

TEACHING CASE STUDY

FROM PENAGA TREE TO HERITAGE BOUTIQUE HOTEL: A CASE STUDY OF HOTEL PENAGA

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Abstract

Hotel Penaga is a heritage-listed boutique hotel in the Unesco World Heritage Site in Penang, Malaysia. It was built in the 1920s and renovated into a 45-room hotel in 2008. Hotel Penaga was the first heritage-listed renovated hotel to be awarded Gold by the Green Building Index. Currently, Hotel Penaga is managed by Vouk Hotel Management. Hotel Penaga is committed to environmental sustainability and emphasizes destination marketing in its hotel operations. Achieving a healthy occupancy rate for the hotel is one of the biggest challenges for Hotel Penaga, especially after the pandemic.

Keywords Hotel Penaga, heritage boutique hotel, environment sustainability

INTRODUCTION

In the past few years, the number of boutique hotels had been increasing, and these hotels offered personalized and unique experiences to the guests. More challenges are faced by boutique hotel which largely rely on international guests. Thus, the aggressive promotion to attract more international tourists shall provide a positive outlook for boutique hotels after the Pandemic outbreak.

1. BACKGROUND OF HOTEL PENAGA

Hotel Penaga, a 4-star boutique hotel located in Georgetown, Penang, Malaysia, was built in the 1920s and was renovated after World War II. Georgetown was formerly known as “Tanjung Penaga” in Malay language. “Tanjung” means cape, while “Penaga” was originated from the name of a type of tree (*Calophyllum inophyllum*). Today, the trees can only be found at Hotel Penaga’s garden.

Generally, these historical shop houses were built with five feet pathway to provide shelter for rain and heat. Besides, natural ventilation and cooling features can also be found in these historical buildings. The former owners of the hotel who had converted and renovated the shop houses into a 45-room boutique hotel with recycled material in 2008 and it was named as Hotel Penaga (Dewiyana et al. 2016). The owners and the designer were committed to retain the original architectural style of the building and to incorporate the green concepts into each room, such as greater efficiency in the utilization of electricity and water which was aligned with the guideline of UNESCO to sustain the title of World Heritage Town for George Town. According to Mr. Charles, Penaga Hotel's guests are mainly leisure travelers. 95% of the hotel's guests are foreigners and only 5% are domestic tourists. Despite the change of ownership since November 2017, sustainability remains as one of the key values that were emphasized by the hotel. Currently, Hotel Penaga is managed by Vouk Hotel Management (VHM).

The hotel guests can choose the suites according to their preference. Other than the basic amenities such as complimentary internet access, television, coffee maker, and bath amenities, some rooms also have Jacuzzi bath. For instance, some rooms were restored with Baba Nyonya or Peranakan¹ style with antique Chinese cabinets, benches, and chairs while some of the rooms were brightened up with old Indian and Indo lightings. In average, the price range of Hotel Penaga is between USD 80 to USD 200 per night. Its pricing is comparable to other four-star hotels at Penang. Nevertheless, Hotel Penaga has limited free parking spaces for its guests which are only available on a first-come, first-served basis.

2. RESEARCH METHODS

Both primary and secondary data were collected for the development of this case study. Primary data was obtained through the interview with Hotel Penaga's General Manager, Mr. Charles K. Ayerru while the secondary data was gathered from the hotel's website, news articles, and other online sources. A two-hours long interview was taken place in Penaga Hotel. Mr Charles has introduced the uniqueness of Penaga Hotel by showing the building structure and design. The entire interview was audio recorded to ensure none of the important notes are left out.

3. CULTURAL HERITAGE TOURISM IN MALAYSIA

Tourism creates a strong transformation for the country's economic and social structure such as transportation, retail, investment and business activities. Cultural heritage tourism comprises of travel activities that enable the tourists to experience the cultural environments, including landscapes, visual and performing arts, lifestyles, traditional values, traditions and events.

¹ Peranakan are Chinese migrants who intermarried with the locals and settled here during the early 1400s. Peranakan male is known as Baba while Peranakan female is known as Nyonya.

Generally, cultural heritage tourism consists of tangible or visible heritage. (Ismail, Masron and Ahmad 2014; Khan 2014). According to STR (2019), 48% of the travellers like to visit places with interesting history and heritage, 38% like to experience new places or cultures, and another 35% like beautiful architecture and buildings (see Table 1).

Table 1: **The Key holidays drivers**

Factors	Percentage
Interesting history and heritage	48%
Always wanted to go	41%
Time with friends/family	39%
Experience new places/cultures	38%
Relax and unwind	36%
Enjoy local food and drink	35%
Beautiful architecture and buildings	35%

Source: STR (2019)

As Hotel Penaga is strategically located at the world heritage site of Penang, it stands a good chance to attract tourists to visit its hotel. According to Ali (2015), many factors might have influence on heritage experience and nostalgia connection which includes heritage site, historic value, historic learning, hedonics, escapism, services and facilities. The decoration and the interior of Hotel Penaga is antiquated which would bring customer back to the old days. Besides, the cultural heritage tourism in Penang has grown rapidly when UNESCO announced George Town as a World Heritage Town in July 2008 (Wong et al. 2014). The tourism development in Penang provides more options for tourists, and it intensified the competition between hoteliers. Hotel Penaga is one of the signature heritage hotels which is situated within the area of original heritage core zone and buffer zone in the George Town (Zubir et al. 2018).

4. HOTEL AND LODGING INDUSTRY IN MALAYSIA AND PENANG

Malaysia's tourism industry is a significant contributor to Malaysian gross domestic product (GDP) with a share of 14.9% in 2017. Among the sub-segments of the tourism industry, retail, food and beverage, and accommodation contribute 44.8%, 16.3%, and 12.8%, respectively to the tourism sector of the country (Department of Statistic Malaysia 2018). As shown in Table 2, the total receipts increased by a much larger magnitude of 28.6% from RM65.4 million in 2013 to RM84.1 million (Tourism Malaysia 2019).

Table 2: Total tourists arrival and receipts in Malaysia

Year	Arrivals (<i>in millions</i>)	Receipts (<i>in millions</i>)
2018	25.83	RM 84.1
2017	25.95	RM 82.2
2016	26.76	RM 82.1
2015	25.72	RM 69.1
2014	27.44	RM 72.0
2013	25.72	RM 65.4

Source: Tourism Malaysia (2019)

Furthermore, the hotel industry in Malaysia is also challenged by oversupply of the hotel rooms and rising number of Airbnb, especially in major cities. The total number of hotel rooms in the country has increased by 58% from 195,445 in 2012 to 308,207 in 2018 (Tourism Malaysia 2019; Poh 2019). The report showed that there was a total of **10.95 million** tourist arrivals from January to May 2019, which was an increase of 4.8% as compared to the same period last year (Tourism Malaysia 2019).

Table 3: Average daily room rate and revenue per available room in Malaysia

	2013	2014	2015	2016	2017
Average daily room rate	RM369	RM360	RM354	RM346	RM365
Revenue per available room	RM250	RM237	RM221	RM223	RM245

Source: Teo and Chee (2018)

Table 3 shows the revenue per available room deteriorated by 2% from RM250 in 2013 to RM245 in 2017 (Teo and Chee 2018). The average length of stay showed a negative trend as it dropped from 6.8 nights in 2013 to 6.5 nights in 2018. At the same time, the average occupancy rate reduced from 69.5% in 2013 to 63.3% in 2018 (see Table 4).

Table 4: Average Occupancy Rate of Hotels in Penang

	2013	2014	2015	2016	2017	2018
Average Occupancy Rate (%)	65.2%	63.7%	63.9%	62.1%	62.1%	62.2%

Source: Tourism Malaysia (2019)

The lodging industry is fragmented with numerous competitors. There are a total of 242 hotels in Penang, with 20,306 room supply in 2018 (Tourism Malaysia 2019). In general, the price range of most of these boutique hotels are from USD 80 to USD 500 per night. The major targets of the boutique hotels are visitors from overseas, which typically make up about 70 percent of the hotel guests while the balance are domestic tourists.

5. HOTEL PENAGA OPERATION AND MANAGEMENT

The hotel provides intimate and personalized service to its guests, therefore the hotel staff will learn the native language of the international guests to greet and welcome customers upon their arrivals. The guests always can enjoy complimentary afternoon tea daily and a glass of free wine during their stays. All these value-added services could create a good experience strategy to enhance the customers' satisfaction.

5.1. Collaboration with the local traders

Hotel Penaga collaborates with Eng Kah Enterprise Pvt. Ltd., a personal care, home care and perfume manufacturer which promotes the street art and tourism of Penang. The visitors and guests of Hotel Penaga can buy the perfume with Penang's famous street art photo printed onto the bottle of the perfume at the reception counter. The visitors also can scan the QR code to access about the attractiveness of Penang using the SimplyEK apps, which is a product developed by Eng Kah Enterprise.

Due to many local traders are struggling with technology transformation which makes Penaga started to work with the local traders. For example, "We buy Nyonya kuih² and traditional joss sticks from the local trade." stressed by Mr. Charles.

"We provide information about the historical sites and heritage of Penang so that our guests can bring back the incredible experience to their homelands when they left Penang," Mr. Charles added.

5.2. Marketing and customer feedback

The heritage lodging has incredible potential as renovated historic building had become one of the most demanded types of tourist accommodation (Timothy and Teye 2009). Nevertheless, the competition in the hotel industry is fierce.

Due to the cultural globalization and the nostalgic impulse, nostalgia tourism has become the new trends of tourists in the world. Mr. Charles, the Managing Director of Hotel Penaga emphasized on services and destination marketing. According to Amsden and Okrant (2013), historic destinations can be a channel of nostalgia, an opportunity to leverage the history for the benefit of tourism industry development. From this perspective, some desserts that served by Hotel Penaga during tea-time are unique as they are the nostalgic Malaysia gourmet.

The marketing team of Hotel Penaga actively promotes the hotel through social media (e.g. Facebook) which allows the most updated information and activities to be shared with its guests and potential customers. Through VHM, Penaga also promotes its hotel through roadshows in Malaysia and overseas. Hotel Penaga aims to increase the occupancy rate, which stood around 55% in 2018.

² Nyonya kuih is one of the delicacies of Peranakan in Malaysia

In addition, the customers' reviews from both Agoda.com and Booking.com are 8.6 (excellent) for Penaga. The customers of the hotel generally have provided very good comments with regards to the design, cleanliness, service, comfort, and location of the hotel.

Listed here with the response from the satisfied customers in the social medias and online booking platforms: "Seriously. This is a time machine. Brings back old experience in the modern world. Greatest moment ever here", "We loved our stay at Penaga - the room was great and we really enjoyed the friendly staff," "Thanks for planning a birthday surprise for me too and making us feel like we're returning home every night." However, the reviews also showed that there are a few guests expect a better and more variety of food for breakfast from the hotel.

6. GREEN PRACTICES AND SUSTAINABILITY OF THE HOTEL

Hotel Penaga was the first heritage restoration hotel to receive a Gold rating by the Green Building Index. This shows the commitment of the hotel towards environmental sustainability and it is an important aspect of the hotel's strategic direction. The Green Building Index is a green rating tool for buildings in Malaysia, which serves to build and enhance environmental awareness among the architects, engineers, designers, developers, contractors, planners and the general public on environmental issues. A green building promotes efficient usage of water, energy, and materials.

Moreover, Hotel Penaga has made and identified a retro-innovation sustainable strategy to the environment by undertaking a variety of environmental activities, which include installation of energy-efficient lighting equipment, motion sensor, auto sensor-controlled lighting at public areas to minimize the usage of electricity. Renewable technologies such as solar panels were installed at the rooftop to generate electric power for water heating and day lighting. The hotel has 99 solar photovoltaic panels that can generate a total output of 20.79kWp that is sold back to the national grid (Hotel Penaga 2019). Besides, Hotel Penaga had installed energy-efficient air conditioners, which lead to 60% more energy savings.

Besides, Hotel Penaga had created open area which has been designed with lots of flowers, trees, and ponds in the public areas. In addition, to improve hotel indoor air quality, Hotel Penaga uses low volatile organic compounds (VOC) such as low-emitting VOC interior paints, adhesives and carpets throughout the building.

Besides, to reduce water consumption, the hotel uses rainwater harvesting system which are used for toilet flushing and cleaning that help to promote water conservation. To save water usage, the hotel has implemented linen and towel reuse programs. "Linen and towel reuse" signage to encourage hotel guests to participate in its water conservation effort. Green practice training has been embedded in staff training programme, such as energy-saving and waste management.

7. HUMAN RESOURCES MANAGEMENT

Human resource is one of the vital aspects of providing high-quality service in the hotel industry (Young-Thelin and Boluk 2012). Through this and with a high commitment in human resource practices, it would be able to provide high quality services to its customers and eventually sustaining its business performance (Carmen et al. 2016).

In essence, the quality of the workforce is crucial for an organization. For Penaga Hotel, most workers are Malaysians who normally perform front desk and back-office jobs. Nevertheless, Hotel Penaga also hires foreign workers to perform housekeeping tasks. One of the common issues faced by Hotel Penaga is the difficulty in getting the right workers with the right attitudes and skills due to the stiff competition in the hotel sectors on hiring experienced workers. The management of Hotel Penaga believes that offering a more attractive compensation package would not necessarily result in getting suitable employees.

Training and development program is highly emphasized by Hotel Penaga. Hotel Penaga provides several types of training to its workers to enhance the work skills and attitude. For instance, Penaga organizes on-the-job skill training and workshops to educate workers on how to engage in eco-friendly practices. The parent company of the hotel, VHM also organizes team building activities for all the hotels under its management. Such efforts can enhance bonding among employees from different hotels.

CONCLUSION

Hotel Penaga will continue its commitment towards environmental sustainability in its hotel operations. Sustainable values will be the core part of the company's business operation. Among the major challenges of Penaga is to attract more international and local guests, inclusive of the younger age group of tourists. Therefore, Hotel Penaga also wishes to provide unique cultural stay experience for different generations. It needs to enhance its brand positioning as a green hotel which is strategically located at the World Heritage zone that is appealing to guests who are interested in cultural heritage tourism.

The recent outbreak of COVID-19, there were some concerns. According to The Malaysian Association of Hotels (MAH), there were 95,972 cancellations of bookings following the outbreak up to 9 Feb 2020 (Perimbanayagam 2020). The situation will result in some short-term negative impact to the hotel sectors, inclusive of Hotel Penaga.

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TEACHING NOTES FOR EDUCATORS/TRAINERS

- Course Name: Strategic Marketing Planning and Control
- Target Group: Undergraduate students
- Learning objectives and outcomes:
 - Identify the issues or challenges faced by Hotel Penaga and recommend possible solutions.
 - Explain how the hotel integrate itself with the cultural heritage tourism.

- Discuss how heritage hotels create good nostalgic marketing campaigns.
- Discuss the role of sustainability in Hotel Penaga's overall strategic plan.
- Questions for discussion and teaching strategy:
 1. Identify the issues or challenges faced by Hotel Penaga and recommend possible solutions.
 2. Explain the efforts made by Hotel Penaga to integrate itself with the cultural heritage tourism and also suggest some possible strategies to enhance the hotel integration with the cultural heritage tourism.
 3. Discuss how heritage hotels create good nostalgic marketing campaigns.
 4. What role does sustainability play in Hotel Penaga's overall strategic plan? The instructor should start the discussion by allowing time for students to read the case and watch the video links provided. In the case of case study, students do most of the talking. The instructor's role is to solicit student participation, keep the discussion on track, ask "Why?" often, offer alternative views, play the devil's advocate (if no students jump in to offer opposing views), and otherwise lead the discussion. The students shall analyse the situation, present and defend their diagnoses and recommendations.
- Further reading and relevant links:

The case is self-contained and can be taught without additional materials. However, the instructor can incorporate the following videos to make teaching more lively.

1. Video: "Penaga Hotel - Penang George Town," <https://www.youtube.com/watch?v=X0eU3b3uCVa>. This 1:29 minute video provides a view of the hotel and its restaurant.
2. Video: "Hotel Penaga in 8TV Quickie," <https://www.youtube.com/watch?v=6XZoP1zAUY>. This 1:32 minute video provides a view of the hotel and a short interview.
3. Video: "Penang | Hotel Penaga Boutique Heritage in Georgetown | Malaysia Luxury Travel Blog", <https://www.youtube.com/watch?v=b3PWt5O1CQw>. This 6:08 video provides an introduction of the hotel, spa, and restaurant from the view point of a blogger.
4. Video: "History of Hotel Penaga 酒店历史," <https://www.youtube.com/watch?v=h39QfdJc4gc>.
5. Video: "Vouk Hotel Management", <https://www.youtube.com/watch?v=bDvqSUC5Zyg>.
6. Video: "Hotel Penaga - Happy Chinese New Year," <https://www.youtube.com/watch?v=SgOrWOkuj6M>.

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