**Question 1**

A new hotel has been opened in Downtown USA for approximately one year.  The hotel is located in the main business district of the downtown area, which is thriving and growing.  Several new businesses have entered that area over the past year as regentrification occurs.  The businesses range from small restaurants to specialty shops and some professional services.  As a part of the regentrification program, several new condominium style homes have been incorporated.  There are currently two major groups relocating into these complexes: the young professionals who have just finished college and are taking jobs in the area (a part of the millennial generation) and a group of baby boomers who have recently entered or are about to enter into retirement.   Both groups have moved into the area for the lifestyle provided through the local businesses.

As a part of the hotel amenities, they have offered a variety of activities for their guests.  The main amenities that they have offered over this past year include:

Professional massage package – price:  $60 for a 30-minute massage (40% PM)

Paddle boating/kayaking on the river (transport guests to the dock which is about a mile from the hotel) – price:  $25 for the first 60 minutes rental and $5 for each additional 30 minutes beyond the first hour (35% for the first hour and 20% for the remaining hours)

Spa package (sauna, facial treatments, heated rock therapy but does not include a massage) – price:  $95 for a 30-minute sauna followed by a facial treatment and then heated rock therapy (30% PM)

Aerobics classes – price:  $35 for a 30-minute session (40% PM)

Based on the previous years’ experience, management has realized that while occupancy rate at the hotel was high (80%+,) the use of the above amenities was not.  They determined that these facilities were only being used at 45 percent capacity.  To maintain the offerings of these amenities, it is important for the hotel to increase the usage.  Management decided there were two options.  Option 1 is to increase the number of hotel guests that are using these amenities.  One possible option would be to create a package type deal.  Option 2 is to develop and promote a program for non-hotel guests from the local community.

After a quick price comparison, the hotel determined that their pricing structure is close to the prices offered by other facilities in the area.  Currently, they desire a 35 percent profit margin on all of their price offerings; however, this is not always possible as noted above with the prices.

As a marketing consultant, you need to address the following questions for management:

a: You are to assemble a bundled pricing program for the amenities of the hotel.  The goal is to combine any three of the amenities that you feel would be the best combination.  Your desire is to establish a pricing mechanism for the bundle that would allow you to maintain a 25% profit margin for the hotel.  Explain your pricing system, your final price you would offer, and how you determined that price.  How would your packaging and pricing differ if you knew the price elasticity is 1.3, and how would this impact your pricing decision?

b: Hotel management wants you to develop a package or set of packages to offer to non-hotel residents.  They would like to see the profit margin for this package be approximately 40%.  The additional profit margin is to cover the additional costs related to outsiders using the facilities.  Identify the primary target market you would use for this project.  What would you offer and why?  Explain the pricing approach and final price you would use for the bundle(s).  If you know the customer group has a high level of price sensitivity, what is your concern with this pricing scenario?

c: Develop an IMC program that would be used for the non-hotel guest program.  Be very specific in the program you would develop including the media platforms you would use.

d: What, if any, concerns should management have in terms of these actions (both programs) in terms of the brand image and equity of their company?  Be specific in your answer.

e: Create a slogan for the business, less than 20 words, which captures the essence of the brand. Explain your rationale for the slogan. Then show how it should be incorporated within the brand image and integrated marketing communication plan.