

DEVELOPMENT OF A RESORT SITE

Thesis for the Degree of M. A.

MICHIGAN STATE UNIVERSITY

Robert H. Schwartz

1956

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DEVELOPMENT OF A RESORT SITE

By

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A THESIS

Submitted to the School of Hotel, Restaurant and Institutional
Management of Michigan State University of Agriculture
and Applied Science in partial fulfillment of the
requirements for the degree of

MASTER OF ARTS

1956

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CHAPTER I

INTRODUCTION

History of the Resort Industry

It would be difficult to ascertain when or how the first vacationist spent his leisure time. One might surmise that even Adam had occasion to wander off by himself--if for no other reason than to escape the queries of Eve. It is only human nature that makes man set aside a minute or an hour or a week from his daily toil. It is probable that this characteristic was prevalent before man knew the meaning of "vacation."

The first record we have of a man who received sleeping accommodations and food in return for a fee dates back to the seventh century B.C. in ancient Lydia.¹ From that period on, the increasing complexities of life necessitated maintaining many inns and lodging houses throughout the Old World. These establishments were incorporated into American life with the early settlers and prospered throughout the days of colonization. It wasn't until 1790 in New York City that a structure was built and fashioned after what we now regard as a hotel. Thus, Corre's Hotel became, in reality, the first hotel in the United States.²

From that point on, the hotel became the place at which to stop. San Francisco and New York became the pioneers in this field and stimulated other sections of the country to do likewise.³

Although the primary motives of transients in the nineteenth century lay in business negotiations, wealthy sportsmen began to look for retreats to gamble and vie in their manliness. The early 1800's founded the beginning of the resort industry in the United States. Bar Harbour, Tuxedo, Palm Springs, and Saratoga were among the first names to be considered as fashionable havens for those wishing to "get away from it all."⁴

Sporadic growths of resort and recreational areas developed with the advent of the steamboat, the railroad, the automobile, and finally the airplane. Today the resort industry caters to all incomes and all types of people; offering a multitude of diverse activities and pleasures designed for the satisfaction of the human being. The Lydian lodger may have spent as much as two drachmas for his brief respite, but his descendants, the people of today, spend close to twenty billion dollars a year on their vacations in this country.⁵

The Resort Market

With close to three-fourths of the families in the United States taking vacations, the resort industry today has a market

numbering in the millions.⁶ Recreational travel has become a distinct American habit. Like going to the polls or paying income taxes, the people of this country know that once or twice, or for some even three times a year, they will leave their own corners to discover how things are going in other parts of the country. They have the time and the money, and the impulse to spend both usefully. Almost everything in this country is bigger than it used to be. We have more people earning more money and enjoying more leisure time. At the same time, our factories produce more goods. Compare 1950 with 1929 to take an example: population up one-fourth, from 122 million to 152 million; the gross national product up from \$104 billion to \$283 billion; the number of persons engaged in production by private industries up 22 percent--during a span of years when the hours in a work week dropped 10 percent; the national income increased 175 percent; the average earnings of employees in private industry up 113 percent; per capita real personal income up 50 percent--even with higher taxes, per capita real disposable income is up 41 percent.⁷

What is the vacation pattern today? Along with the rest of our economy, vacations and those industries that serve the vacationer have grown in stature.⁸ Surveys indicate that from 1951 to 1955 there was an increase in the average total length of vacation.

The average total round-trip mileage increased 20 percent from 1,794 miles to 2,160 miles. Travel outside the United States shows a one-third increase from 12 to 16 percent.

Table I shows that 88 percent of vacationers travel by automobile. With over sixty-two million registered vehicles and seventy-two million licensed drivers,⁹ the resort picture is greatly enhanced. Other modes of transportation have not lagged. Airlines are predicting the era of jet travel within a few years.¹⁰ William M. Allen of Boeing Airplane Company says that the introduction of the Boeing 707 on airline routes will, in effect, make the world 40 percent smaller. Cruising speeds of the Boeing and Douglas jets will be from 550 to 600 miles an hour, more than 225 miles per hour faster than the present propeller-driven planes.

Bus lines, railroads, and steamship companies, too, are vigorously pushing their new package plans, family fares, and other new attractions for the tourist.¹¹ "Travel now and pay later" plans are heard daily over the radio.

Mr. Leo Cherne, president of the Research Corporation of America, in a speech before the Eastern Hotel Conference,¹² stated that hotel and resort profits should greatly increase during the coming ten years. He predicted this stimulating forecast on the premise that our standard of living will increase 20 percent in this

TABLE I
VACATION TRENDS

Item	1948	1949	1950	1951	1955
<u>Length of Vacation</u>					
More than four weeks . .	7%	6%	8%	10%	13%
Four weeks	5	5	5	6	8
Three weeks	11	11	15	15	17
Two weeks	45	42	44	42	44
One week	24	25	19	20	14
Less than one week . . .	8	11	9	7	4
Median weeks	(2.40)	(2.34)	(2.51)	(2.53)	(2.72)
<u>Month of Vacation</u>					
January	1%	2%	3%	3%	7.6%
February	2	3	4	3	7.2
March	3	3	3	4	8.6
April	2	4	4	5	9.8
May	5	6	6	7	13.4
June	15	15	18	17	20.8
July	32	34	37	38	33.2
August	42	40	42	41	35.0
September	18	15	17	17	20.2
October	10	11	4	5	17.9
November	4	2	4	3	6.9
December	4	×	4	4	5.6
<u>Where They Went (all trips)</u>					
New England	14%	10%	11%	12%	10%
Middle Atlantic	19	20	22	22	24
East North Central	24	22	23	23	24
West North Central	13	12	13	15	16
South Atlantic	18	18	20	21	29
East South Central	5	5	7	8	11
West South Central	9	7	8	10	13
Mountain	11	11	11	13	17
Pacific	14	16	13	16	17
Outside U.S. (Canada) . .	18	18	20	21	26

TABLE I (Continued)

Item	1948	1949	1950	1951	1955
<u>Distance Traveled</u>					
Average (mean) mileage	1,396	1,249	1,603	1,794	2,160
<u>Method of Travel</u>					
Automobile	82%	84%	84%	88%	88%
Railroad	20	15	13	12	13
Airplane	5	4	5	6	9
Bus	8	8	7	6	8
Steamship	2	2	2	1	3

Sources: Travel Survey (Washington, D.C.: American Automobile Association, May, 1956).

Americans on the Highway (Washington, D.C.: American Automobile Association, 1952).

Research Report on the National Travel Index (New York: Crowell-Collier Publishing Co., 1955).

The Travel Market of the United States (Philadelphia: Curtis Publishing Co., 1953).

period. He based this on an anticipated 35-hour work week and on the population growth by age groups. Furthermore, he anticipates "that those services and businesses which can provide pleasure and satisfying uses of the increased leisure time will actually outstrip the expansion of industry." Thus, in Mr. Cherne's opinion, the hotel business faces the opportunity profit-wise of this generation. The hotel and resort business is in the middle of this new element of greater leisure time.

Economists tell us that we spent 12 to 15 percent of our after-tax incomes--which this year could mean up to \$33 billion--on leisure-time activities.¹³ With this and the aforementioned facts in mind, the shorter work week, higher wages, and more vacation time are making travelers, hobbyists, and luxury goods consumers of most Americans. With people persistently propagating the race, with automation, the annual wage and the four-day week in the impending future, an already unprecedented market for tourists is expanding every day.

Table I (page 5) is a composite picture of four separate surveys tabulating close to a million vacationing families. Although four separate agencies are used, the data correlate remarkably well.

Objective

The author has purchased a 20-acre tract of land 30 miles north of Phoenix, Arizona, shown on Figure 1. The site lies in the mountains on the outer rim of the Valley of the Sun, which is shown on Figure II. The purpose of this venture is to construct, organize, and operate an American-plan resort.

Before such an undertaking can materialize, it is necessary to prove its functional and economic feasibility prior to any contractual negotiations. The problem, then, is to plan the construction and operation of a resort on the proposed site and to determine, insofar as possible, the economic feasibility of such a project.

Procedure

There is no business than can travel the gamut from germination to success without prior planning. Every type of enterprise has its share of failures due to incompetence and/or the inability to determine in advance the workable nature of the business.¹⁴

Intelligent planning can save time, money, and effort in any venture where the only too human frailties of man influence his success. The development of a resort is not alien to these precepts. When the doors are opened, what assurance has the operator

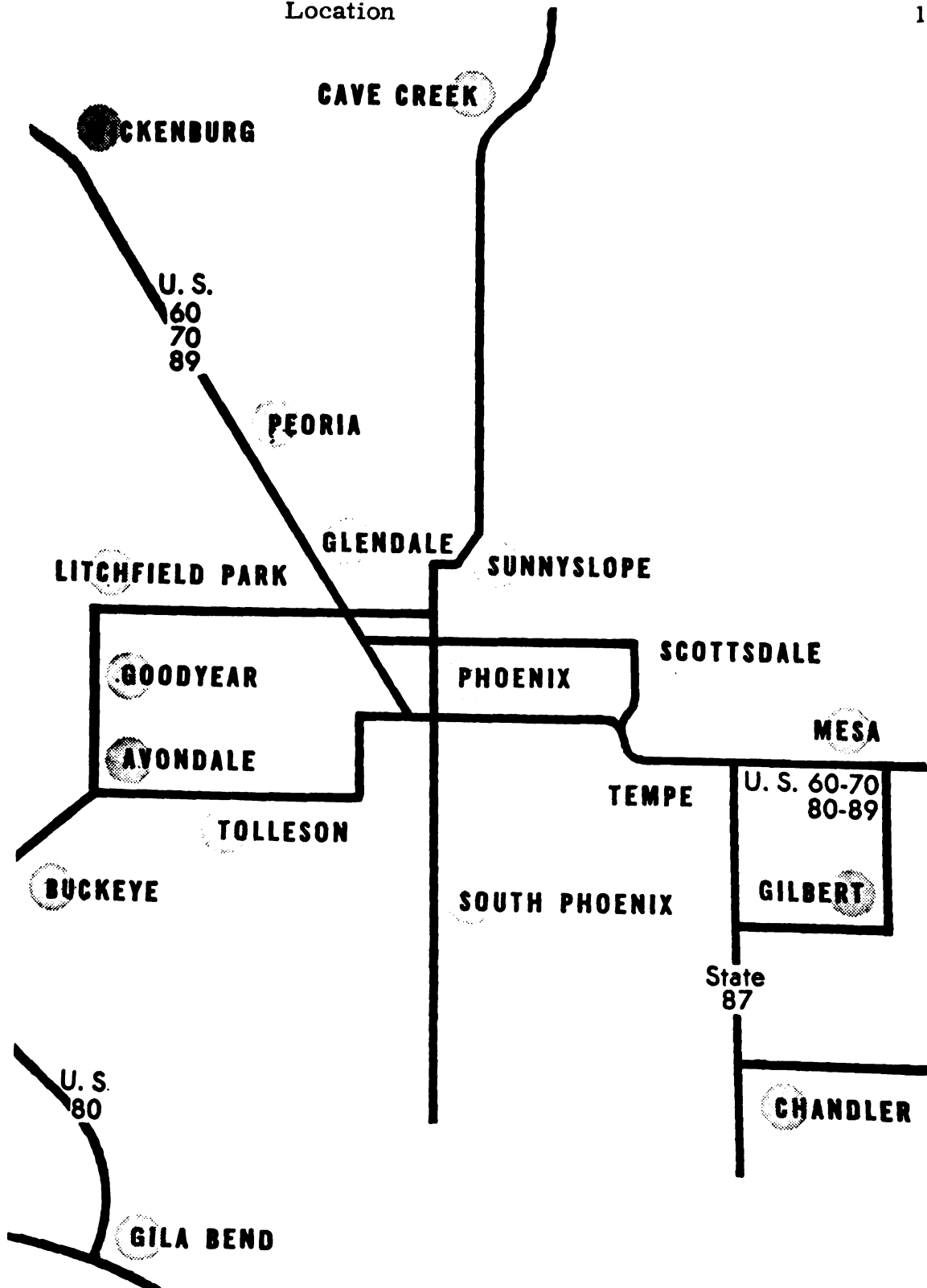


Figure 2. Valley of the Sun.

Source: Phoenix Chamber of Commerce.

that he will have customers to serve? Even then, what assurance does he have that his resort will operate profitably? These questions and many others must be answered as accurately as is possible even before the building contracts are signed.

A complete market survey of the area in which the operator plans to build must be taken and subsequently analyzed. The trade area, the labor supply, the available utilities, the means of transportation and accessibility, the weather, and the existing competition are factors that can and should be determined before any plans are drawn.

The next step which logically follows is the nature of the operation. What kind of clientele does the resort hope to receive; how will this market be promoted; and what services and benefits will the guests derive by frequenting this particular resort? The basic organization of the enterprise is then geared to the analysis of this and all of the aforementioned data.

With the type of operation now in mind, the architectural plans can be accordingly formulated. It is important that the plans be combed not only from an economical standpoint but also from a functional one. Many a hotel and resort operator has wished that changes could have been made in construction before actual operation. Once in place, it is often difficult and costly to alter the

structure. The resort must be properly equipped and staffed. The more variables that can be foreseen and controlled, the greater the chances are for success in the operation.

Finally, and of equal importance, is the question of finance. Can this resort be operated profitably? It behooves the operator to estimate and ascertain as accurately as is possible the financial soundness of the venture.

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1. "How America's Hotels Grew Up," Travel, April, 1949, pp. 16-18.
2. Ibid.
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4. Cleveland Amory, The Last Resorts (New York: Harper and Brothers, 1952), Chapter I.
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6. Crowell-Collier Publishing Company, Research Department, The American Magazine Travelogue, No. 8 (1955), p. 5.
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12. "Report on Eastern Hotel Conference," Hotel World Review, October 8, 1955, p. 1, col. 4.
13. Patricia Brider, "Big Promotion Push Points to Record Resort Boom," Hotel World Review, April 21, 1956, p. 2, col. 2.
14. Donald Greenaway, Manual for Resort Operators (Pullman, Wash.: State College of Washington Press, 1950), Chapter 1.

CHAPTER II

FACTORS FOR CONSIDERATION

There are many factors to be considered when choosing a site for a proposed business operation. The determination of the existing and potential economy of the area will indicate its value with respect to possible deterioration. The location, the people, the topographical and climatic conditions, the accessibility, and the competition are factors equally important in analyzing the anticipated market. No data in an area survey of this nature should be overlooked if they can at all influence the success of the operation.

Location

With an area of 113,956 square miles, Arizona is the fifth largest state in the Union. Utah lies along the full extent of its extreme northern boundary; on the south it is bordered by Mexico, on the east by New Mexico, and on the west by Nevada and California. Its extreme length is 400 miles; its extreme width along an east-west line between New Mexico and California is about 355 miles.¹

Phoenix is the commercial as well as the political hub of the state and the center of an efficient transportation net of railroads, airlines, trucks, and busses. The 36.3 square miles of city area² is at an altitude of 1,080 feet and in the heart of Maricopa County.³ Topographically, the city lies at the center of a vast ellipse encompassing what is known as the Salt River Valley. The civic boosters prefer to call this the Valley of the Sun (see Figure 2, page 10).

Population

The official population of the state as of 1955 was 980,000.⁴ It is significant to note, however, that from 1940 to 1950 there was a 50.1 percent increase--second only to California with 53.3.⁵ The increase in population during this time for the Phoenix area was the highest in the nation: 78.2 percent.⁶ The present population of the area stands at 374,808.⁷

This phenomenal growth is expected to continue. In a recent survey on projected population increase, the following data were published:⁸

<u>Area</u>	<u>1955</u>	<u>Estimated 1975</u>	<u>Increase (percent)</u>
Greater Phoenix .	448,500	1,050,000	134.1
City	140,700	330,000	134.5
Suburbs	307,800	720,000	133.9

These figures represent the greatest anticipated rate of growth for any major city in the United States.

There are good reasons to account for the tripled population in the Phoenix area since 1940. These reasons, however, cannot easily be defined in black and white. It is difficult to qualify growth based on air-conditioning and the airplane. Economists themselves have trouble in pin-pointing those factors which cause an area to soar above all others.⁹ Natural resources are only a small part of the answer, for if this were absolute then New England would be faring poorly today and China and India would be extremely well off. Capital, too, is only part of the story, for capital flows only where it can work. The Phoenicians (residents of Phoenix) use the four C's to explain their growth: climate, copper, cotton, and cattle. This is true to a great extent, as we shall see, but in the end it is the people who make an area grow--just as it's usually management that makes a company grow over a long period of time. More people come to Arizona than can stay.¹⁰

Business Potential

The following facts were given in a recent copy of Newsweek magazine.¹¹ At the peak of the winter season last year, Arizona's tourist boom brought \$175 million to the state. This was just part

of a larger boom that in ten years has sent Arizona's whole economy shooting up with the kind of exaggerated growth that only a newly watered desert can produce. With only 2 percent of its 72,000,000 acres under cultivation, Arizona leads the nation in postwar increase of income from crops (up 188 percent to \$260 million). Mining income has almost quadrupled, to \$360 million. By far the most impressive statistic is the ten-year increase in manufacturing output --240 percent--to \$350 million. The youngest state in the Union leads all others, percentagewise, in postwar industrial growth.

The over-all income growth is graphically depicted on Figure 3. Retail and wholesale trade increases are found in Table II.

Statistics are not always conclusive, but in this case they tell a vivid story. In 1940 the volume of manufacturing in Arizona was a meager \$30 million. All of this has produced the extraordinary anomaly of factories sprouting up in about the last place in the country that people would anticipate. Major industrial plants already located in the state include Goodyear Aircraft, Hughes Aircraft, Motorola (three plants), AiResearch, Babb Company, Dougls Aircraft, Mal-Par (division of Westinghouse), Collins Radio, Armour Research Institute, and International Electronics. Reynolds Metals has the world's largest aluminum extrusion plant in Arizona and National Malleable and Steel Casting has a major foundry near

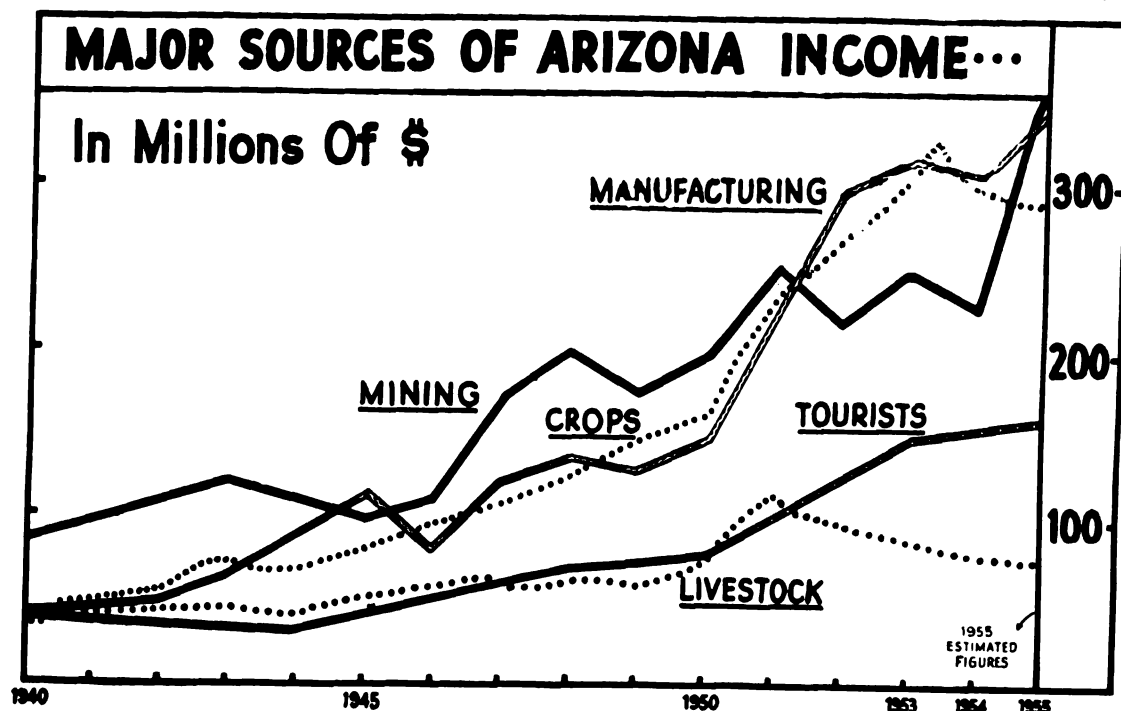
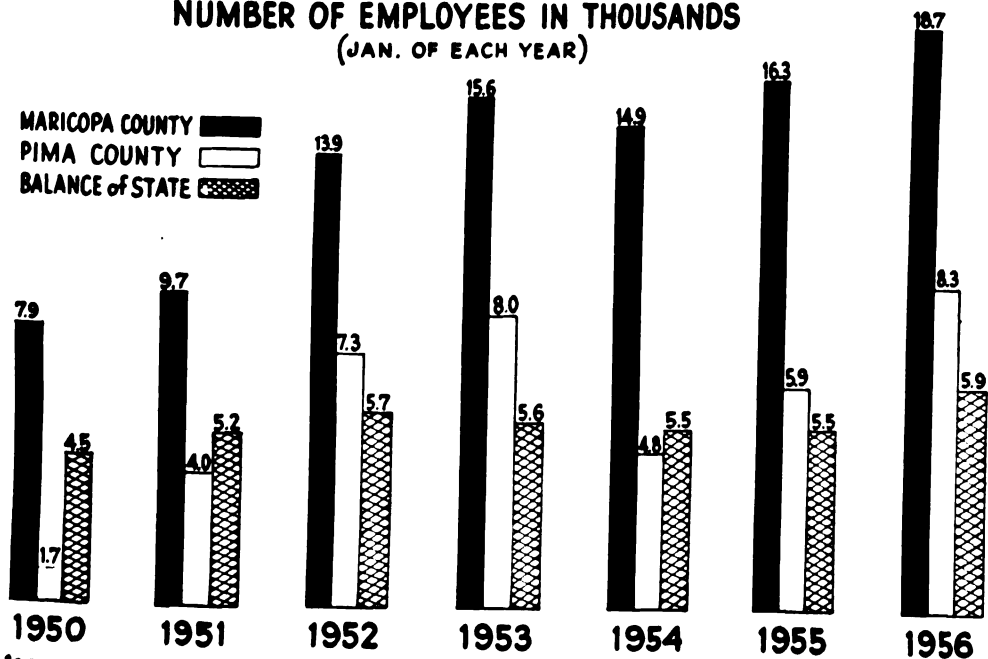


Figure 3. Major sources of Arizona income.

Source: Bureau of Business Research, Arizona Business and Economic Review, 5:4 (April, 1956), p. 1.

GROWTH OF MANUFACTURING EMPLOYMENT IN ARIZONA

NUMBER OF EMPLOYEES IN THOUSANDS
(JAN. OF EACH YEAR)



*SOURCE: EMPLOYMENT SECURITY COMMISSION

Figure 4. Growth of manufacturing employment.

Source: Bureau of Business Research, Arizona Business and Economic Review, 5:4 (April, 1956), p. 3.

TABLE II
PHOENIX METROPOLITAN TRADE AREA

Item	Establishments		Sales (\$1,000)	
	1948	1954	1948	1954
<u>Retail</u>				
Food stores	800	767	62,595	113,657
Eating, drinking places	759	977	26,334	37,363
General merchandise	135	148	36,140	43,744
Apparel, accessories	159	268	17,790	26,932
Furniture, appliances	163	287	20,123	31,511
Automotive group	188	253	51,908	85,856
Gasoline service stations	442	540	17,455	38,469
Building materials, hardware	149	200	34,234	44,799
Drugs, notions	111	159	12,266	18,513
Other retail stores	<u>393</u>	<u>660</u>	<u>28,144</u>	<u>45,234</u>
Totals	3,310	4,470	308,747	491,736
<u>Wholesale</u>				
Merchant wholesalers	253	492	158,356	300,691
Manufacturers' sales offices	51	69	45,784	82,426
Petroleum, LP gas facilities	53	62	28,309	55,035
Merchandise agents, brokers	32	62	36,607	78,337
Assemblers of farm products	<u>39</u>	<u>36</u>	<u>25,228</u>	<u>40,394</u>
Totals	428	721	294,284	556,883

TABLE II (Continued)

Item	Establishments		Sales (\$1,000)	
	1948	1954	1948	1954
<u>Selected Services</u>				
Personal services	940		16,000	
Business services	338		9,020	
Automobile repair, garages ..	384		8,753	
Miscellaneous repair	406		6,895	
Amusement and recreation . . .	234		9,867	
Hotels, motels, tourist courts.	532		13,992	
Totals	2,834		64,527	

Sources: United States Department of Commerce, Bureau of the Census, 1954 Census of Business--Selected Services, Arizona (Washington: Government Printing Office, 1956), Bull. S-1-3.

United States Department of Commerce, Bureau of the Census, 1954 Census of Business--Wholesale Trade, Arizona (Washington: Government Printing Office, 1956), Bull. W-1-3.

United States Department of Commerce, Bureau of the Census, 1954 Census of Business--Retail Trade, Arizona (Washington: Government Printing Office, 1956), Bull. R-1-3.

Phoenix.¹² In the city alone, Motorola is now building a new transistor plant, Goodyear Aircraft is adding an electronics laboratory, and Sperry-Rand is building a multimillion-dollar structure to employ about 3,000 men.¹³

The state, realizing its potential, has adopted legislation to entice industrial firms to relocate. The state legislature has (1) eliminated the manufacturer's inventory tax, (2) changed the method of assessing the manufacturer's machinery and equipment from cost basis to 50 percent of book value, (3) permitted depreciation on machinery up to 20 percent a year, and (4) eliminated the manufacturer's sales tax.¹⁴

Agriculture is another important leg in the economy of the state. Climate and irrigation have caused a sixfold increase in income from 1942 to 1952--from \$53 million to \$300 million¹⁵ (this doesn't take into consideration the highly important cattle industry, which rose from \$45 million to \$100 million in the same decade). According to a recent article, "Phoenix and the Salt River Valley have a just claim to the nickname of 'Salad Bowl' this year. The spring lettuce crop alone was valued at \$15 million."¹⁶ Phoenix is surrounded by 550,000 acres of irrigated farmland, which is half of the state's total. The annual income statewide from agriculture now stands at a healthy \$280 million.¹⁷

The effect of the state's climate and irrigation is clearly depicted in the following comparative figures (per acre yield of basic field crops for 1951):¹⁸

<u>Crop</u>	<u>Arizona</u>	<u>U.S. Avg.</u>
Wheat (bu.)	26	16.1
Oats (bu.)	41	36.1
Barley (bu.)	50	27.1
Corn (bu.)	10	36.2
Sorghums (bu.)	42	18.9
Flaxseed (bu.)	3.5	8.7
Cotton (lbs.)	719	274.5
Potatoes (bu.)	365	240.7
Hay (tons)	2.8	1.5

In mining, Arizona accounted for 45 percent of United States copper production last year (along with a sizable share of its output of gold, silver, lead, zinc, manganese, and molybdenum).¹⁹

This year, it is estimated that Arizona's eighty-nine copper mines will produce almost half of the nation's supply, which in terms of current prices will mean a return of more than \$250 million.²⁰

Construction is a major occupation in the city as well as in the state. Phoenix is a building town. There are now over sixty architectural firms in the metropolitan area alone.²¹ The styling of structures is modern and impressive. How much Frank Lloyd Wright, who conducts a school for architects just east of the city, has influenced this is debated all over town. Building is relatively cheap since construction is light and carpenters can work 365 days

a year. Costs may run 15 to 30 percent less than in comparable eastern and midwestern cities.²² It is significant to note that 85 percent of Phoenix families own their own homes--as against slightly better than half of all families nationally.²³

The field of education produces some interesting facts on this growing state. There are six modern and well-equipped institutions of higher learning with a total enrollment of over 20,000 students.²⁴ Of more importance is the average salary of teachers and the expenditure per pupil. In 1950, for example, the national average for teachers' salaries was \$3,450; in Phoenix the average was \$4,362. The expenditure per pupil was \$315 (ranking second only to New York City), compared to a national average of \$244.²⁵

-- The city utilities are adequate and reasonable. There is an abundance of natural gas and the water supply is sufficient for industrial and domestic use.²⁶ Electric power, 60-cycle AC, is supplied by the Arizona Public Service Company at reasonable rates.²⁷ In 1952, the average monthly electric bill for homeowners in Phoenix was \$3.14, lower, to a degree, than most major cities.²⁸

The state tax, including school, county, and state taxes, averages about \$7.00 per \$100, depending upon the school district. City taxes for Phoenix are \$1.75 per \$100 assessed valuation. Real property is assessed for tax purposes at an average of 30 percent

of its cash value.²⁹ Other taxes include: sales tax--two cents levied by the state and one-half cent by the city; gasoline--seven cents per gallon, counting both federal and state taxes; and cigarette tax--two cents per package by the state in addition to the federal tax.³⁰

Arizona's growth, businesswise, is best summed up by Mr. Stanley Womer, manager of the Arizona Development Board, in a speech delivered to the Statewide Industrial Development Workshop:

1. We have a manufacturing growth curve unmatched anywhere in the United States.
2. We have a group of men and women dedicated to the principle that new employment in the right kind of business will create a higher standard of living for all Arizona.
3. Arizona has a climate unexcelled for many kinds and types of industry.
4. The state has a fast running start as a major electronics empire.
5. Arizona, in addition to copper and uranium, has many metallic and nonmetallic minerals in its soil. This arid corner of the nation is a great storehouse of natural resources deposited by prehistoric convolutions of the earth and the ancient seas.
6. Arizona has a start at industrial development. This development to date has been centered in the electronics field. World-wide expansion, producing products undreamed of today, is promised by the electronic scientists. Arizona will get an increasing share of this new electronics industry.³¹

All of these statistics point to an area that is bursting at the

seams with its growth and potential income. There is no limite to which Phoenix, in the Valley of the Sun, can prosper and mature in the quest for a relaxed and better standard of living.

Transportation

This is an age of mobility. The horse era has given way to the jet era, and accessibility has become a prominent factor in the tourist industry. All modes of transportation are now used by the tourist and must be taken into consideration when developing a site for the vacationer.

The types of transportation most frequently used today are found in Table I, page 5. The travel pattern exhibited by tourists to Arizona differs markedly from this because of distances as well as habits established by business travel. Surveys show that 41 percent of resort guests fly to Arizona, 41 percent travel by train, and 18 percent come by automobile. In addition, a substantial number of those parties arriving by plane or train rent a car for at least part of their stay in the state.³²

A primary reason for the large percentage of air travelers is the Sky Harbor Airport in Phoenix. This 964-acre, \$7 million structure is the air travel center of the Southwest.³³ Two trans-continental airlines, American Airlines and Trans World Airlines, and two regional airlines, Bonanza and Frontier, serve the Phoenix area at Sky Harbor.³⁴ Nonstop service to Phoenix from Chicago,

San Francisco, Los Angeles, Dallas, and St. Louis aids in boosting the travel volume.

In a recent survey of aircraft operations by the Airport Operations Council,³⁵ fast-growing Sky Harbor ranked seventeenth among all the leading airports of the United States in traffic volume and over-all activities including scheduled airlines, military, civil, itinerant, and local flights. In the same survey, Phoenix was listed as ninety-ninth in population. The 1957 Federal-Aid Airport Program has apportioned \$316,478 for additional construction to handle the increasing volume of trade and tourists.³⁶

The railroads offer good competition to the airlines in the state and in the city. Phoenix is served by the Southern Pacific and the Atchison, Topeka and Santa Fe.³⁷ The progressive Southern Pacific has invested more than \$717 million in new equipment and facilities since World War II to give the West the finest in efficient and modern freight and passenger service.³⁸ It is important to note that, during the winter resort season, the Southern Pacific operates special Pullmans from Chicago nonstop to Tucson and Phoenix.

Transcontinental bus service to Phoenix is provided by Greyhound and Continental Trailways. Sun Valley and other intra-state bus lines operate with convenient schedules for tourists and

residents. Metropolitan and city bus lines provide transportation for Phoenix residents.³⁹ About thirty interstate trucking companies handle the many tons of freight and produce that enter and leave the city.⁴⁰

With many wondrous sights for the tourist, several sightseeing and touring companies are located in the major cities. Phoenix has five such commercial services which afford the tourist who comes by plane or train the opportunity to view the highlights of the West.⁴¹

Of particular interest to the tourist are the thirteen automobile rental agencies located within the city.⁴² It is easy to see that, with Mexico a four-hour drive to the south and the Grand Canyon a four-hour drive to the north,⁴³ the demand for auto rentals by the visitors is quite large.

There is no area, however beautiful, that can be successfully exploited by tourists without the existence of good roads. The state and the city are aware of the importance of good connecting links between scenic and industrial areas. Phoenix is located on four federal transcontinental highways: U.S. 60, U.S. 70, U.S. 80, and U.S. 89 (see Figures 1 and 2, pages 9 and 10).

The famous and historic Route 66 passes north of Phoenix. This 2,271-mile highway is the main thoroughfare from Chicago to

Santa Monica, California. Through the Petrified Forest and across the Painted Desert, the highway covers 376 miles of Arizona's most beautiful scenery. The 5,000-feet-above-sea-level road was traveled by 1,094,635 vehicles last year--an average of 3,000 per month.⁴⁴

As of 1955, the state had almost 6,000 miles of federal-aid highway systems, both primary and secondary.⁴⁵ The apportionment of federal-aid funds for 1956 was over \$10 million.⁴⁶ For the next two years, the federal appropriation for Arizona's highways is set at \$47 million, with an anticipated receipt in 1956 of \$17 million in federal-aid funds.⁴⁷ The government's thirteen-year \$50 billion appropriation for the national system of interstate highways will have a pronounced effect on increasing the number of travelers to and through Arizona. The 1957-1959 projection of federal funds is as follows:⁴⁸

Federal Aid to Arizona (millions of dollars)	
Primary	12.1
Secondary	8.3
Urban	1.8
Interstate	53.9
Total	<u>76.1</u>

In addition, the amount of federal contributions for the projects on regular primary, secondary, and urban systems is increased from

the usual 50 percent of the cost to 71.97 percent because of the large amount of tax-exempt land in the state. Likewise, the federal contribution for the interstate systems is increased from 90 percent to 94.39 percent.⁴⁹

The cities of Arizona, particularly Phoenix, are keeping abreast with this increased road construction. The 1956-1957 construction authorizations for city streets and roads not on the state system is \$2,121,000.⁵⁰

Thus, transportation is paralleling industry in adding to the booming economy of this area.

Climate

Climate is no less important to the resort industry in Arizona than to any other recreational area. In Arizona, however, the factor of weather is paramount. The preponderance of peak-season visitors comes to the state's warm and dry climate to escape the snow, sleet, and ice of the eastern seaboard and northern states. Some come just to sit in the sunshine or for allergy relief or even for the unharrassed atmosphere that pervades the area.

Other areas in the nation boast of their climate, but statistics show that, in a given year, Miami will have 100 clear days and Los

Angeles 181, as compared with 230 clear days in Phoenix.⁵² The weather records at Sky Harbor Airport show that from 1926 to the present it has been necessary to close the runways down due to inclement weather for a total of only 4-1/2 hours.⁵³

The health factor, resulting from the warm, dry climate, is responsible for a major portion of the income derived from the tourists. Over half the people comprising the resort market in Arizona state reasons of health as their primary motivation for coming into the area.⁵⁴ The climate--warm days and cool nights--apparently alleviates whatever symptoms result from the ailments prompting such vacations.

Table III gives a resume of the climatic conditions and mean weather averages during the year in the Phoenix area.

Labor

Whatever the combination is--sunshine, resorts in the high hills, desert living--Arizona pulls in people. Some 50,000 a year come to Arizona to stay permanently.⁵⁵ Probably double that number would come if there were enough jobs. As it is, only about 20 percent of Arizona's people are engaged in nonagricultural work. Nationally, the average is 30 percent.⁵⁶ What this steady immigration means shows up most clearly in Arizona's labor

TABLE III
CLIMATE IN THE VALLEY OF THE SUN

Month	Mean Daily Temperature		Relative Humidity			Pct. of Sunshine	Inches of Rain
	High	Low	6:00 a.m.	Noon	6:00 p.m.		
October	86.5	56.6	57	29	29	88	0.44
November . .	74.8	45.4	63	31	36	84	0.64
December . .	65.8	39.6	69	41	41	75	0.88
January	64.9	38.8	69	39	38	75	0.79
February . . .	69.1	42.7	68	39	34	78	0.81
March	74.5	47.0	61	31	37	82	0.66
April	82.7	53.2	50	23	20	87	0.39
May	91.2	60.5	41	18	15	92	0.13
June	101.0	69.3	37	17	14	93	0.07
July	103.6	77.3	52	30	23	83	1.01
August	101.6	76.1	60	34	28	83	0.96
September . .	97.4	69.5	56	30	26	88	0.88

The mean yearly temperature is 70.4.

Relative humidity for the year: 6:00 a.m., 57; noon, 30; 6:00 p.m., 28.

Yearly percentage of sunshine is 85.

Yearly total rain is 7.66 inches.

Mean wind velocity average is 5.1 miles per hour.

Source: Climate in Arizona's Valley of the Sun, Phoenix Chamber of Commerce, 1956.

force. Of the 50,000 who visited the Arizona State Employment Service last year, only about 12,000 got steady work.⁵⁷ Perhaps another couple of thousand set up new businesses for themselves, a common practice in any growing area. With it all, unemployment runs low--only about 15,000 out of a total labor force of some 310,000.⁵⁸ Arizona is, thus, in an enviable position. It has a labor surplus to be applied to any new enterprise, and yet the amount of unemployment is small.

— The employment growth of the state has been startling. Total employment increased by 60 percent between 1940 and 1950. This was substantially above the 25 percent increase for the country as a whole.⁵⁹ For the three-year period ending in 1952 the state led all the forty-eight in percentage increase in nonagricultural employment. The gain was 35.1 percent, compared to a national average of only 11.2 percent.⁶⁰ The most significant gains in the labor market last year were made in manufacturing, with mining and construction employment at their highest levels since World War II. At the close of 1955, some 15,000 were employed in mining (an increase of nearly 1,000 over the previous year), and 20,500 were engaged in construction work (an increase of more than 1,500 over 1954). City, state, and federal employment had 2,500 increase during 1955, while service employment totaled nearly 30,000.⁶¹

These figures represent a 16 percent increase in nonagricultural employment for the past two years.⁶² The most astounding gain, during this period, manufacturing up 37.5 percent, is visualized on Figure 4, page 18.

Phoenix, the commercial and financial hub of the state, had 89,000 nonagricultural workers in 1952.⁶³ This figure has jumped to 113,900.⁶⁴ More than 18,700 men and women are presently employed by the 450 manufacturing plants in the Phoenix area alone.⁶⁵ The growth of the city is sharply delineated by some of the major factories. Motorola, with 400 people in 1950, now employs 1,700, with another plant under construction. AiResearch, employing only nine persons in 1951, now employs 3,000. Goodyear, with 1,000 workers in 1950, has a payroll of 2,150 people. Similar gains have been made by Reynolds Metals Company and by many smaller operations.⁶⁶

This process of industrialization may bring about a change in the labor picture. Right now organized labor is relatively weak except in the building trades and one or two other lines.⁶⁷ Bakeries, printing, local transit operating employees, and motortruck drivers and helpers contribute membership to several city unions that have prominence in addition to the building trades unions.⁶⁸

Arizona is, generally speaking, an "open shop" state.⁶⁹ This may derive in part from the vary nature of the state itself. It is a health-seeker's refuge. Workers who come out to Arizona for their health and need to keep their jobs for that reason aren't prone to be militant about organizing unions.

Wages are highest in mining and construction, and lowest in retail trade and agriculture.⁷⁰ At the upper end of the scale are skilled craftsmen in the building trades who draw wages comparable to those in any other state. A random comparison would be: In 1952 the union scale for bricklayers in Phoenix was \$3.50 an hour, compared to \$3.07 in Buffalo, New York; for carpenters it was \$2.52 in Phoenix, compared to \$2.81 in Buffalo; for electricians, \$2.75 and \$2.90; for painters, \$2.44 and \$2.58; for plasterers, \$3.30 and \$3.04; for plumbers, \$2.50 and \$2.90; for building laborers, \$1.87 and \$2.11.⁷¹

As previously mentioned, much of the slack in employment is currently taken up in home-bred industries.⁷² There is an incredible variety of small firms making everything from insecticides to barbecue grills. There is even a thriving "fashion industry" of fifty firms specializing in brightly colored sportswear.⁷³

The over-all labor market is best summed up by William Wooldridge, manager of Hughes Aircraft's Tucson plant:

The excellent labor market was one of the major factors in our decision to move here. We found that the Tucson Chamber of Commerce had letters from over 20,000 skilled and semi-skilled craftsmen from all over the country seeking employment here.⁷⁴

Tourism and Competition

The tourist industry is big business in Arizona. In 1955, tourists increased the state income by over \$175 million.⁷⁵ The gain in revenue is shown on Figure 3, page 18. This mecca of sunshine has now given rise to an industry that ranks fourth in income in the state. Prospects for the future look even brighter for a greater influx of health-seekers and sightseers. The Grand Canyon alone was responsible for attracting 814,000 visitors who expended \$19 million to view the breath-taking spectacle.⁷⁶

Phoenix and the Valley of the Sun receive the largest share of these tourists. Over one million visitors⁷⁷ to this area last year spent \$75 million on their trips and vacations.⁷⁸ The receipts from room sales alone amounted to \$14 million in 1954--this includes all types of accommodations.⁷⁹

The tourist industries of Arizona's northland and sun country differ markedly. Essentially, the differences lie in the reasons the tourists have for coming to Arizona for a vacation. In the north one finds the typical vacationing party engaged in educational

pursuits, stimulated either by the adults or by the children. This means younger families, medium to lower incomes, travel by automobile almost entirely, and a far more mobile, sightseeing guest. Their stay at any one establishment is short.⁸⁰

The principal motivation for winter vacations in southern Arizona is based on physical comfort. Older retired people, and those who can afford to leave their work, their business, or their professional practices for a winter vacation constitute the majority of the guests.⁸¹

In southern Arizona the resort and ranch establishments are an important part of the tourist scene. There are 3,000 such units, important not only for their number but because resort and ranch guests account for a disproportionately large share of the total tourist dollar volume. They pay the highest rates and spend more for recreation and patronize the retail and craft shops to a greater extent than any other group.⁸²

Peak season guests in northern Arizona are primarily families--young or middle-age adults with children. With the exception of the lower-range hotels, the party size found in all types of establishments averages from 3.5 to 3.7 persons.⁸³

In southern Arizona, on the other hand, the winter guests are generally older, with a high percentage over sixty-five years of

age. Even among the younger adult guests, very few bring their children. The highest average party size was found in the middle price range motels--2.24 persons. In all three--low, middle, and high range--hotel categories, the average party size is less than two.⁸⁴

In the sun country, with which we are primarily concerned, at least one previous winter vacation had been experienced by 79 percent of the 1955 winter visitors to the state. The majority of these people have well-established patterns of winter vacations. Eighty-two percent have had one or more. Of more significance is the comparison between the 41 percent who have previously been in Arizona during the winter and the 65 percent of all visitors who stated definite intentions to return.⁸⁵ Their desire for comfort, and in some cases a temporary relief from the ills attendant with a cold, damp climate extend through the entire social and economic scale. It is obvious, however, that only those with sufficient disposable income for a relatively expensive vacation find their way clear to come to Arizona during the winter months.

With an examination of Table IV, it becomes clear that at the peak of the season visitors to southern Arizona generally come from the more heavily populated states, or where the weather is particularly uncomfortable. California ranks high because of its

TABLE IV
TOTAL VISITORS TO SOUTHERN ARIZONA,
WINTER SEASON, 1954-1955

Area	Percent
<u>States</u>	
Illinois	13
California	8
Iowa	7
New York	6
Minnesota	6
Michigan	5
Colorado	5
Montana	5
Ohio	4
Wisconsin	4
Subtotal, top ten states	<u>63</u>
Washington	3
North Dakota	3
Indiana	3
Texas	3
Oregon	3
Nebraska	3
Missouri	2
South Dakota	2
Pennsylvania	2
Idaho	<u>2</u>
Total of twenty states	89
All other states	<u>11</u>
Grand total	100

TABLE IV (Continued)

Area	Percent
<u>Geographic Regions</u>	
East North Central	30
West North Central	24
Mountain	15
Pacific	14
Middle Atlantic	9
West South Central	5
New England	1
South Atlantic	1
East South Central	1
Total	<u>100</u>

Source: Arizona Development Board, Report on Winter and Summer Visitors in Arizona (Tucson: University of Arizona, 1955), p. 9.

nearness, its areas with damp climates, and because of the Los Angeles smog.⁸⁶

The heavily populated Great Lakes states all fall in the first ten. Illinois, which leads the list, is the only state in the Union where a permanent travel office--Arizona in Chicago--is maintained.⁸⁷

One of the basic characteristics of the top ten states cannot be overlooked. Winter vacations usually cost more than summer vacations. The persons vacationing in the sun country usually have a larger than average disposable income or liquid asset holdings. Winter guests for Arizona come from states or localities with above average incomes in greater numbers than from less fortunate areas.⁸⁸

These figures and percentages must be given a close scrutiny before any conclusions can be reached as to the current resort market in the southern portion of the state. It is very important, resortwise, to note that 28 percent of all winter visitors from the United States were farm families, as were 32 percent from Canada. Moreover, roughly half of the remaining visitors came from communities considerably smaller than our modern urban areas.⁸⁹

It is important to note also that the Middle Atlantic states, contributing only 9 percent to the total winter visitors from the

United States, accounts for 46 percent of all visitors to upper-range guest ranches and resorts.⁹⁰

As one becomes more and more specific, the pattern of resort guests in this area varies somewhat from the over-all state data that have been given. Table V shows more exactly the nature of visitors who frequent resorts.

These resorts provide pleasant surroundings, sun bathing, swimming, good food, and comfortable to luxurious quarters operated under the American plan. A majority of their guests are drawn from the Great Lakes region, though important numbers come from the West North Central and Middle Atlantic states. The occupational distribution follows a logical pattern. The owners of large, medium, and small businesses are dominant. Together with retired people, primarily from business, they constitute the majority. Professional men and executives provide about one-fourth of the resort guests.

Almost 95 percent of all resort guests are in top income brackets, earning or having an unearned income of more than \$15,000 per year. The balance are those retired guests who live and vacation on incomes from \$5,000 to \$10,000 per year.⁹¹ These people are primarily from the upper levels of the social and economic strata in the communities from which they come. The major

TABLE V
CHARACTERISTICS OF RESORT GUESTS
IN SOUTHERN ARIZONA

Item	Percent
<u>Region</u>	
East North Central	31
Middle Atlantic	21
West North Central	14
Pacific	7
Mountain	3
West South Central	3
All others	21
Total	100
<u>Occupation</u>	
Business owner	30
Retired	25
Professional	20
Business executive	15
Housewife	10
Total	100
<u>Age of Guest</u>	
Sixty-five and over	33
Fifty-five to sixty-four	29
Forty-five to fifty-four	16
Thirty-five to forty-four	4
Twenty-five to thirty-four	12
Fifteen to twenty-four	0
Five to fourteen	2
Under five	4
Total	100

Source: Arizona Development Board, Report on Winter and Summer Visitors in Arizona (Tucson: University of Arizona, 1955), pp. 24-25.

motivation is to escape from inclement weather and to enjoy life in a more pleasant climate.

A study of the rate schedules for resorts in this area indicates a range of from \$20 to \$60 per person per day. A visitor can choose from a multitude of conservative and moderately priced establishments and those offering the plush relaxation geared to the wealthy aristocrat.

There are, at present, about 20,000 accommodations of all types for vacationists in the Valley of the Sun.⁹² Of these, 5,000 can be considered as first-class hotel or motel rooms.⁹³ The number of ultraclass resorts and inns operating on an American plan basis is seventeen.⁹⁴

Personal interviews which the author had with hotel and resort managers in the Valley of the Sun area revealed an average occupancy rate during the winter season of over 90 percent.

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CHAPTER III

NATURE OF THE OPERATION

Basic Organization

Since the function of the building is dependent on the type of operation, it now becomes necessary to plan, in accordance with the data previously presented, the exact nature of the proposed resort. It is important to bear in mind, however, the need for flexibility in the policies and objectives of the company at this initial phase. By so doing, the organization can readily adapt itself to changing and unforeseen patterns of operation. It thus behooves the operator to incorporate into his business perspective the maximum number of contingencies which may influence his success.

The author plans on a capacity of 125 guests. This figure is derived from a capital expenditure designed to afford a limited number of people the maximum satisfaction. The resort, then, is small; but, as will be noted later, adequate provisions for expansion have been included in the plans.

Since the site is thirty miles from the city of Phoenix, and in a comparatively undeveloped area, the resort will be run on an

American plan basis. A three- to four-entree, three-week cyclic menu will be used. The menu is cyclic to facilitate food purchasing and to assure concentration of high quality. The three-week period is long enough to cover the average "length of stay."¹

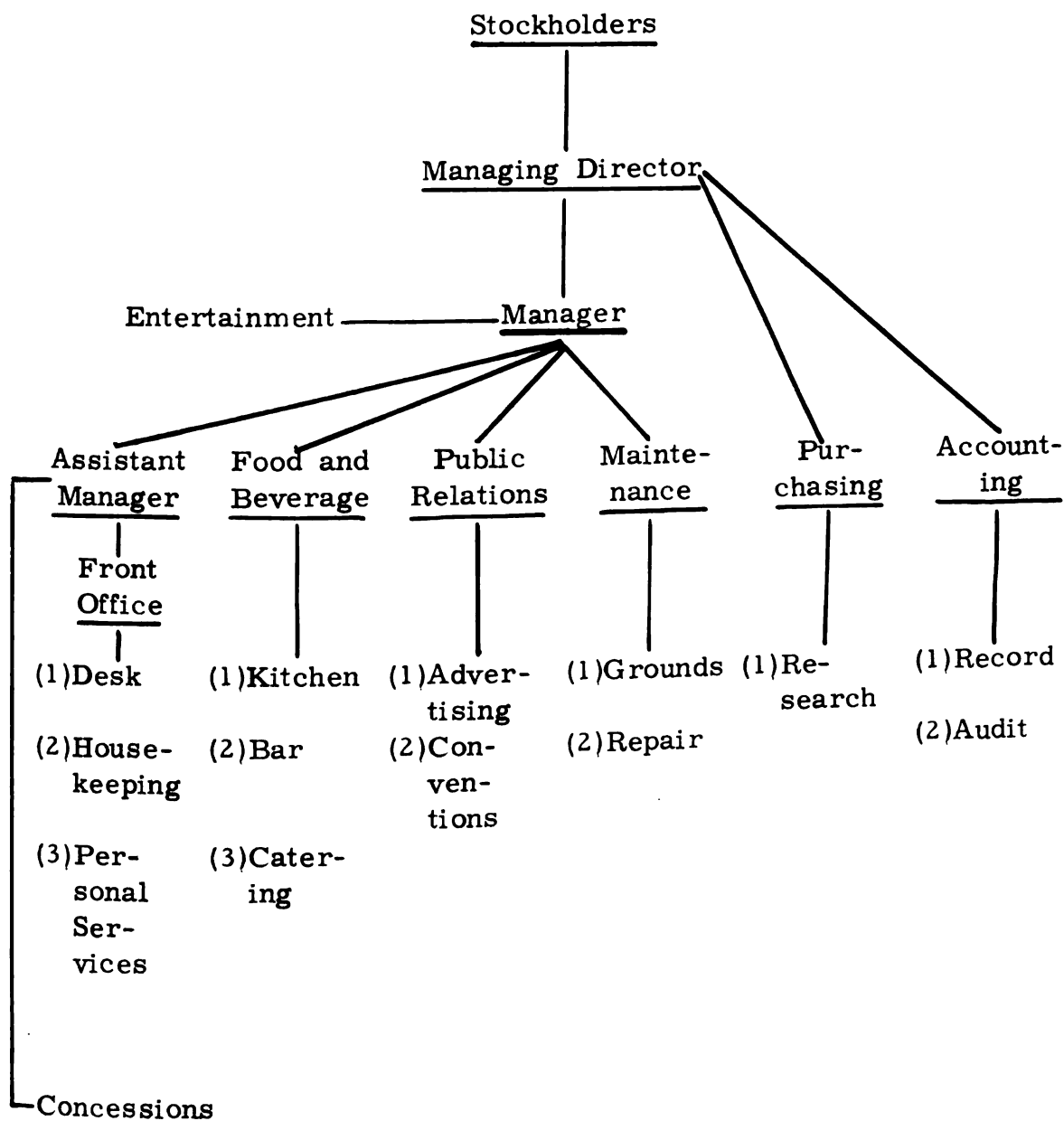
The length of the season is from October 1 to May 1. This duration of operation is dictated by the competition and the current tourist market.² The possibilities of a preseason and a postseason convention business will be discussed in a later section.

The resort itself will fall into the medium-priced range of local competition.³ The anticipated rates and tariffs are found in Chapter V.

The over-all policy of management is the maximization of customer satisfaction through high-quality food, efficient and comfortable facilities, and personalized service. This policy will serve as the basis for all departmental activities and will govern the functioning of all employees.

The organization of the enterprise is shown in Table VI. The managing director in this case is essentially concerned with administrative functions, thereby releasing the manager to oversee operations. The food and beverage, public relations, and maintenance departments have a department head responsible directly to the manager. The assistant manager has complete control over the

TABLE VI
ORGANIZATION CHART



rooms department and the concessions. There are no department heads in purchasing or accounting. These categories lie under the direct supervision of the managing director.

The accounting department will function in accordance with "the uniform system of accounts for hotels"⁴ recommended by the American Hotel Association. However, since the operation is small in scope and does not require the detail advocated by this system, the derived "simplified system of accounts for hotels"⁵ will determine the precise accounting methods.

The organizational process herein described was designed to utilize minimum personnel in affording maximum coordination and efficiency for a small operation. The author believes that duplication of effort has been avoided and that the "parity of authority and responsibility"⁶ has been fashioned to achieve high performance from key personnel.

However efficient and flexible an operation may appear in a chart, there are certain basic features of good organization which must be assimilated to assure successful functioning. These features are clearly defined by Mr. Lucius Boomer, prominent hotel notable:

1. There must be clear-cut definition of the organization plan and of the responsibilities and authority of all key executives.

2. Operation and functions must be so divided as to make for easy and rational coordination.
3. The departments, no matter how coordinated and protected, will, because of the large authority of the department head, be held to the level of the specialist who has functional charge.
4. The policies emanating from the administration must be so stated and stressed by management as to be understood by all concerned.
5. The administration and management of a hotel must know in order to lead successfully and to decide wisely.⁷

Promotion

A flourishing business is not a matter of chance. The combined efforts of personnel in all departments function in accordance with the policies and objectives promulgated by the organization. However efficient these policies may be, the product or the services of an enterprise must reach those who can avail themselves of its benefit or use. The communicative processes by which an organization spreads its wares before the public is sales promotion.

A resort cannot rest on its haunches and hope that the clientele will automatically flock to its premises. Through advertising and other promotional methods, the name of the resort--its facilities and services--should become known to potential customers. Who these people are, where they can be reached and by what method, are issues that directly concern the operator. When these facts are established, the problem of selling the enterprise by

psychologically planned, well-thought-out devices determines the difference between successful and unsuccessful hotels.

The discussion on the preceding chapter established the nature and origin of those who frequent resorts in southern Arizona. The data concerning visitors to the middle-range-priced resorts are shown in the following survey:

Best existing market .	Middle Atlantic and East North Central
Time activated	October and November
Length of stay	13 to 14 days (avg.)
Mode of travel	Train and plane
Age group	55 and over
Occupation	Retired and business
Income	\$15,000 and over
Average party size . .	2.00
Previous winter vacation	Yes--93 percent
Vacation decision . . .	Joint
Periodical preference.	<u>Life, Time, Saturday Evening Post</u>
Composition	Highly urban
Motivation	Health, climate, and scenery ⁸

This, then, is the existing market. It is recommended that promotion should be directed within and towards known fields.⁹ The developments of new markets can be a costly and time-consuming affair. As the business expands and becomes widely publicized, research on the creation and exploitation of new areas can receive the necessary time and effort.

How can the market be reached? With resorts spending 2 to 12 percent of their gross sales on advertising,¹⁰ the media of

communication becomes an all-important facet in the organization's promotional methods. The common possibilities in this realm are newspapers, magazines, direct mail, brochures and pamphlets, travel agencies, radio, television, billboards, and personal contacts.

With over 2,000 daily newspapers in the nation,¹¹ this medium has particular merit in reaching groups at specific geographic locations. Since the general areas of the existing market are known, advertising in The Denver Post, The Los Angeles Examiner, The Chicago Tribune, The Milwaukee Journal, The Kansas City Star, and the like would be extremely beneficial for the proposed operation. In addition to the areas, placement or position of advertisements in the paper can be aimed at a specific class of readers.¹² Advertisements aimed at businessmen, for example, are placed on the front pages of the paper, in the news section. Appeals to women are placed on the women's page or as near it as possible. Advertisements directed toward honeymooners are placed in a similar location. With as much as 30 percent of the advertising budget devoted to newspaper advertisements, the operator should select his newspaper and construct his advertisement with careful thought and competent advice.

Advertising in magazines is costly, but with careful selection it can reap dividends for the resort. The survey in this field

points out that Time, Life, and Saturday Evening Post are magazines that are read and preferred by those frequenting resorts in southern Arizona. Magazines, more than newspapers, are aimed at particular classes of people.¹³ Fortune is aimed at the industrialist; Time and Newsweek are aimed at business executives and professional people; Cue and New Yorker are aimed at the social-minded class; and Holiday and Travel are pointed towards those with vacationing ideas. This form of advertising has the following advantages: The magazine itself is generally attractive; it is colorful and allows the advertiser to present his facilities in actual color; and magazines give the advertiser exposure--i.e., the prospect is generally in a state of relaxation when he chooses to read the particular copy.¹⁴

Next to personal selling, direct mail is the most effective selling process for resort hotels.¹⁵ The resort can address itself directly to those selected as logical prospects and a city can be taken apart geographically in aiming for the prospects. Some of the sources for these prospects are: last season's guests, previous seasons' guests, last year's inquiries, last year's cancellations, trade associations, travel agents, industrial firms, names received from guests, selected lists of prospects from most productive cities, insurance groups, et cetera.¹⁶ The personality of

the manager and of the hotel can colorfully manifest itself in the myriad of brochures, post cards, folders, and sales letters that are sent directly to potential customers. This form of solicitation is desirable for a successful, high-occupancy operation.

There are over 3,000 travel agencies in the United States that account for a large portion of the recommendations to specific hotels.¹⁷ Operating on a commission basis, these agencies are an excellent source of customers looking for particular satisfaction. Index is the official trade publication for this industry.¹⁸ The circulation of this quarterly covers all of the certified travel agents as well as the auto clubs and tour operators.

Radio and television coverage should be omitted since the proposed operation is too small in nature to warrant the large expenditure necessary in this field. Also, Table VII indicates a relatively small return by use of this media.

With an increasing number of people on the road, outdoor advertising should claim a prominent place in the budget. Billboards are costly, but they can be the best and most effective single advertisement.¹⁹ This medium offers the operator a chance to bid for business in the heart of the competitor's back yard. Location of the board with respect to traffic and visibility is the most important consideration.²⁰ A brief message in an eye-catching style will

TABLE VII
 ATTRACTION TO TRAVEL ADVERTISEMENTS AND
 ADVANCE SELECTION OF VACATION PERIOD

Attraction to Travel Advertisements ^a		
Type of Medium	Pct. of Survey Attracted to Advertisements	Pct. of Total Survey
Magazines	90.2	55.6
Magazine section, Sunday newspaper .	26.2	16.1
Newspaper	24.8	15.3
Television	19.7	12.1
Radio	4.5	2.8
Billboard	3.7	2.3
Other	5.7	3.5
Totals	174.8 ^b	107.7 ^c

Advance Selection of Vacation Period ^d	
Number of Months Ahead in Selection of Vacation	Percent
One or less	20.4
Two	30.1
Three	19.9
Four	11.2
Five or six	12.0
More than six	6.4
Total	100.0

^a Survey made of 3,500 families in 1955.

^b Denotes attraction to travel advertisement in more than one medium.

^c On the average, each reader was attracted to 1.1 travel advertisements in twelve months. One out of two was especially attracted by a travel advertisement in a magazine.

^d Half (50 percent) of all vacationers picking their vacation time in advance of the month when taking it did so three or more months before.

Source: The American Magazine Travelogue (New York: Crowell-Collier Publishing Co., 1955), p. 22.

draw a tourist from a competitor thirty miles away, particularly if he has made no definite plans as to his accommodations.

When the various methods of communication have been decided upon, the element of "time" enters into the promotional process. As there is a time for everything, so with advertising. Table VII, page 59, shows the number of months in advance that most people plan their vacations. The advertising campaign should conform to this. Thus, since almost three-fourths of the vacationers plan their vacations from one to three months in advance, the major portion of the advertising should be conducted three months ahead of the height of the season. In this particular case, the first day in September is the kickoff in the promotional scheme. The importance of follow-up advertising should also be stressed. The post-season campaign serves to implant the name of the resort in the minds of the people for next year's vacation.

Since every operation varies with the nature of the clientele, there will be some trial-and-error patterns established in the initial phase of advertising. By careful research and observation, however, these errors can be weeded out and an efficient and profitable promotional technique can be planned for the subsequent years.

When the market is finally reached, the operator, through color and phraseology, must sell his enterprise. Advertising, however costly, is only remunerative to the organization if it brings results in the form of inquiries and, subsequently, reservations. Personal contact, while effective, is costly and time-consuming.²¹ The advantages and benefits derived from a particular resort must be honestly propagated by the chosen media of communication. Appeals should be directed towards those who would have an interest in the type of service that is actually offered. The use of pictures, type faces, catch-words, testimonials, color, and the like all combine to form a sales talk. Prodigious amounts of money and advertising space have been wasted due to misdirected and misinformed advertisements and procedures. The hotel must be portrayed as the public sees it and enjoys it, not as the manager or the public relations expert sees it.²²

Internal selling is an integral part of the sales program. In a resort where the average length of stay is over two weeks, every employee, from manager to bellhop, is a constant salesman in his own right. Through the courtesy and cooperation of the entire staff, the guest himself becomes the best salesman when he returns to his community. The following year the guest returns and brings others with him to enjoy the facilities and services of the

resort. The importance of internal selling is well stated by Mr.

Donald Greenaway:

The only direct selling is done at the resort. You must, therefore, make selling a part of every employee's responsibilities. Make sure that selling begins when your customer arrives and continues until he departs. Advertising and promotions are part of the selling process but will not alone assure you of any business. At best, advertising and sales promotion will do no more than place your selling message in front of prospective customers. You and your staff must actually sell the customer on your resort while he is there so that he will return and will direct his friends to the resort in the future.²³

With tourist income playing a major role in the economy of Arizona, cooperative advertising has become an important source of revenue in the resort industry in the Valley of the Sun. The Arizona Development Board and the Phoenix Chamber of Commerce have numerous folders and pamphlets pertaining to the accommodations and activities of the respective resorts in the area. This information is sent out upon request to those contemplating vacations in the area. The state itself conducts extensive nationwide Arizona vacation publicity campaigns.²⁴ In addition to this, many cities in the state have printed forms for tourist operators to use in compiling data on their guests. The agency, Arizona in Chicago, in Chicago, Illinois, works closely with resort operators to assure customer satisfaction for vacationers from Illinois.

With all of the aforementioned information taken into account, the author has prepared an initial schedule for promotion of the proposed resort:

Type of visitor . . . Wealthy, business and professional, retired

Vacation appeal . . . Climate, health

Themes Climate contrast
 Winter vacation prestige
 Relaxation need
 Entertainment
 Spectator sports
 Refreshing new ideas
 Riding, swimming
 Western atmosphere
 Scenic wonders

Logical media Ultra slick magazines
 Business and professional publications
 Newspaper travel sections
 Brochures for Dun and Bradstreet mailings
 Literature for select mailings

Markets East North Central
 Middle Atlantic
 West North Central

In addition to the above, file cards on every guest will be kept up to date and used for follow-up advertising. Also, if available, two or three billboards strategically located will be rented for the season.

Sales promotion has other avenues of income-producing action. Each year much time and effort of hotelmen is devoted to the procurement of portions of the billion-dollar convention business.²⁵

There is little reason why a resort, however small, cannot attempt to bid for its share in this lucrative field. True, the resort does not normally have the extensive group facilities common to large city hotels, but it has seclusion and freedom from distraction in its favor. Many organizations today are seeking just such an atmosphere in which to conduct their business meetings.²⁶ In addition, a resort will receive a larger share of the delegates' expenditures since the unit is self-sustaining; i.e., in the sense of entertainment, activity, gift purchases, and food. The following information, supplied by the International Association of Convention Bureaus, shows the dollar breakdown of the delegate:

*Hotel Rooms	25.41%
*Hotel Restaurants	13.74
*Other Restaurants	13.42
*Beverages	6.67
*Retail Stores	19.95
Local Transport	3.24
*Theaters	1.58
*Sightseeing	1.06
*Night Clubs, etc.	6.36
Car, Oil and Gas	2.11
Other Items	6.45 ²⁷

A well-run resort should be able to capitalize on the money expended in those categories marked with an asterisk.

The different types of conventions ranked in about the order of their spending habits are:

Trade or Business Organizations
Professional Societies
Fraternal Organizations
Scientific Associations
Patriotic and Military Associations
Women's Organizations
Educational Associations²⁸

The trade associations are the heaviest spenders because their membership is composed of business executives and because most of the conventions in this field are followed by the big industrial houses in the particular line of business which the association represents. The professional societies are followed by large manufacturing firms in their fields. Both of these groups do a large amount of entertaining. Fraternal groups do not have the "big business" angle accompanying their meetings, but because their conventions are usually in the nature of reunions, the delegates themselves are fairly good spenders. The average earnings of members in scientific organizations are lower than the business and professional men. However, many of the scientific conventions are accompanied by commercial exhibits which attract the industrial firms to their meetings. Patriotic and military organizations usually convene in the form of a reunion. Most of the membership of the latter is comprised of lower-income people, although individual spending can run very high. Women's groups tend to be very conservative, while educational associations spend in accordance with their income.

There are numerous sources for leads in the contact of these organizations. The United States Department of Commerce puts out a publication entitled National Associations of the United States. The Office of Education of the Federal Security Agency publishes a directory of educational associations. The National Research Council publishes a book entitled Scientific and Technical Societies and Institutions of the United States and Canada. The Insurance Almanac is a valuable source of the key officials in the entire insurance industry.²⁹

The Chamber of Commerce in Phoenix maintains a convention bureau to assist those firms wishing adequate facilities in the Valley of the Sun.³⁰ The periodicals, World Convention Dates and Convention and Trade Shows, are excellent for the advertising of convention accommodations and services. Additional advertising in trade association magazines may bring the business executive to further inquiry.

Catering to local and civic organizations--parties, banquets, meetings, and the like--can be a profitable means of promotional activity also. The Phoenix area has over a hundred clubs and organizations from which to promote preseasonal, seasonal, and postseasonal affairs.³¹

In both the realms of convention and local catering business, there is no substitute for personal contact. Group promotion is a personal selling venture and requires the time and persistence warranted by the profitable income.

Services and Facilities

The drawing power of a resort is gauged not only by its food and accommodations, but also by its facilities and services available for its guests. Diversionary activities and functions are necessary to hold the interest and occupy the time of the vacationer spending, on the average, three weeks in one specific place. The vacationers in southern Arizona will readily spend money when their needs can be satisfied. The Phoenix Chamber of Commerce estimates that \$30 per day was the average expenditure for resort guests last year.³² The distribution of the expenditures of the one and one-half million people visiting in the state in 1955 was as follows:

Food and Beverages	\$ 55,000,000
Lodging (Hotels, Motels, etc.)	40,000,000
Service Stations (Gas and Oil)	27,000,000
Transportation	13,000,000
Retail Purchases	13,000,000
Auto Accessories and Repairs	10,500,000
Amusement, Recreation, etc.	8,250,000
Personal and Professional Services	8,250,000
Total	<u>\$175,000,000</u> ³³

As previously mentioned, a resort should try to capitalize on the expenditures in the various categories by offering the guest as much, if not more, in the way of activity and entertainment as any other vacation site or sites.

Many tourists come to the state simply to bask in its historic lore and view the scenic wonders that are so plentiful. The Grand Canyon, the Painted Desert, the Petrified Forest, Pueblo Grande, Casa Grande, and Montezuma Castle are but a few of the sights that have caused the boom in the tourist trade. The historic cities of Jerome and Tombstone; the multitude of gigantic dams--Roosevelt, Coolidge, Hoover, Davis, Bartlett--the Indian reservations and ruins of the Hopi, Navajo, Pueblo, and Apache; and the unique flora in the Southwestern Arboretum are "musts" on the lists of the photographers and "thrill-seekers."³⁴ In addition to this, Phoenix has a very fine zoological park which displays a complete range of wildlife native to Arizona.³⁵

Because sight-seeing rates high on the list of tourist activity, the resorts in the area cooperate with the five commercial touring companies and bureaus in Phoenix to plan trips for the guests.³⁶ In many cases, the resort combines an overnight camp-out and barbecue to add to the enjoyment.

The Valley of the Sun abounds in spectator sports and outdoor recreational facilities. Phoenix is the spring training camp of the New York Giants, nearby Mesa is the training site for the Chicago Cubs, the Baltimore Orioles train at Scottsdale, and the Cleveland Indians train at Tucson. Auto racing, horse racing, and dog racing are popular day and night activities in the area.³⁷ Hockey, basketball, boxing, and wrestling take place in the new 9,000-seat Coliseum.³⁸ Year-around rodeos are in keeping with the Western atmosphere and attract a large number of vacationers.

The civic activities are comparable to those held in any major city in the nation. There are seventeen motion picture theaters, including seven year-around drive-in theaters. Two legitimate theaters feature entertainment during the long vacation season. There are two concert series, three art galleries, an annual concert season by the Phoenix Symphony Orchestra, lectures at two museums, at the Public Library, at Phoenix College, and at Arizona State College at Tempe, a light opera company, lectures by the Phoenix municipal archeologist and by the staff of the world-renowned Desert Botanical Garden.³⁹ It is thus evident that cultural attractions are numerous and diverse.

The night clubs and restaurants in the city provide color and showmanship during the five- to seven-month season. Knights

in shining armor and prototypes of Robin Hood assist in parking cars, colorful costumed Indians snake their way between tables, ten-gallon hats cover the heads of some of the biggest names in the entertainment field.⁴⁰

With these numerous attractions for the resort guest, it is a fairly simple matter for the operator to sponsor excursions and provide tickets and transportation to those seeking excitement and activity outside their residence. This, however, will not suffice in the reduction of needs-satisfactions in the vacationer. It is only a service provided by the management and augments those functions and activities which the resort itself provides. The resort should be as self-sustaining as is possible in order to maintain and increase profits and to afford maximum guest satisfaction through interest and activity.

Figure 5 shows the location of the proposed resort with respect to adjacent areas of recreation and competition. It is important to note the close proximity of the site to the village of Cave Creek. This western community of 200 people is less than one mile from the resort, and will provide valuable means of activity and assistance. The present establishments include an Indian gift shop, garage and service station, general store, laundry, restaurant (designed for tourists), and a sculptor's studio. The

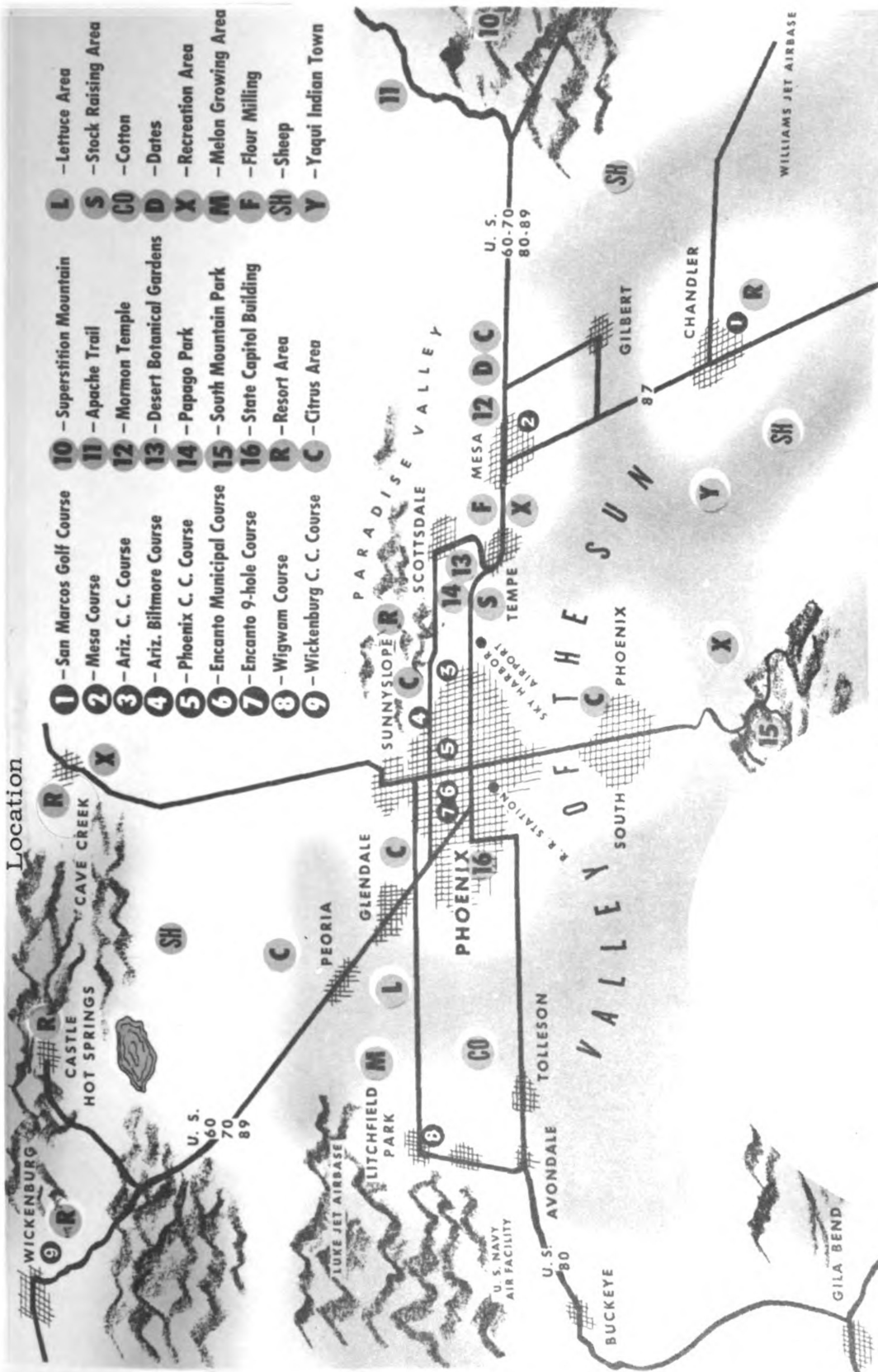


Figure 5. Competitive areas.
Source: Southwest's Sightseeing Center, Phoenix Chamber of Commerce, 1956.

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village adheres to western traditions and should be an excellent source of enjoyment for the resort guests. In addition, the village can provide horses and guides for explorations and excursions to the desert and through the mountains.⁴¹ There is little doubt that with the construction of the resort the village will expand its services.

The athletic activities offered by the resort will be mild in nature due to the age group of the market and to the nature of the terrain. Swimming is, of course, a "must" and a heated pool with underwater lights should receive a large proportion of daily guest activity. Lunches and cocktails served at the pool will increase the aura of relaxation. Horseback riding will be featured through the courtesy of the village, thus eliminating the need for stables on the premises. A concrete-reinforced tennis court, built in accordance with professional standards, will afford guests a more strenuous activity. A trap and skeet range is relatively inexpensive to construct, and, with guns supplied by the resort, should serve to kindle interest in the adventurous vacationer. Volleyball, badminton, shuffleboard, ping pong, and billiards are other forms of recreation for the guest.

The resort can stimulate interest and participation in the aforementioned activities by running tournaments and offering

prizes--champagne for the winning volleyball team, a trophy for the trap-shoot winners. It must be remembered that the resort is small and that its guests stay for two or three weeks at least. It is the responsibility of management to see that every individual looks forward to each day and each night. The great god "Ennui" has a habit of visiting resorts and lowering their occupancy rates. Hourly activity is not necessary and should be avoided. One major activity for each day should be planned to include as many people as possible. In all cases, the nature of the group at the time must be taken into consideration before any scheduling of events is done. Timing is also important--a volleyball game is less successful with strangers than with people who have become acquainted through the previous night's square dance.

The issue of entertainment is paramount at any resort. Guests expect and anticipate this. High cost and repetition are factors to be avoided by management in this realm. The many avenues of approach and techniques of entertainment should be exploited by the resort with an eye toward the composition of the group and the maximization of guest satisfaction. Cocktail parties, sponsored by the resort, are an excellent means of enabling the manager to meet the guests and the guests to meet each other. Square dancing is a western tradition and should serve to enhance

the gregariousness of the group. Fashion shows are popular among the guests and provide an excellent respite after a strenuous day of horseback riding. Local merchants and the many sportswear manufacturers should welcome the chance to display their products. A good movie once a week is another inexpensive means of guest entertainment. The acquisition of first-class movie films can be accomplished through the film distributor in Phoenix. Dancing and "name" entertainment should not be overdone. Good talent is expensive and too much of it loses its appeal. A floor show during the week end and perhaps once during the week should suffice. A reputable booking agent should be used in acquiring the music and talent for these shows.

The initiative of the manager can be brought into play in scheduling the evening activities. A "Tournament Night"--gin rummy, bridge, pinochle, et cetera--can be coupled with an outdoor barbecue with western guitarist to provide a relaxed and enjoyable evening. Bingo, Monte-Carlo Night, Guest-Amateur Night, and various masquerades are devices which, when properly timed, can meet with great success. In all, the manager must know his guests and schedule his entertainment in accordance. Bad talent, forced participation by guests, and half-hearted attempts causing

"dead nights" can be avoided through careful planning and cooperation of all concerned.

Certain facilities can be incorporated into the resort scheme to augment the comfort and relaxation of the guest. Subscription to one of the many book clubs will result in a library of up-to-date books for guest enjoyment. The gift shop, whether owned or operated by a concessionaire, is an excellent source of income and will provide the guest with souvenirs and gifts to take home. A well-lighted and equipped card room should be available for those inclined to use it. Teletype TWX service is inexpensive and enables the guest to contact his business office without delay. In addition to this, the use of TWX service is an asset in receiving inquiries and reservations from executives of the fifty-odd thousand firms in the country who subscribe.⁴² A travel and touring rack in the lobby will aid the guest in planning his trips and supply information on transportation back to his home. Phoenix has four television channels⁴³ to entertain the guests in their rooms before they retire for the evening.

Personal touches by management help the guest to feel like an individual, and an important one. Recognition of birthdays and anniversaries, breakfasts in bed, delivery of home-town newspapers, and car-washing services are but a few of the innovations credited

to resort managers who strive for the ultimate in personal attention.

The author believes that the successful resort has a personality commensurate with the personality of the guest. With a policy of maximum guest satisfaction, the operation should endeavor to be flexible enough to cope with the myriad of wants and desires in the individual.

Personnel

The selection and training of employees for an enterprise is no less important than the multitude of other phases of organization. Careful planning and knowledge of job evaluations can save time and money during the course of operation. Each employee, whether department-head or bellhop, is an ambassador of good will and should function accordingly. For after all, it is the preponderant majority of the people of a society who determine what and by whom activities shall be cultivated and what activities shall be stamped out. The employees of a resort are direct contributors to the general welfare of the guests.

The responsibility of staffing the enterprise lies with the manager. Through his recruitment and designation of personnel evolves the efficiency and effectiveness of a successful resort. The

policies and objectives promulgated by management should be pervasive of all individuals concerned with the operation.

As previously noted, the resort staff is composed of six members; i.e., the managing director, manager, assistant manager, and the department heads of public relations, food and beverage, and maintenance. Large-scale enterprises naturally have more managerial positions than do small-scale firms. However, the ratio between the number of managers and the number of employees does not obey any law of proportions.⁴⁴ It is possible, by enlarging or contracting the span of management, to modify organization structures so that the number of managers in a given enterprise will decrease or increase. The aforementioned supervisory personnel should suffice for the operation in question. All six staff members are on a straight monthly salary, without any specified working hours. In season, a resort is a seven-day, continuous operation. The responsibilities of key personnel are variable and should conform to the nature of the operation with respect to number of working hours and multiplicity of duties.

Table VIII shows the position and method of salary for a minimum number of employees during the seven-month season. The monthly payroll for all employees is estimated by the author to be approximately \$10,000 per month. This figure is based on

TABLE VIII

MINIMUM PERSONNEL REQUIRED FOR OPERATION

Position	Number	Method of Salary
Managing director	1	monthly
Manager	1	monthly
Assistant manager	1	monthly
Food and beverage manager	1	monthly
Public relations manager	1	monthly
Maintenance engineer	1	monthly
Chef	1	monthly
Cook	1	monthly
Baker	1	monthly
Dishwasher-helper	1	hourly
Waitresses	12	hourly
Hostess	1	monthly
Desk clerks	3	hourly
Bartenders	2	hourly
Bellhops	3	hourly
Typist	1	weekly
Typist-bookkeeper	1	weekly
Groundskeeper	1	hourly
Night clean-up	1	hourly
Driver	1	hourly
Receiving-store clerk	1	hourly
Maids	2	hourly
Total	39	

On retaining basis: attorney; auditor.

Optional: booking agent; advertising agency; touring company.

previous experience coupled with the prevailing wage rates as noted in Chapter II.

The food and beverage department has a kitchen staff of four plus a receiving-storeroom clerk. This staff should be adequate for the 125 capacity. Twelve waitresses and one hostess facilitate the dining room and bar service. Under American plan service, the necessity for a cashier is eliminated. The two bartenders can arrange their shifts in accordance with the bar activity. Additional assistance for catering functions can be secured from the proximate village.

The maintenance staff is small, but can easily be augmented by contracting for additional aid warranted by certain projects. A grounds-keeper and a night clean-up man are mandatory in this operation. The department head should not be of an executive nature but qualified to cope with minor engineering and construction mishaps and improvements.

The public relations department is composed of a typist and the department head. In addition to the duties involved in business promotion, this department will handle all reservations and inquiries, thus divorcing the function from the front office.

The front office, under the direction of the assistant manager, has three bellhops, two maids, three desk clerks, and a driver for

passenger pick-up and delivery. The desk clerks should all be familiar with night audit work and vary their shifts in accordance. One desk clerk should be on duty throughout the night, while at least one bellhop should be present until all guest activities are culminated.

The purchasing and accounting departments have only one bookkeeper-typist to handle the necessary clerical transactions of the operation. An auditor should be retained, under this system, to draw up the monthly or, if applicable, the weekly statements.

The manager has no private staff, but can draft the typist for his use when necessary. Interchangeability of duties and positions is often necessary in resort operations. The organization should be flexible enough to allow for the diverse functions common to recreational establishments. Sources of help from the nearby populated areas should be contacted whenever the organization finds its staff inadequate for particular functions or operations.

Since employees are potential assets to the business, it behooves the operator not only to select his staff carefully, but to train them thoroughly and properly. Preseason and in-season training for employees should cover at least three matters: (1) the policies, rules, and regulations pertaining to the conduct of the employee; (2) the specific job training; and (3) the employee's

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relationship with the public.⁴⁵ The manager and his department heads should plan the training program in advance and continue to rectify mistakes and increase the efficiency of all individuals throughout the season. The transformation of an employee from a liability to an asset can only be accomplished through the persistent training, observation, and correction by management in all phases of operation.

Because of the public nature of the resort business, every resort operator has the further duty of supplying training in general courtesy to all who contact the vacation visitor. Goodwill extended by all concerned can pay dividends. The operator should be aware of the fundamentals of good resort service; namely, an atmosphere of comfort and harmony, cleanliness, and a friendliness and sincere desire on the part of resort workers to serve the needs of the visitor.⁴⁶ Employees should be made cognizant of these fundamentals and adapt them to conduct and attitude.

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CHAPTER IV

PLANNING AND DESIGN

Construction

A resort operator, no matter how adept or artistically inclined, should seek professional advice during his attempts at formulating the building plans for his enterprise. The author has sought the services of the Planning Corporation of America (Plancor), Los Angeles, California, in an effort to translate space and functional requirements of the operation into sound, profitable construction. William Hirsch and George C. Hall were the Plancor architects for the project. The services of a civil engineer, an interior decorator, an accountant, and a landscape architect have augmented the factors leading to the visual interpretation of the proposed resort.

The topography of the site with respect to the surrounding area is noted in Figure 6. The main highway leading from Phoenix northward to Cave Creek is less than 100 yards from the parking area of the resort. The site is at an elevation of 2,100 feet, with mountains rising sharply on the immediate west and more slowly to the north and east. The view from the south, towards Phoenix,

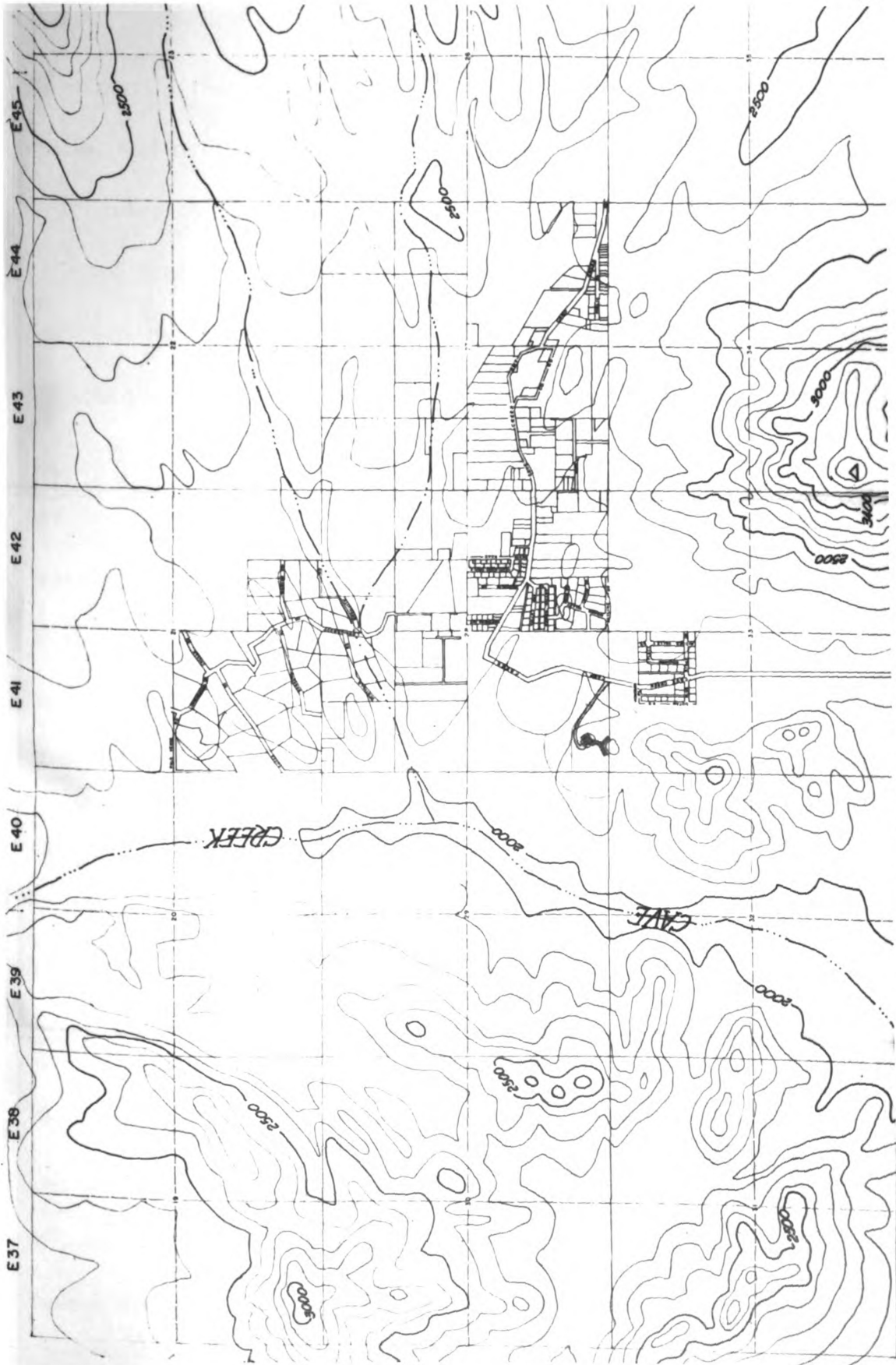


Figure 6. Topographical survey of site.

Source: Crest Realty Company, Phoenix, Arizona.

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is primarily that of rolling desert saturated with colorful saguaro, cholla, and ocotilla. A closer view, although somewhat distorted, is provided by photographs of a clay model, Figure 7. It should be noted that every attempt to mould the structure to the terrain has been made, thus preserving the topographic beauty and eliminating much of the excavating costs.

The exterior of the building, facing east, is shown on Figure 8. Since the desert rises slowly to meet this semimountainous region, the building is visible from a great distance. There is no focal point in direction of the structure, since the western panorama extends, equally beautiful, to the east, west, and north. The picturesque village of Cave Creek is approximately 150 feet below the site and occupies an area of less than two square miles. The building is oriented to avoid the intense solar radiation from the south and west.

The architect has endeavored to blend the "modern" with the "western" in his rendering of the exterior. The prodigious use of glass, however, is atypical of the area and causes an overbalance in favor of modern styling. Natural stone and frequent use of redwood reflect a contemporary spirit with a tendency toward a desert and mountain motif. Intensification or modification of this

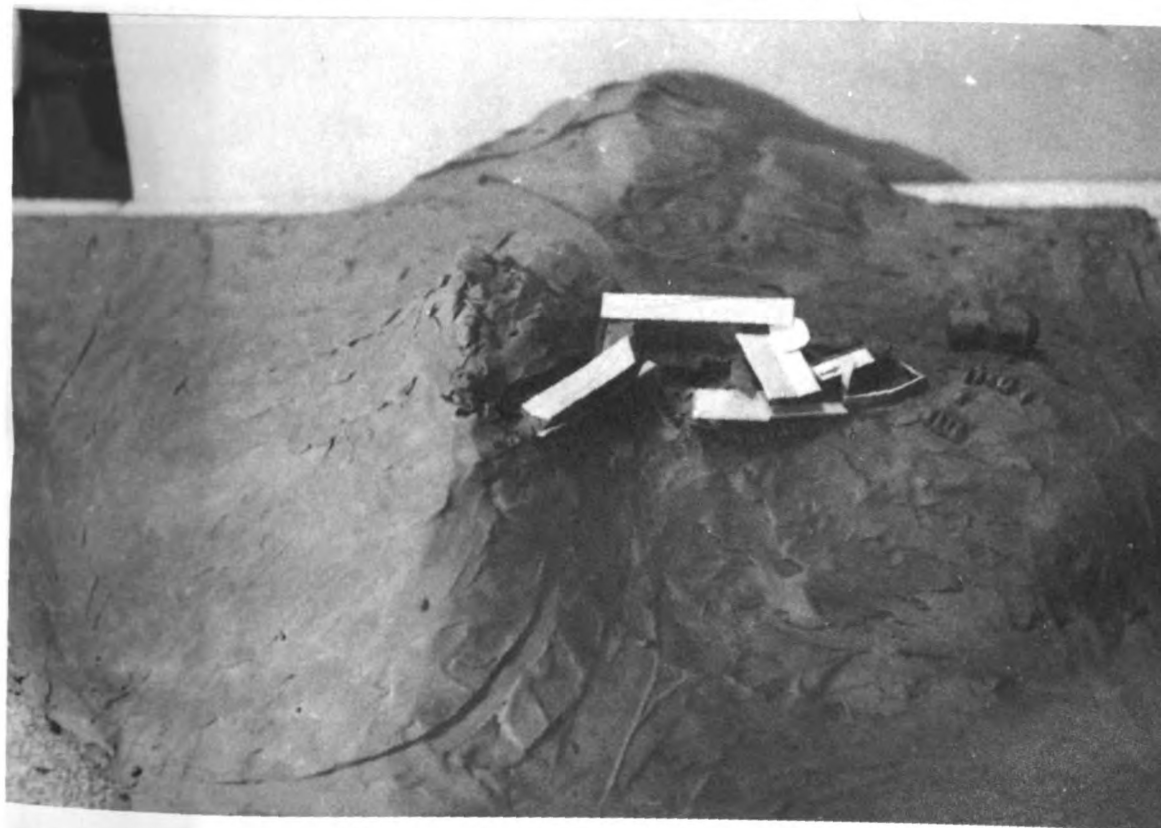
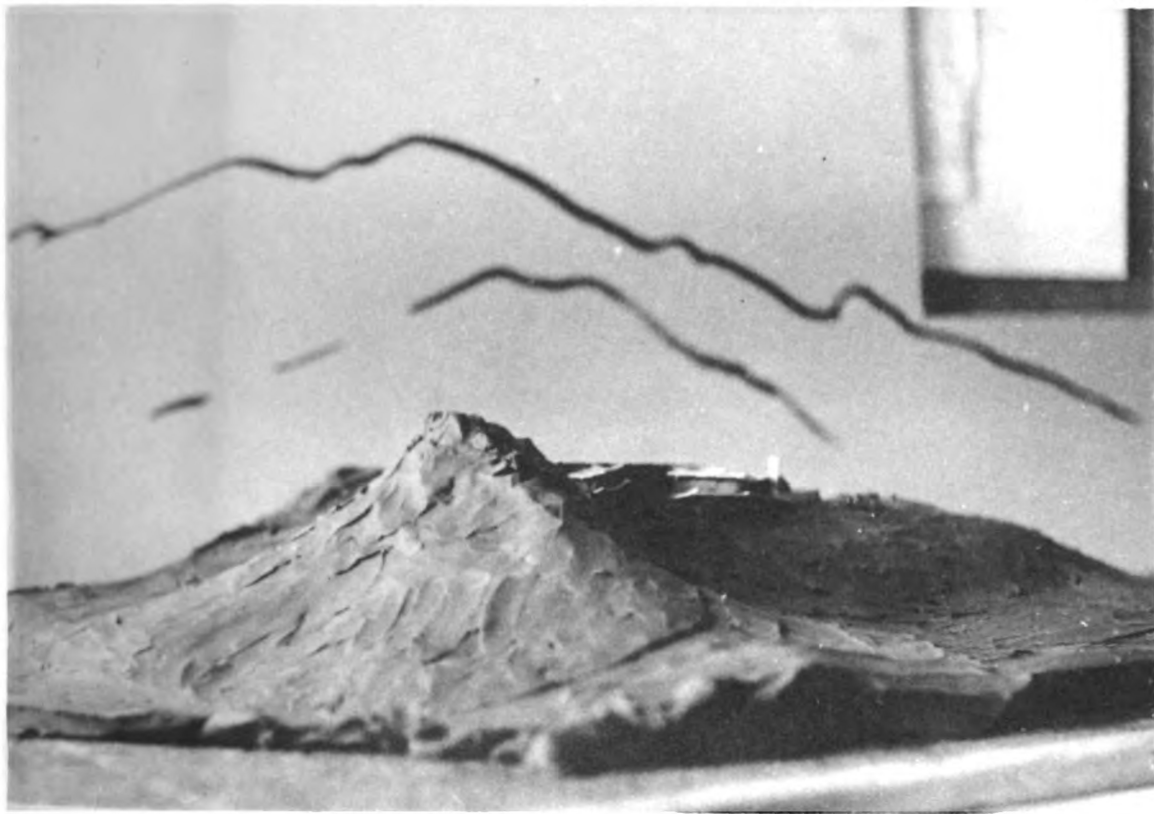


Figure 7. Scale model of site.

Source: Planning Corporation of America, Los Angeles, California.



theme can be easily controlled by the operator in his application and manipulation of these materials.

Construction materials will be of good quality. Concrete will be used to the first floor in the fifty-room section and to the arcade floor. A combination of concrete block, wood, and plaster will constitute the remainder of the structural elements. Acoustic-textured ceilings will be used throughout the entire building. Walnut paneling will decorate the shops, card room, dining room, and lounge. The floors will be plywood except in utility areas, where plastic tile will be employed. Good quality Axminster carpeting with underlining will provide sound control for floors. Sliding thermopane doors with aluminum sash will serve as windows in the living units. Functional and decorative use of flush and indirect lighting will pervade the entire building. With the exception of kitchen and dining room fixtures, standard plumbing and electrical systems will be employed. The pool, constructed of reinforced concrete, will be lighted, heated, and contain a self-filtering action. Ample terracing surrounding the pool will provide comfortable lounging space, as well as shuffleboard, ping pong, and barbecue facilities. Heating and air conditioning will be extended to all individual rooms and public areas through a central system.

With the exception of walks and accesses, relatively little landscaping will be required. The area abounds in scenic vegetation and rock formations which complement the western atmosphere. Recreational areas--tennis court, skeet range, volley ball, et cetera--will be easily accessible and will be moulded into the over-all landscape design on the site.

All materials and construction methods are in accordance with the National Building Code.¹ Fire precautions will be governed by local ordinances and by prevailing insurance recommendations. Sanitation principles advocated by the National Sanitation Foundation, Ann Arbor, Michigan, will be observed as close as possible. Continuous inspection of construction and adequate construction insurance² will add to the precautionary measures of the organization prior to operation.

Layout

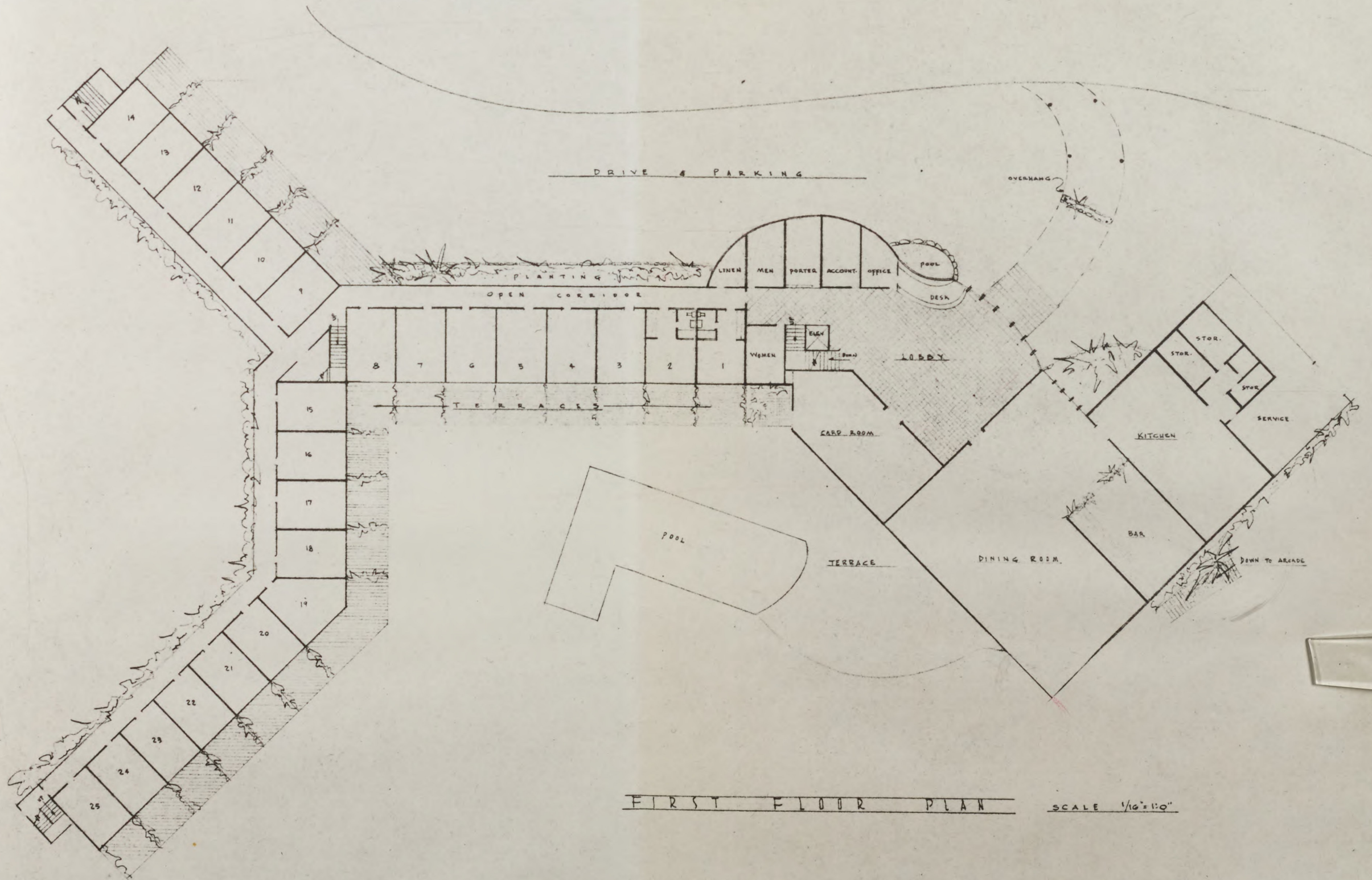
The layout of the building and site is flexible enough to allow any one or any combination of functions to be rearranged or modified according to individual whim and desire. The author has included suggested improvements commensurate with the particular operation. There is no stereotyped layout scheme that is followed in construction of this nature. The dissection of space affords

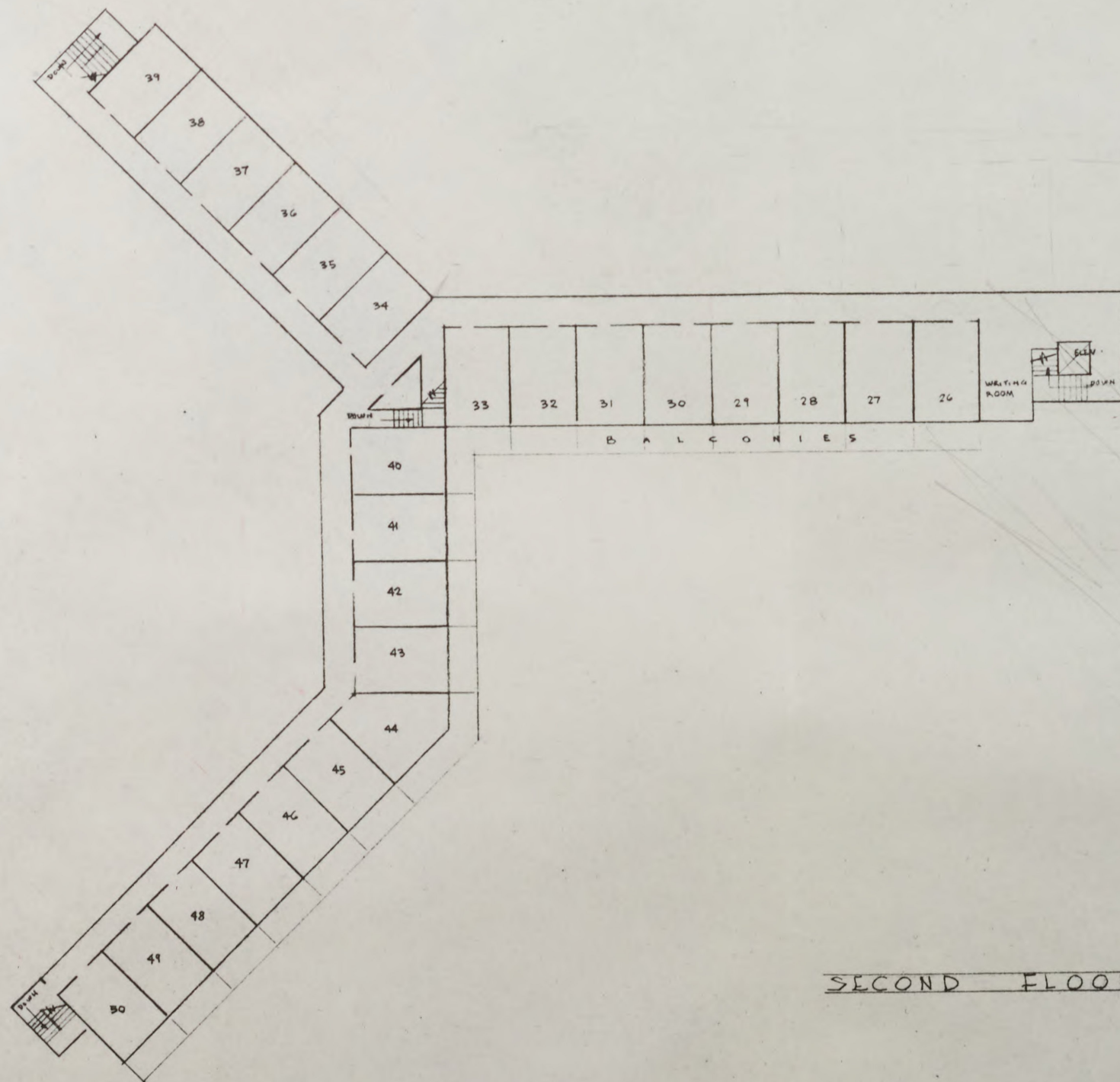
maximum utility in its purpose. Figures 9, 10, and 11 show the floor plans for the proposed operation.

Without modification, the gross floor area of 46,106 square feet is allocated to use as follows:

Fifty rooms, including linen storage and halls	22,868 sq. ft.
Lobby, office, accountant, etc.	3,200
Card room, dining room, kitchen, bar	6,826
First and second floors	<u>32,894</u>
Utility, coffee shop, lounge	5,532
Convenience shops	<u>7,680</u>
Arcade floor	13,212
First and second floors	<u>32,894</u>
Total area	<u>46,106 sq. ft.</u>

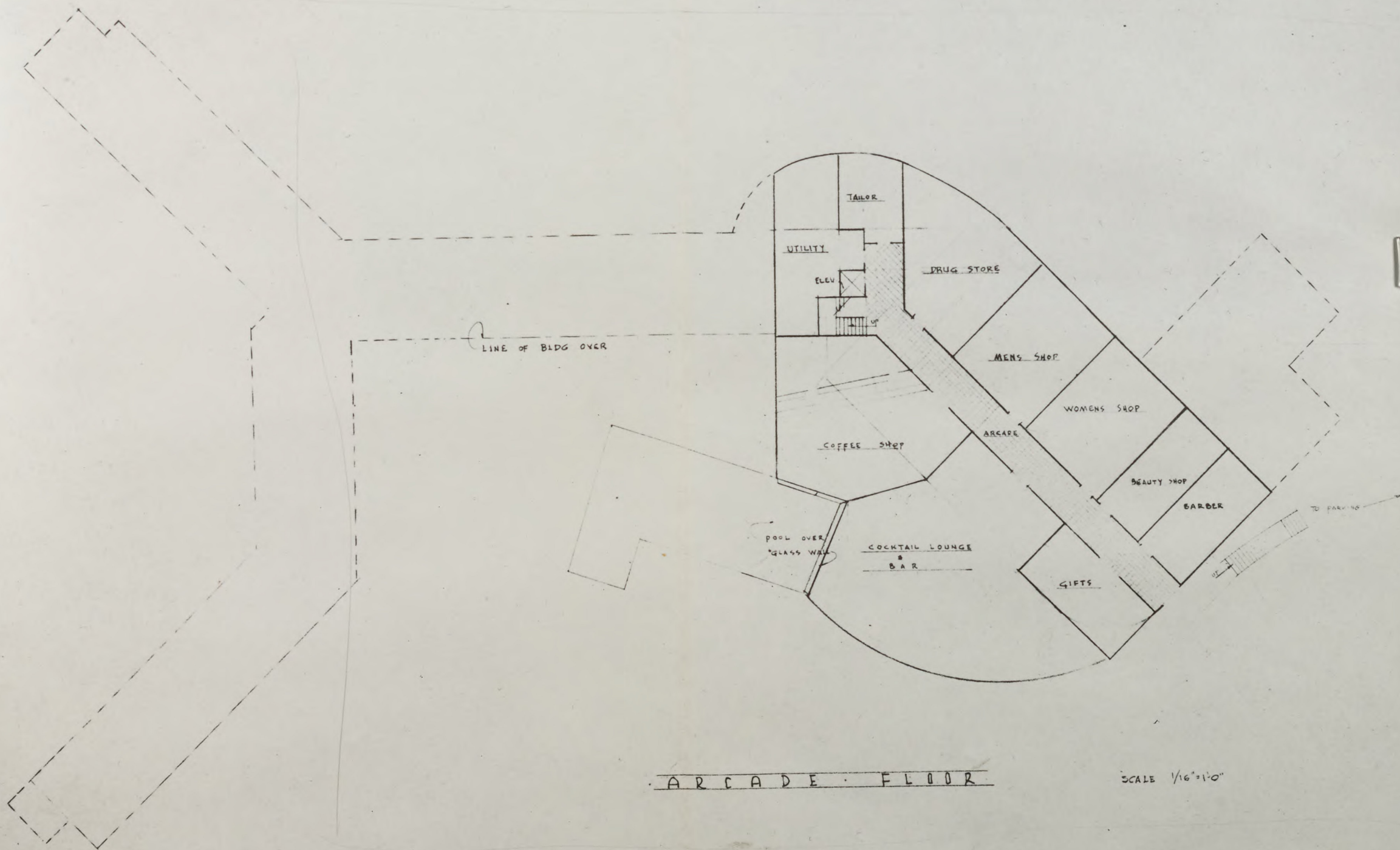
The rooms are 14 feet by 20 feet, or 280 square feet. Sliding glass doors lead to open-air balconies or terraces partitioned with redwood. The open corridors are bounded by rock and plant formations for interesting decorative effects. Each room has its own bath and shower. Public rest rooms are located within easy access from the lobby. Front desk and office areas are adjacent, thus eliminating the need for excess walking. An elevator to the second floor and below to the utility area of the arcade floor facilitates the moving of baggage. The lobby, with over 2,100 square feet, can be interestingly developed with decorative schemes. One example of a startling type decor which might be used is shown on Figure 12. The dining room, including an optional bar area,





SECOND FLOOR PLAN

SCALE $\frac{1}{16}'' = 1'-0''$



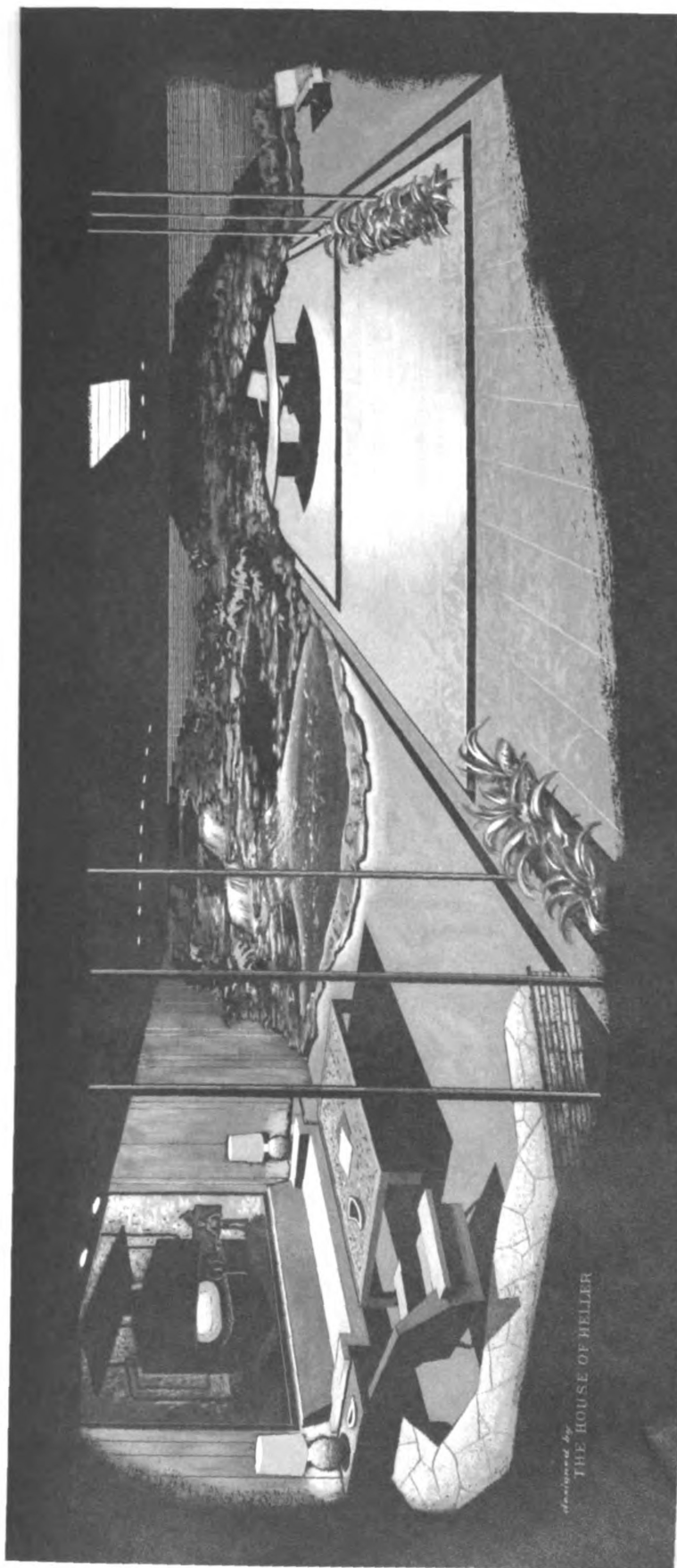


Figure 12. Example of lobby decor.
Source: House of Heller, Phoenix, Arizona.

measures 64 feet by 70 feet, or 4,480 square feet. A good average for deluxe table service of this nature is 18 square feet per person.³

If 20 square feet per person were allotted, the dining room could easily serve 200 people and have additional space for service stations and decorative emplacements. The kitchen area is approximately one-third the area of the dining room, and should suffice for space requirements. The 600 square feet allocated for storage space is more than adequate for the operation.⁴

As previously mentioned, the operator can adapt and modify his areas with an eye toward cutting construction costs and improving space function. On the first floor level, the author would make the following changes: eliminate the elevator; move the linen room to the triangular stairwell at the end of the first corridor; employ angular construction instead of a circular form for the wing containing the office, accounting services, et cetera; remove the bar section from the dining room; and alter the shape of the pool so as to have the west wall and the south wall of the pool parallel to the west and south lines of the building.

The second floor layout scheme is identical to the one beneath it except that six rooms are without balconies. As with the lower level, four stairwells provide easy access and egress. Possible changes the author would make in this area would be: another

linen room directly above that on the first floor, and elimination of the writing room in favor of a smaller utility closet. With the elevator eliminated, at least 400 square feet of construction is saved at the north end of the corridor.

The arcade floor with its 13,212 square feet can be adapted to any of the needs of the operation. As it stands, the seven convenience shops, unnecessary for the proposed operation, occupy an area of 7,680 square feet, with the remainder taken up by the coffee shop, utility area, and bar. The author, in this case, would resort to angular construction at the west end of the floor, and redesign the entire area devoted to the shops, reducing the floor space by 20 percent by including only a gift shop, beauty and barber shops, a library and music room, and a large meeting room capable of being sections by folding doors. With the gift shop removed from its present location and the coffee shop reduced by 50 percent, the bar and cocktail lounge area can be designed as the major focal point for all evening activities.

The slight changes alone, in the three levels heretofore mentioned, might amount to a dollar saving of at least \$42,000. This figure was derived from construction costs noted in Chapter V, and from consultation with a qualified architect.

While pleasing externals are essential, of equal importance is the quality of construction throughout the hotel and the careful planning or layout of its departments. False economy in construction can often cause excessive repairs and renewals, and faulty management or inadequate equipment makes good service difficult and operating costs unduly high. The time to build the hotel is during its construction and not after it is in operation.

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CHAPTER V

FINANCE

Capital Requirements

Properly financing any business requires a thorough knowledge of all the needs for money which will be encountered at every stage of its development. The building of a resort involves certain financial requirements and obligations that should be investigated prior to the breaking of ground. For instance, the operator must be prepared to finance the purchase of assets--land, buildings, furnishing, fixtures, and vehicles. Also, he should be prepared to pay lawyers' fees and other costs of transferring the title to the land. If the organization is not already incorporated, then corporation costs enter the financial picture. After the land is acquired and the building process begins, money will be needed to meet the demands of the builder and supplier. It may be necessary to hire help in the building process or to start the operation. This will mean a payroll expense. Frequently, public utility companies demand advance payment before they will turn on the power, and numerous other expenses will evolve prior to the receipt of guest income.

Even after the business is well under way, considerable working capital will be required. This special capital need arises from the variable income cycle pervasive of any business and also from the "newness" of the establishment. A further discussion of this type of operating funds will be discussed in a later section.

The purchase price of the land for the proposed operation is designated as \$20,000, or the equivalent of \$1,000 per acre. Checking with the land office at City Hall in Phoenix, the former price per acre was found to be \$750. Thus, the present owner would realize a turnover profit of \$5,000 on the plot. It is difficult to evaluate a tract of land on a dollar basis, since, in this particular case, reasoning would be based on speculative contingencies only.

Costs of construction are derived from architects' estimates and based on plans indicated in Figures 8 through 11, pages 89, 93-96. Taken as is, without modification, allowing \$5,000 for the pool and \$1.50 per square foot for heating and air conditioning, an estimate of \$9.50 per square foot for building construction is deemed a reasonably close figure by the architect. Further analysis by qualified personnel indicates that this unit cost compares favorably with current construction costs of this nature. Utilizing these data, a maximum cost of \$438,007 ($\$9.50 \times 46,106$ sq. ft.)

would result. Applying the alterations and modifications noted by the author in Chapter IV, the resulting estimate on construction would amount to \$392,135.

Consultation with Mr. Charles Strieby, a landscape architect, indicates an approximate cost of \$9,000 for site improvements during the first year of operation. The figure is based on a \$0.50 per square foot cost of terracing--4,368 square feet of terrace at \$0.50 equals \$2,184; a \$3,000 estimate on the use of indigenous plants and the construction of walks and accesses; and a \$3,000 approximation on the amount of grading that will be necessary. The driveway and parking area will be cleared and graded but not paved.

The approximate cost of kitchen and bar facilities is estimated to be a maximum of \$32,000. This cost was determined by careful perusal of catalogs and price lists of several food-service equipment companies; namely, S. Blickman, Inc., Weehauken, New Jersey; Albert Pick Company, Chicago, Illinois; and Great Lakes Hotel Supply Company, Detroit, Michigan. The figure is a maximum, since price variations between companies and types of equipment, although not large, influence an exact cost.

Data on furnishing vary considerably. Consultation with an interior decorator and information furnished by several furniture

and decorating companies--Thonet, Herman Miller, Heywood-Wakefield, Brunswick, Risom Design, Tri-Par, Oakmasters, and W. and J. Sloane--indicate furnishings cost of \$800 per room, or \$40,000 total for the fifty rooms. Additional furnishings in the lobby, dining room, lounge, offices, et cetera, can be held to \$60,000. Total furnishings cost, then, is estimated to be a maximum of \$100,000.

Two station wagons will furnish transportation and aid in the functioning of the resort. The author, however, intends to rent these on a seasonal basis and charge the costs to operating expense. They will not, therefore, become fixed assets in the operation.

Since the organization has not been previously incorporated, an estimation of corporation costs and charges must be taken into consideration. Interviews with two attorneys indicate an average cost of \$3,000 for legal aid in this venture. This figure would include all corporate costs, transfer of title, and miscellaneous legal fees. The figure is an average and not an absolute since any legal difficulties that arise in the course of the transaction tend to raise the costs proportionately.

A summary of the estimated costs of fixed assets for the proposed operation would be as follows:

Land	\$ 20,000
Building and pool	392,135
Site improvements	9,000
Furnishings and fixtures	132,000
Organization costs	<u>3,000</u>
Total fixed assets	\$556,135

The total cost of fixed assets in any business can, of course, be raised or lowered depending on the type and quality of the materials and services purchased. There is, however, a danger zone in the process of economizing. When a planner or purchaser falls below high or good quality standards, he immediately jeopardizes his operation. In the light of costly repairs, breakdowns, replacements, and resulting customer dissatisfaction, the planner or purchaser indulges in false economy. Wise resort operation suggests that the establishment be built and equipped in accordance with the policy of maximum customer satisfaction.

Profit Expectancy

In addition to compiling the data for permanent investment in fixed assets, it is necessary to estimate as accurately as possible the anticipated income and operating costs of the enterprise. Banks and finance companies require these data before they even consider lending money or assuming mortgages.

Planning for the future involves forecasting the future course of the business. This is not, by any means, a simple matter. Even if it were possible to make wholly reliable forecasts of general business trends issued by the various economic and statistical bureaus, they would not apply without qualification to a specific industry, and even less accurately to an individual business. The special conditions affecting a particular enterprise, modified by knowledge respecting other like businesses, must be used as a guide in estimating the demand for a particular product or service.

In keeping with this theory, the author has applied the national resort ratios of 1955 supplied by the Harris, Kerr, Forster Company¹ to immediate knowledge of the Phoenix area and the competition therein. Consultations with qualified hotelmen have also added to the estimated data. In all cases income estimates are conservative in nature, while operating costs tend to be extremely liberal. A statement of anticipated income and operating costs is found in Table IX, with a departmental breakdown in Table X.

The derivation of items a and b result from the following data. The resort has fifty rooms and operates for a seven-month (210 days) season. The author has used a figure of 85 percent rate of average occupancy during the seven-month operating period.

TABLE IX
STATEMENT OF PROFIT EXPECTANCY

Item	Amount	Percent Total
Income:		
a. Room sales	\$193,118.75	46.2
b. Food sales	153,617.50	38.8
c. Beverage sales	50,872.50	12.2
d. Other income	20,000.00	4.8
Totals	<u>\$417,608.75</u>	<u>100.0</u>
Deduct:		
Cost of goods sold and departmental wages and expenses:		
e. Rooms department	\$ 60,135.66	14.6
f. Food and beverage	163,702.63	39.2
g. Telephone	10,022.61	2.4
Totals	<u>\$233,860.90</u>	<u>56.0</u>
Gross operating income	<u>\$183,747.85</u>	<u>44.0</u>
Less:		
h. Administration and general exp. .	\$ 40,508.05	9.7
i. Advertising and business pro- motion	18,374.79	4.4
j. Heat, light, power	17,539.57	4.2
k. Repair and maintenance	33,408.70	8.0
Totals	<u>\$109,831.11</u>	<u>26.3</u>
Gross operating profit (house profit)	<u>\$ 73,916.74</u>	<u>17.7</u>
Less:		
l. Fire insurance and franchise taxes	\$ 2,923.26	0.7
m. Real estate taxes	14,198.70	3.4
n. Depreciation	23,803.70	5.7
Totals	<u>\$ 40,925.66</u>	<u>9.8</u>
Balance available for interest and return on investment	<u>\$ 32,991.08</u>	<u>7.9</u>

Note: Payroll taxes and employee relations are distributed to each department. Balance subject to federal income taxes.

TABLE X
DEPARTMENTAL OPERATIONS

Item	Amount	Percent
Rooms department:		
Total sales	\$193,118.75	100.0
Departmental expenses:		
Salaries and wages	\$ 31,285.24	16.2
Employees' meals	1,931.19	1.0
Payroll taxes and employee relations.	2,510.54	1.3
Laundry	4,827.97	2.5
Linen, china, glass	2,510.54	1.3
Other expenses	12,745.84	6.6
Total expenses	\$ 55,811.32	28.9
Departmental profit	\$137,307.43	71.1
Food and beverage department:		
Food sales	\$153,617.50	100.0
Less: Cost of food sold	62,983.18	41.0
Food gross profit	\$ 90,634.32	59.0
Beverage sales	\$ 50,872.50	100.0
Less: Cost of beverages sold	16,635.31	32.7
Beverage gross profit	\$ 34,237.19	67.3
Total food and beverage sales	\$204,489.00	100.0
Cost of food and beverages sold . . .	77,705.82	38.0
Food and beverage gross profit . . .	\$126,783.18	62.0
Departmental expenses:		
Salaries and wages	\$ 62,982.61	30.8
Employees' meals	8,997.52	4.4
Payroll taxes and employee relations.	4,907.74	2.4
Music and entertainment	6,543.65	3.2
Laundry	3,271.82	1.6
Kitchen fuel	1,022.45	0.5
Linen	1,022.45	0.5
China and glass	2,658.36	1.3
Silver	408.98	0.2
Menus and drink lists	1,022.45	0.5
Licenses and taxes	408.98	0.2
Other expenses	7,361.60	3.6
Total expenses	\$100,608.61	49.2
Departmental profit	\$ 26,174.57	12.8

The yearly hotel rate for the state is 77 percent,² while interviews with resort operators in Phoenix indicate a rate over 90 percent during the season. Thus, an average 85 percent rate of occupancy is justified for the proposed operation. Interviews also indicate that double occupancy has been about 90 percent in American plan resorts of the middle-price range. Since the average party size has been shown to be over two people, and the length of stay is comparatively long, the percentage appears logical.

Average tariffs for this resort have been set at \$24 per day single and \$40.50 per day double. These charges are comparable to similar operations in the area, and include three meals a day. Of this, \$9.00 per person per day is applied to food sales--\$1.50 for breakfast, \$2.50 for lunch, and \$5.00 for dinner. The room rate, then, is \$15.00 single and \$22.50 double--the latter being one and one-half times the single rate.

Applying these rates to 85 percent average occupancy and 90 percent double occupancy for 210 days, the room sales and food sales can be estimated. The percentages of total income, 46.2 for room sales and 36.8 for food sales, compare favorably with the national resort ratios of 48.8 percent and 35.6 percent.³

Item c, beverage sales, is derived much in the same manner, with the exception of the rate. The author's previous resort

experience and consultations with hotelmen indicate an average figure of \$3.00 per person per day for beverage sales. The nature and location of the operation appear to give added substance to the figure. The national average for beverage sales in resorts is 10.3 percent of total income.⁴ The estimated income in this instance is somewhat higher, or 12.2 percent of the total.

Other income, item d, includes income from telephone, gift shop, sundry services, and on-premises party and meeting sales. The latter was placed in this category since it would be almost impossible to determine, prior to operation, the amount of local business the operation would receive. The figure is highly conservative, but should suffice in endeavoring to ascertain a creditable picture of anticipated income.

The deductions from income, namely operating and capital expenses, are derived for the most part from national resort ratios. However, certain ratios where the author's knowledge of the area has influenced the estimate have been altered. Telephone expense, for example, represents a net cost of 0.8 percent or \$3,340 when telephone charges for the business are deducted from guest telephone income. Depreciation expense is derived from life estimates recommended by the Bureau of Internal Revenue⁵ and applied in accordance with the declining-balance depreciation process

indicated in the 1954 tax code.⁶ Local tax data compare favorably with information supplied by the Phoenix Chamber of Commerce.⁷ The 41 percent food cost and the 32.7 percent beverage cost are budgetary figures that should reflect the efficiency of management. The advertising and business promotion expense represents an expenditure of the current operating season only, for additional promotion one year in advance of operation is contemplated. The figure for repairs and maintenance is that set aside as a reserve for improvement, since the first-year cost of repairs should be relatively small.

The problem of determining income and expenses for an enterprise not yet in existence can be approached only through careful study and evaluation of similar operations in the same locality. Even at this, the data accumulated at the end of the first year of operation may differ markedly from those originally anticipated.

Operating Capital

An enterprise at any stage of operation must have an excess of current assets over its current liabilities in order to be solvent.⁸ In this instance, the resort operator should have sufficient funds to meet the obligatory expenses for at least the first three months of

operation. Regardless of business activity, salaries and wage expenses, food and beverage inventories, deposits and/or prepayment on utilities and taxes, and other miscellaneous supplies and expenses must be met. With no immediate accounts receivable income to depend upon, the operator should not rely on anticipated income but should bear the aforementioned liabilities with funds on hand. Thus, any unforeseen contingencies affecting the income of the business can be ably dealt with.

The food and beverage inventories can usually be financed by banks or suppliers without too much difficulty.⁹ The initial inventories should be kept at a minimum, however, until the direction the business is taking can be determined. Inventory costs for the first three months should be approximately \$35,000 based on the estimated food and beverage costs as previously discussed.

Salaries and wages should be promptly paid by cash that is on hand or in the bank. The operator in this case should have at least \$30,000 to cover this expense. Additional supplies and expenses during this period would bring the total to a minimum of \$35,000. This, then, is the amount of cash the enterprise would need in preparing safely for operation.

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CHAPTER VI

CONCLUSIONS

The success of a business is the favorable melding and interweaving of the multitudinous factors of human and natural behavior. An enterprise does not progress solely within a matrix of management ingenuity or excessive wealth or bombastic promotion. Nor does an organization attain and sustain height in the midst of a potpourri of chance events. Success, in any venture, is determined by the composite, relative arrangement of all facets of mental and physical action. Elements of experience, observation, judgment, ingenuity, persistence, and the like all combine to channel and gear a business venture toward its zenith.

Planning, building, and operating a resort does not differ from these precepts. The same detailed investigation and analysis of operation that would be applicable to a large industrial concern is pertinent to a development of a resort site. The difference lies only in the degree of importance and value of the data uncovered and their relative effect on the operation. Preplanning is the process by which all ventures eventually come into being. The degree

and accuracy of the process can either retard or advance its ultimate success.

There is little evidence to point to a retrogression in the resort industry. With more money in the hands of the American public and with more time in which to spend it, the resort picture appears inviting and promising.

More automobiles, better roads, faster air service, and increased recreational facilities have caused the vacationer to travel more often, go further, stay longer, and spend more money than ever before.

The Phoenix area was selected for the proposed venture because of its tremendous potential. Bursting at its seams with progress and expansion, the city leads the nation in construction and is presently the current choice for business prospects and speculations (United Business Service, Boston, Massachusetts). The receipt of \$75,000,000 from last year's tourists in the Valley of the Sun is a tribute to the region's climate and beauty. Exploitations of this rapidly increasing market can be noted throughout the whole of Maricopa County. Far from being saturated, however, this veritable mecca for winter vacationists is only now becoming fully realized.

The nature of the market and the competition in the middle-range priced resorts dictates an operation devoted to comfort and leisure. With quality food and accommodations, and personalized attention, the organization can direct its attitudes and functions towards that of maximum guest satisfaction. Personnel-wise, promotion-wise, entertainment-wise, the resort's departmental operations will be commensurate with its policy and objectives.

Planning of construction has evolved through a conversion of space to utility. Modern engineering and design have been fashioned to serve as a reduction of the "needs-satisfactions" of the market. Adequate provisions for expansion and safeguards against the possible deterioration of the area have been taken into account and can be resolved.

The financial requirements of both capital and operating phases have been investigated and determined as accurately as possible. To be sure, several figures are approximations, but even those should not be too far from actual. In all figures, however, corroborative information has been secured.

Since any business has within itself its particular and peculiar characteristics, the use and application of general data is pertinent only to a degree. The end result can only be measured

by the actual, profitable, efficiently operated structure thirty miles north of Phoenix in the Valley of the Sun.

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American Automobile Association, Washington, D.C.

American Hotel Association, New York, New York.

Arizona Hotel Association, Phoenix, Arizona.

Chamber of Commerce, Phoenix, Arizona.

Crest Realty Company, Phoenix, Arizona.

Crowell-Collier Publishing Company, New York, New York.

Curtis Publishing Company, Philadelphia, Pennsylvania.

Harris, Kerr, Forster and Company, New York, New York.

Horwath and Horwath Company, New York, New York.

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