



The Parker House (B)

"Could I speak to you for a minute, Mac?"

Robert McIntosh, general manager of the Parker House, Boston's oldest hotel, looked up from his desk. William Murphy, the hotel's director of sales, was standing in the doorway. McIntosh smiled. "Any time, Bill," he replied, hoping no more surprises had surfaced since last week, when a group of athletes sponsored by one of the hotel's leading corporate clients had smoked enough marijuana to render their rooms uninhabitable for 24 hours. Or perhaps another VIP was complaining about the need to book early at the Parker House; the hotel was often filled to capacity during the fall season, and this October was proving to be no exception.

"We've got a problem on our hands with TransAm Tours," Murphy began. "My sales force has been doing its best to cut down on tour groups, especially since the hotel's done such a good job of attracting clients who'll pay the full rate. Some of our other properties—I'm thinking of the Berkshire Place in Manhattan—can't afford to turn down a lot of tour business."

McIntosh nodded. He was well aware of the Parker House's 85% occupancy rate, significantly above national average and the second highest in the Dunfey Hotels system.

"Well, I just got a call from Harvey Kimball" [Dunfey's national tour sales director], Murphy continued. "He's worked out a deal with TransAm Tours for next summer and fall. They've agreed to block out approximately 2,000 guest nights at the Berkshire Place, weekends as well as midweek, from June through October 1980. The problem is that TransAm is trying to leverage the Berkshire deal into roughly 4,000 guest nights with us during the same period. Now, not only are we trying to avoid tour groups—we're also trying to maximize our room revenues. On the other hand, Mac, the Berkshire is a Dunfey hotel, and it needs our help. What do you think we should do?"

Dunfey Classic Hotels

The Parker House was the most profitable of the company's 23 hotels. Generally considered to be the flagship of the corporation, it was the premier member of Dunfey's Classic Hotels division, directed by Yervant Chekijian. Management felt that the Classic hotels—each of which was a unique unit—offered discriminating travelers a welcome opportunity to escape the monotony of the chains. The Classics also provided a retreat from the noise and crowds of conventions. As Chekijian explained:

Research Assistant Penny Pittman Merliss prepared this case under the supervision of Professor Christopher H. Lovelock, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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A Dunfey Classic is not a convention hotel. While we will accommodate small executive and professional groups, our marketing approach is not to pack the house with large groups. We are seeking a quiet, peaceful atmosphere. . . . Our feeling is that corporate travelers who are regular customers of the hotel will appreciate knowing that they can get rooms with us even if the rest of the town is sold out to a convention.

Each Classic hotel was a formerly elegant property located in the city center which had fallen into decay prior to Dunfey's purchase. The renovation process involved more than refurbishment of facilities. In the words of William Dunfey:

A Dunfey Classic hotel is not just an old hotel that we've slapped a new coat of paint onto. Even though some of the properties may have been neglected or run down when we took over, they all had a tradition of excellence and quality. Turning them into Classic hotels involves restoring that level of service as well as restoring the physical plant.

In keeping with Dunfey management's belief in the individuality of the Classic hotels, each had a very different decorating scheme. The Berkshire Place, in Manhattan, where major renovations had recently been completed at a cost of over \$9 million, had a contemporary tone, with large green plants, hand-woven Oriental rugs, and imported Italian marble columns and floors in the lobby. The Ambassador East, in Chicago, restored a year earlier for over \$7 million, was decorated in a mixture of eighteenth century English antiques and oriental and contemporary accessories.

Renovations at the Parker House had been designed to establish the air of understated luxury considered most congenial to cultivated New England tastes. Old oak paneling and rich oriental carpets decorated the lobby; burnished, ornately patterned brass doors glowed on the elevators; a two-tiered brass chandelier was suspended from the elaborately carved central wooden ceiling. Encouraged by the success of the first round of room renovations, the Dunfey management had begun even more luxurious redecorating. The cuisine served in Parker's Restaurant, reopened in 1975, had become widely recognized for its excellence among Boston diners; according to *Boston* magazine, Parker's was one of the 10 best restaurants in the city and offered the best Sunday brunch in town.

Situated on the Freedom Trail, a self-guided walking tour through the heart of historic Boston, the Parker House was closer to Boston's financial, governmental, and trade centers than any other major hotel in the city. Much of the waterfront area, once decayed, now contained new apartments, offices, shopping areas, and parks; the recently restored Faneuil Hall-Quincy Market retail and restaurant complex, which had become enormously popular, was less than a 10-minute walk from the hotel. However, over the next three years, three new luxury hotels were scheduled to open in the same area as the Parker House. Offering a combined total of over 1,200 rooms, these new hotels would be operated by Inter-Continental, Meridien, and Marriott Hotels, respectively.

The Parker House was the oldest continuously operating hotel in the United States. The original building, constructed in 1855, quickly attracted a large and cosmopolitan clientele. The hotel had been almost totally rebuilt in 1927, but during the 1950s and 1960s it fell into decline. By 1969, occupancy at the Parker House was down to 35%, and the hotel that had hosted presidents was forced to declare bankruptcy.

Subsequently, the Parker House was rescued by Dunfey Hotels, a privately owned chain. The Dunfey family hired the former head of Sheraton's international marketing, Jon Canas, as vice president of sales and marketing.

Well aware of the heavy fixed costs of operating a hotel, Canas and his team knew that their major source of profits lay in room sales rather than food and beverage revenue. Accordingly, they went after all the business they could find: tour groups, conventions, training sessions, anything to "keep the lights on." As occupancy rose, they began to upgrade the appearance of the Parker House, renovating, restoring, and finally repositioning rooms, restaurants, and public areas. Room prices rose accordingly, and many of the customers who had initially enabled the hotel to survive were replaced by less price-sensitive corporate clients. Successful renovation at the Parker House, combined with Canas's marketing efforts and the improving national economy, led the Dunfey hotels' revenues to double in three years.

Marketing Strategy

The key to successful marketing, in the opinion of Dunfey management, was segmentation. Ron Gustafson, Dunfey's manager of sales administration, stated:

What we want to say is, "We are this type of a hotel: now what do we need to do to reach these segments?" First we canvass an area door to door. We talk to customers and find out their needs. Then we tell them our story, we bring them down and show them the hotel. Then, when business begins to pick up, we try to monitor whether we're taking share from the correct hotels. We want to build our business with the correct market segments—not just fill rooms—because we're building for the future and the profile of customers we take in has a tremendous impact on creating a position for the hotel in the minds of the customers. For example, if our hotel is in the luxury class appealing to the upscale business executive and professional traveler, we don't want the badge-and-bottle conventioners running around the lobby because, frankly, it destroys the atmosphere.

Extensive segmentation was very unusual in the hotel business. Most hotels segmented their guests into tourists, corporate travelers, and groups. However, the Parker House segmented its clients as follows:

1. **Pure Transient** The customer, either tourist or corporate traveler, who simply picked up the phone and made a reservation at the rack rate,¹ attracted through general advertising or word of mouth. No direct sales effort reached this person.
2. **Outside Reservation** The customer whose room—also at rack rate—was arranged through Dunfey's toll-free reservations number, often used by travel agents for their clients. This number, operated for Dunfey Hotels by an independent reservation service, cost the Parker House \$100 per month, plus \$5.43 for each individual reservation thus made. Management was interested to see how well this service performed.
3. **Executive Service Plan (ESP)** Executives traveling singly or in groups smaller than 10 who reserved their rooms through an unlisted number (see below) and paid rack rate. Because this group was, to a large extent, drawn to the Parker House as a result of personal sales calls by ESP representatives, it was important to measure the success of the sales effort.

¹ The published rate charge for each accommodation, as established by hotel management.

4. **Special Transient** A limited category composed of friends of management, favored travel agents, etc. This segment was traced so that the lower rates charged to it would not skew other rate data. The hotel tried to limit these bookings to slow periods, such as weekends or the first quarter of the year.
5. **Patriot** The government segment. The Parker House had 36 extremely small rooms, each containing a single bed, which were offered to government employees for a price considerably below the rack rate. In the past year, 7,000 room nights in this category were billed.
6. **Mini-vacation** A standard weekend package comprising two nights (Friday-Saturday or Saturday-Sunday) and two breakfasts. In spring 1980 its cost would be \$88.
7. **Classic Package** The luxury weekend package, including a wine and cheese platter in the room, Godiva chocolates in the evening, sheets turned down before bedtime, dinner at Parker's Restaurant. In spring 1980 this package would cost \$186.
8. **Corporate Groups** Corporate clients reserving rooms at the same time in blocks of 10 or more. It was very unusual for the Parker House to book sleeping space for groups of over 150 people, though meetings of up to 500 were accepted.
9. **Associations** Professional associations reserving rooms at the same time in blocks of 10 or more. Their rates varied, depending on the time of the year and the desirability of the groups. Medical associations, for example, were highly prized, because they spent heavily on food and beverage and often planned their meetings during the weekends.
10. **Bus Tours** The hotel attempted to limit these groups to weekends and the months of July and August, traditionally slower periods. The Parker House also tried to upgrade its bus tours from American groups to European, Japanese, and other foreign tourists, who were willing to pay higher rates.
11. **Airline** 117 small rooms, overlooking airshafts, were secured through annual contracts with airlines using Boston's Logan International Airport and were occupied seven nights a week. European and other foreign airlines were courted because they were willing to pay more for the rooms than American carriers.

The other categories were: *permanent residents* (at present, the Parker House had none); *complimentary rooms*, provided free of charge, sometimes to compensate for a previous error made by the hotel; and *house use rooms*, given to employees who were forced to stay overnight or who wished to appraise the hotel's service. A quarterly breakdown of room revenue by segment is presented in **Exhibit 1**.

In some cases the market was segmented further by seasons of use, geography, and industry. When all rooms were full, or when a guest was turned away because of overbooking, management made sure that well-heeled transients and top-rated corporate clients were referred to Boston's best hotels, such as the Ritz, the Copley Plaza, and the Hyatt Regency in Cambridge. More price-sensitive guests were directed to middle-rank hotels or motor lodges.

Pricing varied for each segment and depended on competition. Boston hotel rates were much lower than rates at similar hotels in New York City. Competitive information was gathered at regular intervals. Projected rack rates at the Parker House for the coming year are reproduced in **Exhibit 2**.

One important benefit of the detailed segmentation employed by the Parker House was the guidance it offered to the sales division. Jon Canas commented:

With the rooms merchandising plan you know what to ask sales and reservation people to do. In general, in the industry, salespeople don't know who to see, they don't know how many rooms are available, and they definitely don't know what rate to charge. At Dunfey we want to follow these guidelines as closely as possible in order to maximize our profitability and productivity.

The Sales Division

The Parker House sales division was led by Bill Murphy, who had previously directed sales at the Ambassador East in Chicago. He directed a group of five salespeople and eight in-house telephone and clerical staff. Direct sales efforts were targeted toward the most desirable market segments, according to the hotel's mission statement. The sales manager handled professional associations; the corporate sales executive covered corporate groups; and the two ESP account executives, Lyssa O'Neill and Pamela Roberge, were responsible for sales to individual business travelers. Since most ESP reservations were made by secretaries or corporate travel manager, O'Neill and Roberge directed the majority of their calls to people in these positions. All three of these sales efforts—corporate, professional, and ESP—were directed only toward room sales; banquets were handled by another representative who also reported to Murphy.

One of the hotel's goals was to shift its market base toward customer segments more likely to pay full rates. Very seldom were all 546 rooms in the Parker House sold at the rack rate; most often about 30% were discounted. To raise room sales efficiency² and reduce discounting, management had decided to aim for a lower occupancy rate—83.5%—in the hope of bringing in more guests at rack rate and raising revenues and profits. The latest renovations and rate increases were an essential part of this strategy. As Yervant Chekijian put it: "We are going to have no compromises on our product offering, and at the same time, we're not going to apologize for our rates."

Executive Service Plan

Rates for tours, groups, and associations were often discounted, but ESP clients were always charged the rack rate. The ESP plan was considered the key to the hotel's new room sales efficiency target. Designed to make it convenient for individual corporate travelers to use the hotel, the plan included a direct unlisted telephone number reserved for ESP clients (out-of-town customers could call collect); "preferred" (i.e., larger) rooms; preregistration to ensure easy check-in; an express check-out service; bill-back privileges; a welcome packet, including a complimentary newspaper each morning, and a special ESP privilege on Friday and Saturday nights entitling the spouse of an ESP guest to stay at the hotel free of charge.

Direct sales calls were an essential element of ESP marketing strategy. The Parker House sales division kept files on 710 ESP companies, categorized as red, blue, green, or yellow depending on how frequently their employees used the hotel. Red clients, who booked over 150 room nights annually, were called on monthly; blue clients (75–100 rooms annually), every two months; green clients (25–75 rooms annually), every three months; and yellow clients, once or twice a year. In order

² Defined as the ratio of total room sales revenue over a period divided by the potential revenues that might be obtained if all available rooms were sold at full rates during the same period.

to cover these accounts, ESP reps Roberge and O'Neill made approximately 40 calls (including 16 key accounts) weekly.

The ESP job was the hotel's entry-level sales position. Selling to groups and associations, according to Dunfey management, required dealing with experienced travel and convention planners and was handled by more senior members of the sales staff. In fact, since many of the ESP accounts were steady clients of the Parker House, and the demand for hotel space in Boston was high for a large part of the year, the ESP reps tended to view their job as customer service or client education rather than sales. "As salespeople we're not strictly solicitors at all," said O'Neill. "We're more personal contact. We are the company's liaison to the hotel, and they can call us if they have a problem. They know our faces, our names."

Neither ESP representative considered it very difficult to distinguish the hotel's most valuable clients. Commented O'Neill:

The least desirable people are those who are very price-sensitive and concerned about the rates. For instance, one guy who ran a shoe outlet wanted to have a function here and bring his own liquor and his own dry snacks. People like that—or people who have reservations made on short notice in spring and fall only—I really want to discourage because the hotel is full during that time and their volume is nothing we can put our finger on. I'll bring up rates during the call, which is something a salesperson usually doesn't do. Alternatively, I would encourage such a client to go through the front desk or the 800 number, which offers the smaller, less expensive rooms that we don't sell to ESP guests.

The sales staff saw one of its major challenges as determining how many rooms should be set aside for clients desiring long lead time, how many rooms should go to shorter lead-time groups, and how much capacity should be saved for walk-in business. Faced with average occupancy rates ranging from 90%–97%, Monday-Thursday, during many periods, clients tried to book well in advance. Occupancy rates Friday-Sunday during the same periods averaged 80%–83%. The Parker House, however, refused to quote rates more than six months in advance and had set a 45-day maximum on advance banquet bookings at lunch; such banquets could potentially interfere with the needs of groups booking rooms as well as meal service. Jon Canas summed up the situation:

Consider New England during the middle of October. For us success at this time is to have 100% walk-in transient business at the rack rate—and to have raised the rate the day before! It wouldn't be to our best interest to have booked a group at a very low rate way in advance when we know we're going to get this excellent, high-rated transient business at this time of year. On the other hand, there are cases which crop up when it is necessary to give people a discount in the middle of October—when you could have had the highest rate—in order to get that business back on January 2 when you will otherwise have nothing. So, it's a constant game of balancing.

Roberge and O'Neill made a point of reminding their accounts about the hotel shortage in Boston. There were a total of 6,925 rooms in the city; all major hotels were fully booked for close to 90 days of the year. The sales division published a special quarterly newsletter for ESP clients which publicized problem dates, and also kept a waiting list for ESP accounts after space closed.

The hotel continued to solicit some new business, primarily in New York City, where Roberge and O'Neill had recently traveled on a sales trip. It was hoped that the highly desirable, less price-sensitive accounts solicited there would crowd out smaller, rate-conscious clients and increase the number of ESP guests.

Managers believed that no other hotel in Boston offered significant competition to the Parker House's ESP account coverage program. The Sonesta sent representatives out to corporate accounts about once every two months; other hotels invited clients to occasional public relations functions.

Tour Groups

Although Harvey Kimball, Dunfey's director of tour sales, maintained his office at the Parker House, the greater part of his marketing efforts were directed toward other Dunfey hotels which considered tours an important part of their business mix. His task was to uncover leads; it was the responsibility of the individual hotel's Executive Operating Committee (EOC), aided by the regional director of sales, to decide whether the business was good for the hotel. Kimball received a yearly salary, plus a bonus based on the number of room nights he brought in.

Janet Morin, the Parker House tour coordinator, was a secretary in the general manager's office who received no incentive and made no direct sales calls of any kind. "It really isn't necessary," she stated. "The tour wholesalers call us—in fact, I usually get about 18 calls a day and end up referring most of them to the Park Plaza,³ which is more eager to get tours than we are." Rates for groups of 15 or more varied according to the time of year, ranging from \$44 to \$58 (single), with a \$10 additional charge per person for double, triple, and quadruple occupancy. The hotel did not encourage tours during the middle of the week, because ESP and transient guests brought in much more revenue. During the weekend, however, ESP guests almost vanished, and as Morin noted, "We need anything we can get." Tour rooms as a percentage of total rooms sold monthly ranged from 0.3% to 11%; tour room revenues as a percentage of total monthly revenues ranged from 0.3% to 8%.

Tours usually reached the hotel in groups of 46, a standard bus load. Most tour group guests were older people who preferred not to drive themselves, and they spent relatively little money in the hotel. "Our restaurants are in the moderate to expensive range," Morin explained, "and tour operators want the least expensive rate they can get on everything. They'll put inexpensive restaurants on the itinerary and herd the group in and out." The one meal which tour groups usually ate in the hotel was breakfast, and this had caused problems in the past, according to Morin:

The breakfast scene is at its worst in the fall. We may have several tours in the hotel and they'll all come down for breakfast at 8:15 or 8:30, because their buses leave at 9. You have hundreds of people waiting to eat breakfast, lines in the lobby, buses leaving at 9, people getting edgy, and then if they have to miss breakfast to catch the bus they all want vouchers for another meal. It gets very confusing.

Tour wholesalers also tended to submit their passenger lists to the hotel at the last minute, a habit which both the sales division and the front desk found intensely annoying. "We like to get a rooming list three weeks beforehand for forecasting," Morin explained, "but tour groups will sell space in a tour till the day they leave. They'll send us a list with four names on it to meet the deadline, and then they'll give us any excuse to keep putting more names on. That's okay on weekends, but terrible on weeknights." Tours also often failed to meet their pre-established check-in times of 1 p.m. Groups coming in late were asked to wait in their buses until the lobby was clear of other tours, "but they always get out anyway and end up crowding around the desk."

Despite these frustrations, Morin felt that tour wholesalers offered one advantage to the hotel in addition to raising weekend occupancy: they did occasionally bring in corporate bonus trips. Fifty top sales representatives from a large corporation, for example, might be rewarded with a weekend in Boston and brought to the hotel in a group. Since corporations were less price-sensitive than tourists, the hotel could charge rack rate for each room.

³ A large hotel, not part of the Dunfey organization, located on the fringe of the downtown area.

TransAm Tours (disguised name), operated out of the West Coast and put together packaged tours for travel agents and individuals. This firm was considered a relatively "exclusive" tour wholesaler by the Parker House. "They're price-sensitive," Morin commented, "but their customers aren't." TransAm tourists were flown to Boston and then put aboard a bus which would transport them through New England. A typical group would come in late Thursday night, spend Friday exploring Boston and return after dinner, spend Saturday in New Hampshire, return to the hotel Saturday night, and leave early Sunday for Vermont. "They don't spend any money in the hotel, outside breakfast," Morin noted, "because they're never here."

Advertising, Promotion, and Customer Relations

The Parker House advertising strategy, as devised by Bill Murphy and Dunfey's senior marketing executives, was twofold. The hotel was promoted locally, as an individual property, and nationally, as a Dunfey Classic hotel. Although the need for strong promotion had been questioned, Paul Sacco, Dunfey's corporate director of sales, felt the Parker House's high average occupancy rate was very deceptive:

The hotel is favored with a very heavy demand on Monday, Tuesday, and Wednesday nights. But we fight like hell to get people to stay on Sunday night, and we beg them to stay over Thursday and check out Friday—maybe stay for the weekend, bring their spouse. When we have an occupancy in the high 90s Sunday through Saturday, we'll be satisfied. That's not presently the case.

Bill Murphy added:

It's important not to look at it as though we don't need to sell any more. Actually, we have to work even harder—it's easier to get soft at the top. Our sales reps don't have a quota of 25 new accounts per week any more, but they do have a firm quota of 40 calls. That's necessary just to keep up with movement within firms and within the city.

Classic hotel advertising, budgeted at close to \$800,000, promoted the Parker House, the Berkshire Place, and the Ambassador East as a group, and was supervised by Dunfey's director of advertising and public relations.

The Classic hotels advertisement (see **Exhibit 3**) was designed to upgrade and promote the Dunfey corporate image while it simultaneously linked the three hotels as a group. A four-color, one-page ad, it first appeared in the Boston, New York, Chicago, and Los Angeles editions of leading national news and business magazines. Local promotion of the Parker House as a Classic hotel was particularly important, according to Dunfey's advertising director:

The Boston market is a very important source of guests for New York and Chicago. The Dunfey corporate image still needs to be supported. And also, though from a room point of view and an occupancy point of view they may not seem to need it, the combination of the Parker House with the Ambassador and the Berkshire is helping to further position the Parker House, further upgrade its image . . . as well as positioning Dunley.

Local promotion for the Parker House was supervised by Bill Murphy, whose combined advertising and sales budget totaled approximately \$260,000 in 1979. Except during December, January, and February, when occupancy averaged 75%, promotions (such as parties for clients or inexpensive desk items for travel agents) were not a major concern at the hotel.

Management placed a good deal of emphasis on customer reaction to the hotel. Questionnaires were distributed to clients after banquets; they were also placed prominently in every room. The cards were signed by Roy Dunfey, vice president of employee and guest relations, and designed to be mailed directly to him. Although comments were not tabulated by segment, it was McIntosh's opinion that bus tours complained the most. As he put it: "They are on limited budgets, they have high expectations because their vacation is a big thing for them, they have time on their hands for complaining, and they give lots of reinforcement to each other's objections."

Continued Debate

The Parker House dislike for tour groups was not totally shared in Dunfey headquarters, and by mid-October, as the deadline for responding to TransAm's offer for the following year approached, discussions grew increasingly heated. From the beginning, there had been no doubt that the Berkshire Place business would be accepted. TransAm had originally offered to pay a flat \$25 (double), mid-week and weekend, for 2,000 Berkshire guest nights. After bargaining the rate up to \$55, Dunfey sales executives felt that the revised contract was almost indispensable, considering the Berkshire's occupancy rate: 60% in July, 70% in August (break-even was about 62%). Then came a strong intimation from TransAm that the Berkshire business might ultimately depend on a guarantee of all 4,000 guest-nights requested at the Parker House.

Terry Flahive, Dunfey's regional director of sales for New England, told Paul Sacco, the corporate director of sales:

We're desperate for business in New York. From a corporate point of view, we want those room nights to make the Berkshire Place successful. I think we're going to have to bite the bullet at the Parker House, even though it might be bad rooms merchandising.

Sacco tended to agree. As he pointed out to Bill Murphy:

It isn't a big bite, because we definitely want the business at the Berkshire Place, and at the Parker House we want the weekends. What we're arguing about is weeknights, midweek, and the question is whether we should cut some of that revenue in order to capture the rest.

Murphy, on the other hand, was strongly opposed:

We're already booked very heavily to other tour brokers, and if we accept TransAm for every date they've requested, we're going to be rolling the dice a little bit, hoping we get some cancellations. What's even more important, in my opinion, is that if we add another tour group of this volume, we're going against the entire mission of the hotel.

TransAm's specific Parker House room requests are reproduced in **Exhibit 4**. Approximately half of these requests were accepted immediately, at a rate of \$³²/₃₉, single/double (weekend), and \$⁵³/₆₁ (weekday) (**Exhibit 5**). TransAm then requested that the hotel accept the company's remaining tour bookings at a rate of \$³²/₃₉ (weekend) and \$⁶³/₇₃ (weekday); it was implied that all TransAm business would hinge on the hotel's acceptance of this latest offer.

Murphy and Flahive immediately began an intensive review of the specifics of the TransAm proposals, attempting to calculate exactly how much tour space was available and how much revenue the tours might generate, compared with expected transient and corporate business. The key

to establishing room availability was the Group Rooms Control Log (GRC), which listed "selective sell targets" for groups broken down by room night. By starting with the total number of rooms in the hotel (546) and subtracting projected transient, ESP, "patriot," and airline business, the sales department could apportion a certain number of rooms each night to be sold to groups of all kinds, including corporate groups, associations, and tours. GRCs for the remaining dates requested by TransAm are reproduced in **Exhibit 5**.

Potential TransAm revenues were then compared to the revenues to be derived from the sale of comparable rooms at projected summer and fall 1980 rack rates (**Exhibit 2**). Since it was not possible to know how guests would make their choices between room categories (e.g., standard vs. deluxe vs. top of the line), an average of standard and deluxe rates was used for calculations.

Murphy felt he was faced with three questions. Did the Parker House have space for TransAm on the dates not yet accepted (**Exhibit 4**)? Would the TransAm business be as profitable as reservations which might be booked simultaneously by other segments? And how many tours could the Parker House accept without altering the desired positioning of the hotel?

As he wrestled with these issues, the phone rang. Harvey Kimball was on the line. "Bill, I just talked to TransAm Tours," he announced. "They told me they're putting things together for Chicago—and under certain circumstances, might consider booking at the Ambassador East. Can we give them the go-ahead for the Parker House?"

Exhibit 1 The Parker House: Quarterly Room Revenue by Segment

Segment	1 January- March	2 April- June	3 July- September	4 October- December	Total
1. Pure transient	\$ 448,087	\$ 335,103	\$ 387,227	\$ 338,141	\$1,508,558
2. ESP	382,287	605,889	594,414	594,224	2,176,814
3. Mini-vacation	45,894	48,855	40,098	67,388	202,235
4. Patriot and airline	243,438	247,121	251,300	252,002	993,861
5. Associations and corporate groups	156,500	314,541	208,669	276,268	955,978
6. Bus tours	12,819	64,914	172,910	83,388	334,031
7. Other ^a	<u>38,095</u>	<u>21,353</u>	<u>23,276</u>	<u>32,555</u>	<u>115,279</u>
Total	\$1,327,120	\$1,637,776	\$1,677,894	\$1,643,966	\$6,286,756

Source: Company records

^aIncludes Special Transients and Outside Reservation System guests.**Exhibit 2** Projected Parker House Room Rates, Fall 1980

Room Category	Number	Rate		Furnishings
		Single	Double	
1. Standard	130	\$ 70	\$ 80	Double bed, clock radio, color TV, Drexel furniture, Thermopane windows, individually controlled heat and air conditioning. The least expensive room available to ESP clients.
2. Deluxe	181	80	90	Similar to standard; larger room.
3. Top of the line	20	90	100	King-size beds; other furnishings similar to standard; larger room.
4. Mini-suite	48	105	115	Very large room (often constructed from two smaller rooms, with a wall removed) with walk-in closets and dividers between living and sleeping areas.
5. Parlor suite	16	\$125		Living room, bedroom (one or more), and some kitchen facilities such as a sink or wet bar.
6. Deluxe suite	2	250		Larger rooms, complete kitchen facilities, luxurious furnishings.

Exhibit 3 Advertising in National Magazines (original in color)

DUNFEY HOTELS OFFERS THE CLASSIC EXPERIENCE.



AMBASSADOR EAST
CHICAGO

PARKER HOUSE
BOSTON

BERKSHIRE PLACE
NEW YORK

DUNFEY CLASSIC HOTELS
800-228-2121

Dunfee Classic Hotels, elegance restored.
Partners in hospitality with Aer Lingus.
Other Dunfee hotels in Atlanta, Dallas, Houston, Hyannis (Cape Cod), and San Mateo.
And other Dunfee operated hotels across the country.

Exhibit 4 TransAm's Requested Bookings at the Parker House, June-October 1980

	SUN	MON	TUE	WED	THU	FRI	SAT
June					26 ^a	27 ^a	
July			1	2	3	4	5
	6	7	8	9	10 ^a	11 ^a	12
	13	14	15	16	17	18	19
	20	21	22	23	24 ^a	25 ^a	26
	27	28	29	30	31 ^a		
August						1 ^a	2
	3	4	5	6	7 ^a	8 ^a	9
	10	11	12	13	14	15	16
	17	18	19	20	21 ^b	22 ^b	23
	24	25	26	27	28	29	30
	31						
September		1	2	3	4 ^a	5 ^a	6
	7	8	9	10	11 ^a	12 ^a	13
	14	15	16	17 ^a	18 ^b	19 ^d	20 ^a
	21 ^a	22	23 ^e	24 ^e	25 ^e	26 ^c	27 ^a
	28 ^e	29 ^e	30 ^e				
October				1 ^e	2 ^e	3 ^e	4 ^e
	5 ^e	6 ^e	7 ^e	8 ^e	9 ^e	10 ^b	11 ^b
	12 ^e	13 ^e	14 ^e	15 ^e	16 ^b	17 ^d	18 ^a

Source: Company records

Key:

(1) Bookings Requested by TransAm Tours for Specific Dates

- = one group (2 singles, 20 doubles, 1 complimentary for tour escort).
- = two groups (4 singles, 40 doubles, 2 complimentary).
- △ = three groups (6 singles, 60 doubles, 3 complimentary).
- ◇ = four groups (8 singles, 80 doubles, 4 complimentary).

(2) Parker House's Initial Response to TransAm Requests

- ^aIndicates all reservations requested for that date were immediately accepted by the hotel.
- ^bIndicates only one group of requested bookings was accepted.
- ^cIndicates only two groups of requested bookings were accepted.
- ^dIndicates only three groups of requested bookings were accepted.
- ^eNone of requested bookings were accepted.

Exhibit 5 Extract from Group Rooms Control Log

Type of Group	Number of Rooms Requested ^a		Day	S	M	T	W	T	F	S	Rates
	Gross	Net	AUG	17	18	19	20	21	22	23	
			SST ^b	193	135	135	135	140	253	258	
Assoc./Corp. ^c											
Definite	800	500		125	125	125	125				53/61 ^d
Tentative	600	600		100	100	100	100	100	100		NRQ ^d
Tours											
Definite	52	40						40			28/31/36
Tentative	169	164						47	72	45	NRQ
Type of Group	Number of Rooms Requested		Day	S	M	T	W	T	F	S	Rates
	Gross	Net	SEP	14	15	16	17	18	19	20	
			SST	103	110	75	75	90	233	258	
Assoc./Corp.											
Definite	200	160		40	40	40	40				NRQ
Tentative	0	0									
Tours											
Definite	25	20						20			28/31/36
Tentative	632	593		25				67	238	263	28/43
Type of Group	Number of Rooms Requested		Day	S	M	T	W	T	F	S	Rates
	Gross	Net	SEP	21	22	23	24	25	26	27	
			SST	128	100	75	75	90	233	258	
Assoc./Corp.											
Definite	267	200				70	70	70	10		58/68
Tentative	100	80				80					NRQ
Tours											
Definite	50	40						20		20	28/31/36
Tentative	827	769		114				35	311	309	28/43
Type of Group	Number of Rooms Requested		Day	S	M	T	OCT W	T	F	S	Rates
	Gross	Net	SEP	28	29	30	1	2	3	4	
			SST	138	90	75	75	75	218	238	
Assoc./Corp.											
Definite	298	293		50	60	50	61	61	11		NRQ
Tentative	0	0									
Tours											
Definite	225	198						20	45	133	NRQ
Tentative	576	500		85	20				185	210	30/43
Type of Group	Number of Rooms Requested		Day	S	M	T	W	T	F	S	Rates
	Gross	Net	OCT	5	6	7	8	9	10	11	
			SST	108	75	75	75	75	218	238	
Assoc./Corp.											
Definite	69	54						18	18	18	50/58
Tentative	0	0									
Tours											
Definite	200	170		40				20	45	65	28/43
Tentative	689	650		90	40			25	220	275	28/43
Type of Group	Number of Rooms Requested		Day	S	M	T	W	T	F	S	Rates
	Gross	Net	OCT	12	13	14	15	16	17	18	
			SST	148	50	50	60	60	208	188	
Assoc./Corp.											
Definite	120	90							45	45	NRQ
Tentative	0	0									
Tours											
Definite	75	70		20					25	25	28/49
Tentative	717	659		162	20			22	226	229	33/46

^aGross = the number of rooms reserved by a group; net = salesperson's estimate of the number of rooms a group would actually occupy.

^bSST = "selective sell target," the optimum number of rooms to be sold to associations, corporate groups, and tours.

^cAssoc./Corp. = professional or special-interest associations and corporate groups.

^dNRQ = no rate quoted.