

# Airôtel rümlang essay

[Environment](#), [Air](#)



According to the text, the situation in Airôtel Rümlang and the international scenario at that time showed that some considerations should be taken into account. This is precisely what Irene Fellner did when she contacted her friend Thomas Meier for conducting a conjoint analysis. As we read, due to the terrorist attacks of September 11th, the Tourism market in Switzerland suffered a steep decline (being the Americans one of the most important groups of visitors in the European nation).

The conjoint analysis showed that on average, people were willing to pay from CHF 25. 53 to CHF 74. 68 more (for the same utility as Airôtel Rümlang) when belonging to a well-known brand like Best Western Hotels or Holiday Inn. In the meantime, the premium of a brand name was between 13. 7% and 39. 4%. As of the results of the conjoint analysis, it was pretty obvious to Mrs. Fellner that even though she had been leaning towards staying independent, the possibility of franchising with some of the prestigious hospitality brands turned really interesting. The elements shown above, along with a favorable geographic location and the recent economic downturn incentivized her to start thinking about that possibility.

Development: As we have studied, the ultimate objective of a good mark-based management strategy is to generate and maximize profits as much as possible all while improving consumer satisfaction and brand loyalty.

Following this idea, we think that in order to answer the former question we need to analyze the expected profitability of Airôtel Rümlang without franchising and compare it with the possible (due to a lack of data) profitability once being part of Comfort Inn Hotels.

We may also take into consideration the gains from acquiring the new “Comfort” identity and compare it with the losses of not being Airôtel Rümlang anymore (as a brand name). As we could see in Exhibit 3, the total profit for the period 2002-2003 is about CHF 59, 400 (4. 5% of total revenues). This obviously seems to be a good sign; in the meantime this is supported by the fact that from Sep-02 to Nov-02 and Feb-03 to Jun-03 the hotel is expecting to record profits, only encountering losses in the periods of low demand (4 month in the whole period).

However, on the other hand, even though it is expecting to have total profits of almost CHF 59, 400 we need to take into consideration that the hotel might be encountering negative results since the economy slowdown in Sep-2001, representing almost 9 month of negative or poor results up to July 2002 with a loss of CHF -32, 642 (as indicated in the text) which represents about 54% of the total profits for the period. So one of the main questions that crosses our mind is how long the hotel is going to survive under this situation (that’s the reason why Mrs. Fellner called her friend)

. Once we have seen the situation of the Hotel without planning to franchise, then we will take into consideration this decisive step. According to the text, in order that the deal could go through, the following requirements need to be met:

- \* Initial sign-up fee: CHF 12, 000.
- \* Investments: CHF 24, 000 (over next three years).
- \* Royalties: 2% of Hotel’s revenues.

- \* Marketing Fees: 1% of Hotel's revenues.
- \* Booking System: 6% of Hotel's revenues.
- \* Training expenses: CHF 3000/year On the other hand, once Airôtel Rümlang will become " Comfort Hotel Zurich Airport", it should gain from the advantages of being part of a well-known brand (Comfort Inn), namely:
  - \* Average increase in the prices between: CHF 25. 53 and CHF 74. 68.
  - \* Brand name premium between: 13, 7% and 39, 4%
  - \* Acquire new customers thanks to the new brand name and the geographical location According to some scenarios that we have calculated in an Excel sheet, the company will be better off under the franchising situation: We have estimated (roughly) that if the Hotel Revenues of the brand increase by the same amount of the premium expected (between 13. 7% and 39. 4%), the company could make profits between CHF 57, 914 and CHF 299, 372 respectively for the first year, after having paid 9% of revenues according to the terms of the contract, plus CHF 12, 000 in fees and CHF 8, 000 as investments for Hotel's improvements (for the first year 24000/3).

In the meantime, at a certain moment in the text they said that her profits accounted for 5 percents of the revenues, so we have decided to test this possibility also (second model) and the results are as following: With a premium of 13. 7%, the company will be able to make profits equal to CHF 62, 147 and CHF 74, 220 with a premium of 39. 4% respectively. This results

also take into account the terms of the contract (9% payments etc) but the difference with the previous model is that here we assume that as revenues increase, expenses will also do so, whereas in the first model expenses stayed the same (since they might not be too much affected if the Hotel becomes a franchise thanks to their nature: Salaries, Mortgage Interests, Direct Costs Hotel etc). The calculations are shown in the tables in the appendix. After having seen these results, we definitively think that the best option is to go for the Franchise.

Did Mrs. Fellner have a choice? On our opinion, for almost all situations in life, there is always another choice that could be taken. The difficulty comes when assessing the amount of risk we are able to undertake in each decision. This is the case of our manager Mrs. Fellner. She has two possible solutions, one of them is to stay immobile and continue running her family's business, preserving the name but putting it into risk due to the large chain of losses it had accumulated since September 2001.

On the other hand we have the franchising choice. By taking this option, she will eliminate some of these financial risks and will gain from brand name premiums, namely: price increases and a new and wider booking system. However she might compromise the name " Airôtel Rümlang" and may also lose some decision-making power since the hotel will also have to adapt the Choice Hotels quality management handbook.

As we said in the first question, on our opinion she will choose to become a franchise of Comfort Inn. However even though it is the most wise on our opinion, she may also decide (or her family) to stay a privately-owned

business and try to survive this chaotic period they had been facing since 2001's last quarter. This will be the other possibility on our opinion for them even though is less intelligent and profitable than the franchising one.

Could Mrs. Fellner convince her family members to follow her lead and accept the Comfort Inn Franchise? Indeed one of the major decisions that they might have taken since the creation of the business is to decide whether to become a franchise of the Comfort Inn group or to stay a privately-owned business. In order to convince her family (shareholders) Mrs. Fellner has to first be sure that she is not making any mistake (by re-analyzing the contract and the advantages and disadvantages of it) because now the business of a whole family is in her hands. She must emphasize in the results of the conjoint analysis at a first glance. It has been shown that there is an overall tendency of customers moving toward branded hotels.

Then she must highlight the advantages in terms of profits, increase in prices, wider booking system, more advertisement, they will become stronger in confronting competition (brands such as Holiday Inn and Ibis). Another element that she might use is the fact that if they stay private, the business is going to suffer a lot and it might not have a good financial standing in some years because on our opinion, the profits that Airôtel Rümlang will generate at the end of the period 2002-2003 may not be enough on our opinion to cover the losses incurred in the period from September 2001 to July 2002 (in this last month, losses represented almost 54% of the profits for the whole period, CHF -32, 642 vs. CHF 59, 400 respectively).

On the other hand she must take into consideration all the costs related to the process of franchising and also the fact that there is a new management handbook. But on our opinion all the positive factors explained above are good examples of why they should become a franchise on our opinion.