of this new feature will add approximate profits of \$200,000 per annum. These strategies aim at improving the aesthetic value of the building as well as defining its historical significance to its prospective customers through modern marketing techniques such as social media marketing and community-based promotions. These community-based promotions will include a substantial presence in the Cairns city festival which will highlight the contribution of Hotel to the City.

The redesign will entail new interior designs with historical concepts that offer the customer a personalized experience and comfort. Room design will be fitted with additional amenities such as a desk and entertainment facilities as well as natural lighting. The redesign will include a conference room with digital conferencing capabilities. Also, this approach will consist of decorated alleys with pictures of the historical heydays of the Hotel as well as its contribution to the Cairns City. This remodelling aims at ensuring Hides Hotel utilizes its historical context coupled with its contribution to the Cairns Culture and packages it to its clients. The client has to understand the narrative of the hotel and highly regard the opportunity to stay in this specific hotel.

These strategies address the need for the hotel to explore its unique capabilities and integrate them with emerging trends used within the local hotel industry. Re-design will ensure the hotel facelifts its rooms and interior design of the Hotel's alleys, and veranda to par with local hotel industry trends which call for theme inspired designs. Participation in community-based programs will ensure the hotel combines with other local businesses for the benefit of the community of Cairns. This approach will earmark the presence of the Hotel in the city which is

an excellent word of mouth marketing approach. The introduction of meals will ensure that visitors are exposed to the local menu while in Cairns site-viewing the sunset at the CBD of the city. It is an exclusive addition that will expand the quality and range of services embedded in the accommodation package offered by Hides Hotel. The new marketing approach will include a better social media presence and participation in quality competitions and awards (Schegg, & Stangl, 2017). The marketing approach will also shift from offering a bed to providing an opportunity to share an experience with people of different generations.

These strategies accumulate a financial risk as they have a high-cost implication. New interior design, new conference facility, the inclusion of meals as well as a new approach to marketing will have a high cost that will affect the room costs in the facility. These strategies ensure guest satisfaction, but a rise in the room prices may hinder the ability of the hotel to attract budget clients. This hindrance may create a risk of low numbers of customers in its initial years. This risk can be addressed by investing more in overseas marketing through online platforms. As Patiar & Mia, (2015) note the ability of the hotel to attract new customers and maintain the existing customers isolates these risks it safes due to rebranding. However, in the case this fails, the price of the hotel should not be sold for less than \$8 million. This valuation is based on the critical location of the hotel in the CBD which illuminates the potential of the Hotel located in the 5th most populous city in Australia (Gurran, Norman, & Hamin, 2016). Also, the Historical context of the Hotel makes it one of the few Hotels in Australia that have existed in three different centuries. Further, the commercial potential of the property is high due to its location in a road intersection in the heart of Cairns. This potential will ensure a high ROI of more than 20% per annum, 36% profit margins that match the national levels and a payback period of four years due to the strategies set in place (Patiar, 2016).

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