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NEWS STORY

Harrison's new owners aim to restore hotel, spa to former glory  
U.S. company will spend \$16 million on renovations to win back  
coveted market share

Bruce Constantineau  
Vancouver Sun

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HARRISON - The new U.S. owners of Harrison Hot Springs Resort & Spa will spend \$16 million on improvements over the next three to five years to regain what the resort has lost -- top-of-mind brand recognition.

Resort officials say the emergence of Whistler, the Okanagan and Vancouver Island as popular getaway destinations for Lower Mainland residents has left Harrison in a catch-up position to win back market share.

"Kelowna has a certain cachet now with all its golf courses and wineries, and Whistler obviously has that cachet," said Harrison Hot Springs Resort marketing director Ian



CREDIT: Sterling News Files

Delaware North will renovate four hot springs-fed pools at the Harrison Hot Springs Resort & Spa, a 339-room hotel located 140 km east of Vancouver.



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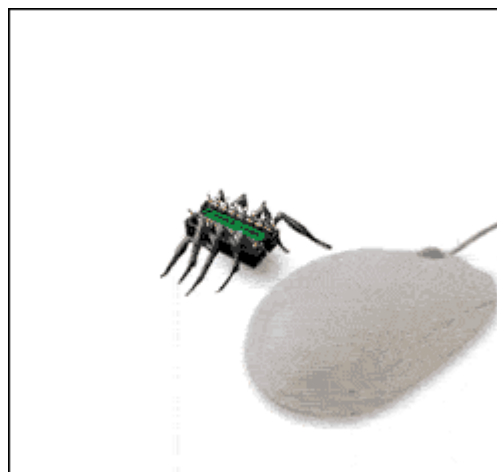


Maw. "But where is Harrison Hot Springs in that mix?" hotel located 140 km east of Vancouver.

Resort general manager Donald Ponniah said that while the property is performing well and still attracts many long-standing, loyal customers who visit regularly, a lot of Vancouver area residents simply don't know about the place.

"We really need to raise the awareness of Harrison," he said. "That's why we're increasing our marketing efforts to tell people all about the resort and what it has to offer."

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U.S.-based Delaware North Parks Services paid \$36 million last year to buy the 339-room hotel property from a private California investment fund -- Oak Tree Capital Management.

The original 100-room hotel opened in 1926, and subsequent expansions in the late 1950s and late 1980s increased the number of rooms to 339.

Past owners over the last 50 years have included the Seagram group of Montreal (1953-1974), the Wosk family of Vancouver (1974-1987), Itoman and Co. of Japan (1987-1998) and Oak Tree (1998-2002).

Delaware North Parks Services operates several resort properties in the U.S., including Tenaya Lodge in Yosemite National Park, Niagara Falls State Park, the Kennedy Space Centre Visitor Complex in Florida and the Grand Hotel at Grand Canyon.

The company is a subsidiary of Buffalo, N.Y.-based Delaware North Companies Inc. -- one of the largest private companies in the U.S., with more than \$1.6 billion US in annual revenue. The conglomerate is controlled by Boston Bruins' owner Jeremy Jacobs.

Ponniah insists Delaware North will be a long-term owner of Harrison, its first Canadian asset.

"We will respect the history of this place and build on that history because we're here for the long term," he said. "We like Canada a lot and the company is interested in looking at other Canadian assets."

Located about 140 kilometres east of Vancouver, Harrison is rich in history -- tracing its roots back to the California gold rush of 1848, which brought a northward migration of prospectors who discovered natural hot springs in the area.

In its heyday, the hotel with the spectacular lakeside location and attractive golf links brought in celebrity guests such as actor Clark Gable.

In a move to regain its past glory, Delaware North has already spent more than \$1.5 million on renovations to 31 rooms.

Future capital investments will include more room upgrades, a \$3-million expansion to its spa -- which will double the number of therapy rooms to 14 -- a new restaurant with outdoor patio, a redesigned entrance and lobby, new retail shops, renovations to four hot springs-fed pools, and a new Interpretive Centre at the source of the hot springs.

Maw said the renovations are not being done to alienate the value-oriented family market that represents as much as 70 per cent of the hotel's business. Corporate guests represent about 30 per cent of hotel business.

"You have to look after the guest who has already been good to you, especially in today's market where you never know what's going to happen," he said. "But there are also many new arrivals to Vancouver who have never heard of Harrison and we want to attract those people, too."

Most current Harrison resort advertising stresses the value the hotel has to offer clients. A recent package included a room, breakfast and dinner for \$98 a person, based on double occupancy.

"There are some well-heeled people that come here, but even they expect value, possibly even more so than others," Maw said.

He noted many participants at recent high-end business meetings held at the hotel have walked off with fake leather writing tablets that have the Harrison resort logo on them.

Hotel food and beverage manager Lutz Wolff said he lowered restaurant food prices by about 40 per cent when he arrived two-and-a-half months ago because the pricing was "outrageous."

"They were charging \$38 and up for an entrée, which is the same as the Pan Pacific or the Waterfront [hotels]," he said. "Many customers wouldn't pay it because they don't want to be ripped off."

"There's an awful lot of wealthy people around here, but they are very

prudent with their money."

Wolff said the lower-price-higher-volume strategy has worked because his August revenues are up 8.8 per cent over last year, while the customer count has increased by 28 per cent.

Ponniah said Delaware North is happy with the resort's financial performance in the past year, given the current soft state of global tourism caused by negative factors like SARS and the war in Iraq.

"Our annual occupancy rate is in the high 60s, which is very good compared with many downtown hotels," he said. "Room rates have softened a bit but we have managed to avoid the deep end [of discounting] and stay at reasonable levels."

Maw said the hotel's main market is "rubber tire" traffic -- anyone who lives within a three-hour drive of Harrison. That includes about six million people, he said, and about a third of Harrison resort's guests come from Washington state.

"What happened after Sept. 11, 2001, truly indicates how important the rubber-tire market is, because with so many tourists staying closer to home, we beat our budget in 2001 and again in 2002," he said.

"This year is proving to be even more challenging so we probably won't meet our budget but we will still be ahead of last year's numbers."

Vancouver hotel industry consultant Angus Wilkinson applauds Delaware North's efforts to upgrade the resort with major capital investments but feels there are major marketing challenges ahead, especially in the U.S. market.

"Americans are extremely brand oriented and if you don't have a brand on your property -- like Sheraton or Westin or Marriott or something like that -- it can be a tough, tough job to get people to go there [during the non-summer seasons]," he said.

"It's smart, though, to spend more money on the spa because that's a very strong money-making attraction. Spas make profit."

Maw said the hotel can only do so much on its own to make Harrison Hot Springs a more popular, attractive destination resort. He feels the community itself should adopt a vision that sees increased tourism as vital to future economic growth.

"To be really successful as a destination resort, we need to do much more than we can possibly afford to do on our own," he said. "I see that as my biggest challenge here because the potential is obvious."

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