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ABSTRACT. Hotel feasibility studies play an important role in the hotel development process as hotel developers, lenders, and operators all require an analysis of a hotel's projected operating performance and the ensuing financial returns. Such studies are rarely effective, however, at predicting future performance. Although scholars and practitioners have repeatedly recommended numerous improvements to correct their methodological weaknesses and improve their accuracy, few changes have been incorporated. This study's purpose was to identify the underlying reasons why the methodological improvements identified in previous studies have not been undertaken. The research employed a qualitative methodology based on interviews with leading hotel owners, developers, lenders, and consultants. The key findings of the research demonstrated that the way in which feasibility studies are used, the value the stakeholders place on them, cost and time constraints, and the limited incentives and accountability associated with improving underlying assumptions and methodologies are key drivers behind the marginalization and stagnant evolution of the hotel feasibility study.

INTRODUCTION

Hotel development is a complex and expensive process involving multiple stakeholders who have unique and oftentimes conflicting objectives. As investors, operators, lenders, and consultants each use specific criteria to evaluate a hotel's projected value, they may advocate projects that are unlikely to satisfy the other parties' financial requirements. In order to minimize such subjectivity, hotel investments are typically preceded by a feasibility study (Singh & Schmidgall, 2010; Troy & Beals, 1982), the explicit purpose of which is to provide the relevant stakeholders with the information and analysis necessary to estimate the project's financial viability (Baker, 2000; Barrett, 1979).

Although ubiquitous in the hotel development process, and generally performed and provided by professional consultancies that specialize in this area, feasibility studies are rarely accurate at predicting the performance of prospective hotels (Beals, 1989; Morey & Dittman, 1997; Rushmore, 2011; Tarras, 1990). Practitioners and academics blame this on various weaknesses including outdated structures, inaccurate data, and methodological limitations (Beals & Troy, 1982; Damito, Schmidgall, & Singh, 2009; Rushmore, 1996; Singh and Schmidgall, 2010; Singh, Schmidgall, & Damitio, 2011).

Although numerous improvements have been repeatedly recommended, including new methodologies and better data collection techniques, most have yet to be adopted (Damito et al., 2009; Overstreet, 1989; Rushmore, 2001; Singh & Schmidgall, 2010; Walker, 1978). This is problematic because

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ineffective feasibility analyses are often to blame for the poor brand and design choices (Morey & Dittman, 1997), overbuilding (Overstreet, 1989), and failed real estate projects (Sorenson, 1990), which have regularly plagued the industry.

Singh et al. (2011) recently noted that "despite recommendations by scholars, industry professionals, and lenders to make hotel feasibility studies more effective, the essential form of the studies has remained unchanged for a long time" (p.75). The unanswered question, however, is *why* the oft-maligned model has continued to remain the industry norm. This study addresses this research lacuna by examining how the *use* of feasibility studies has helped institutionalize this substandard instrument.

This article is structured as follows. We first review the basic premise and objectives of feasibility studies with specific reference to the hotel development process and its relevant parties. We then explain the historical evolution of feasibility studies and discuss the common criticisms and proposed solutions. We next provide our specific research question and design. Our findings are then presented and discussed in relation to our research question. The article concludes with a discussion of its limitations, suggestions for future research, and several implications for both managers and Hospitality Finance educators.

LITERATURE REVIEW

Feasibility Studies

Although there is no such thing as a standard hotel feasibility study (Beals, 1990; Damito et al., 2009; O'Neill, 2013; Singh & Schmidgall, 2010; Ward, 1989), they typically include several common elements such as occupancy and rate projections, supply and demand forecasts, and expected figures for income and expenses (Damito et al., 2009; Morey & Dittman, 1997; Rushmore, 2011). These elements are meant to help determine the prospective hotel's potential economic value added and return on investment (Ward, 1989). For the purposes of this research, a feasibility study is "an analysis aimed at discovering whether or not a specific [hotel] project or program can be carried out successfully – with success usually implying a sufficient return on capital required to attract investors to carry out the development" (Bailey, Spies, & Weitzman, 1977, p. 551).

Although they are used for a variety of implicit and explicit purposes, Ward (1989) succinctly captured the most commonly cited purpose of feasibility studies as follows: "An objective, independent appraisal of a development opportunity, providing sufficient information for the client (or others involved in the project) to make a decision as to whether the project should or should not proceed, and in what form" (p. 196).

Evolution and Popularity

The hotel feasibility study dates back to the 1930s and was originally based on versions designed for the real estate industry; hotel accountants later modified them by incorporating more detailed estimates of supply, occupancy, and average daily rates (Beals, 1994). Feasibility studies became more important during the 1970s as larger and more complex real estate projects, along with the rise of large and professional hotel ownership companies, increased the need for more rigorous and industry-specific analyses (Rushmore, 2001). They were still far from objective and transparent, however, and their underlying methodology, content and structure, had not evolved during the past decades (Beals, 1990). The recession and overbuilding of the 1980s led lenders to call for updated methodologies (Rushmore, 2001) though there was little change to them even as the hotel consulting industry expanded in order to meet the growing need for feasibility studies when the hotel industry rebounded (Beals, 1990).

Over the past 25 years, institutional owners and large publicly traded hotel management companies have helped professionalize the hotel industry's management practices (Olsen, West, & Tse, 2008; Singh & Schmidgall, 2010). Feasibility departments are, for example, now a staple in most hotel management companies, and institutional owners often employ analysts for similar purposes. The hotel industry's ongoing "asset light" trend means that hotel owners and operators each often disagree about a hotel's financial, strategic, and operational objectives (Hodari & Sturman, 2014; Turner & Guilding, 2010), and as they might be incentivized to promote different variables, measures, and results in their analyses (Morey & Dittman, 1997), the need for objective and sound studies is even greater than before.

Feasibility Studies and Hotel Development Stakeholders

Real estate development has been described as a "field notable for its seemingly anomalous decisions and frequently idiosyncratic decision rules" (Beals & Troy, 1982, p. 11). Feasibility studies are meant to help reduce this arbitrary or subjective decision-making by ensuring that the relevant stakeholders, such as owners, lenders, and operators, are able to evaluate a project according to objective criteria. Feasibility studies are most often prepared by management consulting firms because, for example, lenders require independent analyses, which are not overly influenced by the investor and/or operator (Damito et al., 2009; Bolukoglu, 2011; Singh et al., 2011). These different stakeholders do, however, influence the process and results associated with feasibility studies, and therefore might contribute to the weaknesses associated with them.

Feasibility studies are most commonly commissioned by a hotel's developer. Explicit purposes include helping to obtain financing and planning permission, attracting investors and/or operators, negotiating management and franchise services, defining a concept, guiding planners and architects with regard to projected facilities, assisting in the creation of operating and marketing plans, and preparing the initial operating and capital budgets (Baker, 2000; Bolukoglu, 2011; Eyster, 1973; Graaskamp, 1972; Hodgson, 1973; Turkel, 1997; Ward, 1989). From a rational perspective, individuals and institutions utilize feasibility studies to evaluate the best potential use of land and the ensuing investment opportunity (Currie & Wesley, 2010; Grissom, 1986) and would thus require that the analysis provide a purely objective view on which they could base their decision. However, as developers most often commission a feasibility study in order to secure financing (Singh et al., 2011) rather than to create the concept, they have an interest that the study present an at-times overly optimistic set of assumptions to prospective lenders (Eyster, 1983), which may skew how they view and use such studies.

Lenders require that the feasibility study demonstrate that the hotel's operations can cover its debt service (Damito et al., 2009; Singh et al., 2011; Ward, 1989). Although loan to value ratios have dropped considerably from their highs of 70% to 80% in the mid-2000s, lenders still often bear the largest stack of capital risk of all parties involved in the development process (Singh, Schmidgall, & Beals 2004; Tutag & Singh, 2011). This makes them particularly sensitive to the feasibility analysis because it is influential in their underwriting and due diligence (Berliner & Robbins, 1986; Eyster, 1983; Singh et al., 2011). According to Singh et al. (2011), lenders should therefore be more involved in the preparation, content, and analysis of feasibility studies.

Operators, meanwhile, often conduct their own feasibility study to determine if a planned hotel can achieve the occupancy and room rate levels required to generate an acceptable level of management fees (Rutherford & O'Fallon, 2006) and select hotel projects that are suitable for their expansion strategies. For example, because most hotel management companies now focus on expansion through franchising and/or operating hotels on behalf of owners, their risk from a failed hotel is substantially less than that of the owner, and as such, their support of a hotel project might not always reflect what is in the developer's best interest. Feasibility studies play an important role here as considerations of risk, uncertainty, and asset specificity, which they generally address, are some of the critical decision variables in this process (Ghorbal-Blal, 2011).

Critiques and Recommendations

Concerns about the use and usefulness of feasibility studies in the hotel industry have persisted in the academic and industry trade press over the past 30 years (Bailey et al., 1977; Barrett, 1979; Beals, 1989; Currie & Wesley, 2010; Damito et al., 2009; Eldred & Zerbst, 1978; Grissom, 1986; Morey & Dittman, 1997; O'Neill, 2011; 2013; Rushmore, 1996; Singh & Schmidgall, 2010; Thal, 1982; Turkel, 1997; Walker, 1978). Academic studies have, for example, linked the unreliability of feasibility studies to a reliance on secondary data rather than primary market research, a lack of specific project customization, and inadequate research methods (Beals, 1989; Currie & Wesley, 2010; Damito et al., 2009; Singh & Schmidgall, 2010; Singh et al., 2011). In their detailed study of these methodological limitations, Singh & Schmidgall (2010) identified the following specific weaknesses: poor market and supply data and analyses, inadequate market segmentation, unsubstantiated and erroneous growth rates, incomplete occupancy and average room rate estimates, generic facility recommendations, and unsophisticated financial analyses.

Although prone to criticize, academics and practitioners have also repeatedly suggested various methodological improvements during the past decades. According to Graaskamp (1972) and more recently Baker (2000), market trends need to be better identified and the target market should be segmented in greater detail. Recently, O'Neill (2013) noted that most studies rely on the analysis of similar local market data even though distinct variables might need to be examined in, for example, small and/or university towns. Alternative data collection methods and the use of sensitivity analysis have also been repeatedly recommended (e.g., Beals, 1989; Damito et al., 2009; Singh & Schmidgall, 2010; Thal, 1982; Turkel, 1997). Troy and Beals (1982) long ago suggested improvements in data collection, market segmentation analysis, data interpretation, the presentation of results and improved facilities specification. Eyster (1983) also noted the need for more detailed analyses and reports. Many of these recommendations have, however, been criticized for being impractical, too costly, and overly time consuming to be effectively implemented (e.g., Rushmore, 1996).

Singh & Schmidgall (2010), meanwhile, more recently provided specific recommendations to their detailed list of weaknesses, including the collection of primary attitudinal and behavioral data, the review of business cycles for regional and historical pipeline data, the development of computer models for improved market demand analyses, better research on market growth and performance indicators, direct surveys of demand generators, the use of subscription-based market reports, the use of accurate and standardized expense ratios, and both breakeven and sensitivity analyses.

Most critiques center on the fact that feasibility studies are rarely effective at predicting a hotel's future performance even though this is why they are purportedly commissioned. In the single published study that examined this issue, Tarras (1990) found that feasibility studies tended to substantially overestimate forecasted occupancy, rate, and net income and only rarely underestimate or accurately predict them. Although most have criticized feasibility studies for these shortcomings, others have argued that predictive ability is beyond their scope. For example, Rushmore (1996) has argued that they are probably accurate at the time they are performed and that blaming them for inaccurately forecasting a hotel's future operating results is unjustified because of the likelihood of unforeseen events. More recently, in 2011, he noted that it is often three to five years after a study is completed that a hotel is finally opened, thereby making inaccuracies more likely and acceptable than not.

Criticism is not only directed at the studies themselves, however. Graaskamp (1972), Eldred & Zerbst (1978), Thal (1982), Beals (1989), and Payne (1996) have also addressed the role and abilities of the study's providers (i.e., consultancies) and have taken a critical stance toward them. The independent feasibility study provider is commissioned to perform services without the intention of obtaining future work from the assignment (West, 1994), and to remain unbiased and objective in the analysis (Walker, 1978). Sorenson (1990) noted, however, that although they are supposed to remain objective, consultants are often suspected of working toward a preestablished outcome in order to please clients who exert pressure on them for favorable analyses. Rushmore (2000) has also remarked that some consultants perform incorrect financial calculations. Eldred & Zerbst (1978), meanwhile, observed technical mistakes in feasibility reports, such as faulty financial analysis and poor citation and data presentation, which they note further diminish the reliability and credibility of the studies.

Less attention has been directed to the feasibility study's end users: developers and/or lenders. According to Sanders (2002), however, investors rarely review feasibility reports critically and barely question the work submitted to them. Others might reduce the role of the studies they commission to a mere confirmation of predetermined conclusions (Rushmore, 1996). Lenders have received similar criticism, especially after the most recent financial crisis. Hull (2009), for example, noted their disregard for a sound due diligence process and their use of feasibility studies. While several studies have found that bankers are not satisfied with many aspects of feasibility studies (Damito et al., 2009; Singh et al., 2004), Singh et al. (2011) suggested that lenders are partially responsible for the "deterioration of these studies" (p. 91) as a result of their unclear expectations, limited understanding of the hospitality industry, and lack of personal interaction with the consultants. Such lenders appear to place a greater priority on their own internal financial projections than those of the feasibility study (Damito et al., 2009), which might explain the limited pressure they apply for these to be improved.

Summary

More than two decades after Beals (1989) thoroughly critiqued hotel feasibility studies, and despite continued recommendations for improvement, there continues to be little to no evidence that the specialists who perform and provide these studies have improved their content, research methods, or predictive ability. Despite their many weaknesses, however, these studies continue to play an important role in the hotel development process. Whereas the marginalization of the feasibility study could be one reason that methodological improvements have remained stagnant (Singh et al., 2011), there is little empirical evidence about why this is the case. Meanwhile, multiple stakeholders influence and use these studies and might be responsible for the lack of progress. We therefore propose the following research question:

> Why has the hotel feasibility study not evolved even though its weaknesses are well known and specific improvements have been repeatedly recommended by practitioners and academics?

RESEARCH DESIGN

In order to capture why the hotel feasibility study has not evolved and how different stakeholder groups have influenced this, we employed the use of a qualitative research design that we deemed most appropriate given both the exploratory nature of the research and our interest in examining issues of *why* and *how* (Bryman & Bell, 2011; Robson, 2002). Following Singh et al.'s (2011) recent suggestion to conduct research with feasibility study providers and clients, purposive sampling (Saunders, Lewis, & Thornhill, 2007) was used and built from a list of companies representing different stakeholder groups that are actively engaged in the hotel development process and that have extensive experience creating and/or using feasibility studies.

We negotiated access to these firms and individuals through our own network of industry contacts and through their referrals. Of the 24 companies initially contacted, all but one granted the researchers access to the executives and managers they deemed most experienced in feasibility study preparation and/or use. We also were able to review supporting documents in some cases, including hotel development plans and feasibility studies from various organizations, which helped us to better understand the content and methods to which our interviewees referred. Table 1 provides an overview of the individual respondents. We attributed a pseudonym (code) to each firm and individual in order to conceal their identities and provided them with the appropriate level of anonymity in order to guarantee confidentiality.

The 23 initial interviews lasted between 60 and 90 minutes, and, save one, all were audio recorded with the permission of the interviewee. Three individuals were interviewed on two occasions in order to gather further clarification on their answers and on those of other interviewees. An additional five interviews were conducted at a later period in order to more fully investigate several of the findings from earlier discussions. Extensive notes were taken to capture nonverbal clues, and all interviews were transcribed shortly after the interview took place in order to avoid the loss of contextual information (Robson, 2002).

We followed a semistructured format in order to allow us to engage more freely with participants because this was particularly well suited to our goal of understanding the *how* and *why* aspects of our research questions (Fontana & Frey, 1994; King, 1998). We began with general questions and eventually arrived at those more focused on feasibility studies in order not to skew the respondent toward "acceptable" answers. The first set of questions asked the respondent to explain the hotel development process and how his/her firm interacted in it. The second set asked the respondents to explain how they created or used feasibility studies within and outside of the

TABLE 1. Interviewee Profiles

Code	Sector	Title	Years of Relevant Experience in Lodging Industry	Company Size
C1	Hospitality consulting firm	President	21+	Medium
C2	Hospitality consulting firm	Chairman	21+	Small
C3	Hospitality consulting firm	Director	21+	Large
C4	Hospitality consulting firm	Consultant	10+	Medium
C5	Hospitality consulting firm	VP Strategy	10+	Medium
C6	Hospitality consulting firm	Consultant	10+	Medium
C7	Hospitality consulting firm	Associate	<5	Large
H1	Lodging company	VP Hotel Development Planning	10+	Large
H2	Lodging company	Director Real Estate & Asset Management	5+	Large
H3	Lodging company	Director Corporate Finance and Market Planning	10+	Large
H4	Lodging company	Manager Feasibility & Investment Analysis	<5	Large
H5	Lodging company	Vice President, Operations	15+	Large
L1	Bank	VP Special Property Finance	6+	Medium
L2	Bank	Chairwoman	10+	Large
L3	Bank	Relationship Director	11+	Large
L4	Bank	Head of Hotels Finance	10+	Large
L5	Bank	Corporate Director Leisure	15+	Large
L6	Bank	Director	15+	Large
O1	Investment fund	CEO	10+	Small
O2	Real estate investment trust	Director Acquisition and Development	5+	Medium
O3	Public company	Director	5+	Large
O4	Private equity firm	CEO	20+	Medium
R1	Real estate advisory firm/brokerage	SVP Hotels & Real Estate Investments	10+	Medium
R2	Real estate advisory firm/brokerage	EVP Development & Acquisitions	21+	Large
R3	Real estate advisory firm	Associate Director – Head of Hospitality	<5	Medium
R4	Real estate advisory	Manager	<5	Large
S1	University	Professor	21+	N.A.
S2	University	Professor	10+	Large

hotel development process. The third set asked for opinions about feasibility studies, including their usefulness and weaknesses, and solicited recommendations for improvement.

The interview transcripts were analyzed using manual techniques (Miles & Huberman, 1994) and thematic analysis (King, 1998). The initial coding identified particular practices involving the creation and use of feasibility studies. This was followed with descriptive coding, which focused on the processes and associations within the stakeholder groups. We then employed interpretive and analytical coding with regard to the topics that emerged from the respondents and the theoretical relationships arising from the data and initial coding (Silverman, 2001). We were particularly interested in the similar and distinctive roles and views of feasibility studies by the different types of organizations per their role in the development process.

FINDINGS AND DISCUSSION

We found that the little incentive that providers have to address the well-known weaknesses inherent in hotel feasibility studies is driven by how the studies are used and valued by the end users, including developers, lenders, and management companies. More specifically, cost and time pressures, a relatively low perceived value of the product, and a lack of accountability by the end user have together helped institutionalize a less-than-ideal standard feasibility study for hotel development. These issues are discussed next.

Incentives and Accountability

Once a hotel has received financing and/or the decision to build the hotel has been made, end users rarely, if ever, return to the feasibility study and review its projections, analysis, and conclusions. For example, according to one owner/developer (O4),

> There really isn't any need since the study accomplished its purpose which was to get us the funding or operator… I suppose it might be interesting to see how accurate it was, but we have other more pressing things to do with our time.

Similarly, feasibility study providers are not asked to review their projections once the study has been completed and accepted. At most, as several providers maintained, such reviews and potential revisions occur *before* the investor provides the study to third parties such as commercial lenders and hotel operators. In such cases, it is the study's results rather than methods that are discussed and occasionally amended. As one consultant (C2) noted, "Many lenders do just receive the study, read them (*sic*) and accept it. I do question how many actually insist on sitting down with the author of the study. There is this general blind acceptance that is dangerous."

Feasibility studies are even less likely to be reviewed and questioned once the hotel is operational, regardless of whether the hotel's performance is meeting the study's projections. Rather than review the feasibility study to understand its projections and any possible inaccuracy, operators and investors instead focus their attention on improving the actual operating situation. The study is not seen as a tool to help improve performance at this point.

Lenders are even less inclined to review the study because their financing obligation cannot be reversed at this point. Interestingly, the lenders we interviewed acknowledged that they do not compile any historical record about the work of different feasibility study providers when evaluating their work. That is, they do not consider past accuracies when considering a provider's current work. Instead, they recommend and rely on the more well-known consultancies rather than those who are more "accurate."

Feasibility study providers noted that they could easily point to changes in market conditions, geopolitical/economic disruptions, or even management and construction decisions as reasons for any possible inaccurate projection. In turn, this dissuades end users from forcing the providers to reevaluate and justify their earlier projections. According to one provider (C1):

> If you do a feasibility study on a proposed hotel that is going to open in three to four years' time, calculating the risks for that time is somewhat useless. A feasibility study that is going to open in four years' time is an absolute shot in the dark. The chance you get it right is the same as predicting the stock market.

Furthermore, neither lenders nor developers are held responsible if they approved projects that were based on a study's inaccurate projections or analyses. The experts noted that there is very little track record of any litigation in the hotel investment context when organizations do not fulfill professional duties of adequate due diligence. Thus, as those who commission the study do not—or cannot—hold the providers accountable for inaccurate or unreasonable estimates, the latter rarely experience serious repercussions if their advice is based on less-than-perfect data and analysis, thereby reducing their incentive to update or improve their methods.

The Use and Perceived Value of the Feasibility Study

The minimal review and accountability previously mentioned is, we found, largely due to the "real purpose" of feasibility studies. Despite the fact that the literature suggests that feasibility studies are pivotal in investment/lending decisions, interviewees instead confirmed the more established views that the studies are most often used simply to provide the "rubber stamp" necessary in the project planning and financing approval. This has direct implications on why improvements to feasibility studies have not materialized since they are considered "the lowest priced commodity" in the hotel real estate development value chain (O2). According to one operator (H5), "No one looks too closely at the study since really we just want to make sure there isn't a huge and obvious reason not to go forward with the project."

Certain developers approach feasibility studies with an already predetermined mindset and have no interest in them save for a mere replication of their own projections. Consultants are thus often presented with a "fait accompli" because the developer has likely already decided on the location, product, concept, and design of the hotel and commissioned the study only in order to satisfy lenders and investors. Were feasibility studies truly used to help developers with ensuring that their concept was the most appropriate given the context, then, they say, they would be more likely to pay attention to the study's predictive ability after the fact because they would have based much of their eventual property's strategic and operational decisions on the study's findings. But as the feasibility study is seen more as a "necessary evil" (H5) and "required but not necessary" (C6), rather than as a source of valuable and insightful analysis, and because the recommendations and conclusions are often ignored, the studies tend to be filed away once they have served their real purpose and the investments and financing are in place (O4), thereby providing little if any motivation for providers to improve them.

The level of hotel development experience that clients have also impacts how they view and use feasibility studies. For example, many hotel development projects are initiated by individuals lacking hotel industry expertise. Because these individuals have rarely seen a hotel feasibility study before, let alone commissioned one, our interviewees confirmed that these individuals (or organizations) are unable, or even unwilling, to question the study provider's methods and standards. According to one provider (C1) this was because "most investors are not educated enough to understand the feasibility study."

Although sophisticated and experienced developers including, for example, institutional investors, do adopt a more thorough due diligence process, they, too, are not overly concerned with the feasibility study's methods or predictive ability. They have their own internal people or departments and proprietary methods for ensuring the feasibility of their projects. This has not escaped the providers. According to C3, for example,

> For a sophisticated investor [who] has opened a lot of hotels and could do his

> own feasibility study, getting an independent feasibility study is not more than a requirement by the bank. Your client is really the bank and not the investor.

The increased specialization in the investment community promotes the use of a top-down investment decision process whereby investors apply strict investment decision-making guidelines in order to standardize their decision making across units and projects. These guidelines utilize proprietary and sophisticated models that make the need for complex analytics outside the firm less relevant and necessary. As such, even these investor/developers do not pressure feasibility study providers to be more rigorous or analytical because it is their own internal analyses that drive their decisions (O4).

Feasibility study providers are also reluctant to invest in new methodologies because they believe that this would alienate those clients who do wish to be involved during the process. The providers stated that although they have in the past considered using more sophisticated methodologies, they did not believe that their clients would be able to be as involved (when desired) because they would be less familiar with such techniques, even to the point of not understanding them. This would alienate clients who would in turn take their business elsewhere. In other words, a more sophisticated methodology, although perhaps improving predictive accuracy, would not be good for business (C5).

Time and Cost Saving Pressures

The development process is often described as a five-stage process from conceptualization, feasibility, the securing of financial commitment, construction, and, finally, management of operations (West, 1994). Although feasibility analysis is supposedly performed at the second stage, our findings suggest that the process is not linear and that feasibility studies are often commissioned and prepared much later in the process. Lenders, providers, and clients all suggested that feasibility study providers are usually provided a very limited time with which to prepare their studies because a developer's investment window is generally short. In addition, providers cite the relatively low fees they can charge for their studies as a reason why they do not invest more in providing higher quality products. In order to meet strict and short deadlines and cost concerns, providers resort to time- and cost-saving methods, and these have contributed to the institutionalization of the standard methods and structure. These methods, including secondary data, boilerplate templates, and junior staff are examined below.

Secondary data has always been prevalent in feasibility studies, and our findings suggest that its use continues to increase even though experts have regularly noted that primary data would improve their accuracy and reliability. Modern technologies, the Internet, and an onslaught of third-party data providers have created a proliferation of readily available and inexpensive secondary information. Feasibility study providers maintain that they are able to rely on this information more frequently and with greater confidence as the quality of companies providing the information has improved and costs have decreased. Our operators and lenders, meanwhile, acknowledged the general acceptability of such data.

Operator and lenders also confirmed that secondary data is notably less expensive than primary research because the latter is more labor intensive. In addition, they note that this requires a more sophisticated research methodology, which necessitates a higher level of ability and/or training, and therefore, salary and costs. Using secondary data implies that the providers can avoid employing research specialists, or training junior associates with these skills, which helps them keep their costs and prices down. According to one provider (C6), "we and our competitors rely on our interns and first-year associates as much as possible because it is really just research and excel sheets … anything more and we would have to do it ourselves." This means, however, that they cannot expect the same level of statistical analysis or research methods from these staff members. According to one real estate advisor (R3), "there is a limit to what people will pay for these … better quality isn't always worth the costs."

Another reason for the use of time- and cost-saving tools might also result from the fact that junior staff performs most feasibility work. Given the reliance on these less-expensive associates, there is limited career development potential for them in this field and, thus, they and their firms often see feasibility analysis as a stepping-stone in their career; consequently, consulting firms experience high staff-turnover in these junior positions. This in turn means not only that more experienced consultants are not as directly involved in the preparation of the study, but also that these firms cannot hold the staff who prepare them accountable because the average tenure of these people in these positions and firms is quite short. This high turnover also implies that their firms are reluctant to invest extensive and advanced training to these feasibility study providers, which further retards any incentive to modernize and advance their preparation.

Similarly, the industry-wide reliance on automated writing programs, boilerplate templates, and preexisting text and analyses from previous feasibility studies act as additional cost- and time-saving methods, which helps to prevent further modernization and customization of the feasibility study structure and content. In one study (Huettman, 1996), it was found that one-third of a feasibility study was based on borrowed text and boilerplate material, and the consultants and operators in our study acknowledged an increasing reliance on these processes. The developers we interviewed did note their perception of a clear lack of project-specific details in the studies they received. According to one, "I can usually skip reading most of it as I have seen it all before, sometimes word for word" (O4).

However, developers also remarked that although this decreased their confidence in making decisions based on the studies' findings, they said that studies still provided them with the necessary support for negotiating with lenders and management/franchise companies who were generally used to this kind of end product. Although often criticized for employing a "cookie cutter" approach rather than tailoring each product to the specific customer, project, and development scenario, the end result appears to satisfy the needs of end users. The developers and lenders we interviewed suggested that they are more productive in their use of feasibility studies because the time and effort required for them to read and analyze the reports is greatly reduced because of the template that most firms follow.

CONCLUSION

Although both the trade and academic literature are replete with criticisms of feasibility studies, and their limited evolution has been duly noted, there has been a lack of understanding about why such weaknesses persist. This may be in part because researchers have largely ignored studying feasibility studies over the past 10 years even with the real estate difficulties the industry is currently facing (Singh et al., 2011). This study's investigation of how feasibility studies are both used and not used has shed some light on this topic by revealing that the value operators, developers, and lenders place on the feasibility study, their cost and time constraints, and limited incentives and accountability associated with improving the studies' methodologies are some important drivers behind both the marginalization and stagnant nature of the hotel development feasibility study.

As a result of the findings, we suggest an alternative definition of the hotel feasibility study, which might better reflect today's reality:

> A hotel feasibility study is an independent consultant's analysis of a hotel development/investment opportunity that provides investors with both product/service advice and the validation necessary to help secure financial and/or operating partners.

LIMITATIONS

The exploratory and descriptive nature of this study implies several important limitations.

First, although numerous interviews were conducted with individuals well versed in the creation and/or use of feasibility studies, care should be taken not to generalize the findings to all individuals and all feasibility studies. Second, although interesting findings resulted from the study, there may well be other reasons why feasibility studies have not evolved.

MANAGERIAL IMPLICATIONS

The hotel industry is currently beginning to find its way out of difficult times that were due in large part to the overbuilding of unprofitable hotels. Although there are myriad reasons for this, blame has often been placed on the lack of proper due diligence by developers and lenders. As such, lenders, operators, and developers, as the hotel development stakeholders who most often commission these studies, are encouraged to reconsider how they use feasibility studies. By seeing the feasibility study as a tool to improve decision making, rather than as a mere "rubber stamp," these stakeholders can provide the impetus that the providers need to begin investing in new methodologies, better training, and more customization. As one consultant (C3) noted, firms such as his have not improved their work:

> Because no one has asked us to change anything. A change in this practice is only going to be achieved if investors and lenders are starting to ask the right questions and challenge us. Unless you start to question things, there is an assumption that what you get from a feasibility study is what you need. The driver for change has to come from the guys who put in the money.

This would imply a willingness to either penalize those firms and individuals who do not produce bespoke studies, but also those who do not employ appropriate methodologies and structures. By shifting their business to those firms that do invest in producing higher quality products, the end users will not only receive a better report, but also signal to the industry that they will no longer settle for less.

Similarly, consultants are encouraged to demonstrate to their clients the benefits of paying a higher fee for a more elaborate and methodologically advanced study. Such firms would possibly gain a competitive advantage over their competition by becoming known for their better studies, which lenders would in turn likely require from the developers seeking their financing.

Thus, although there have been numerous recommendations for improving feasibility studies over the years, including very detailed recommendations to address specific methodological limitations (Singh & Schmidgall, 2010), these will likely continue to fall on deaf ears unless clients not only demand change but also alter their expectations, and if providers invest the necessary resources to do so.

IMPLICATIONS FOR HOSPITALITY FINANCE EDUCATORS

Although this study has explained why various industry stakeholders are jointly responsible for the lack of improvement in hotel feasibility studies, it is also important to note that hospitality finance educators can play an important role toward remedying this. A first step would be to ensure that students understand the limitations of feasibility studies and their implicit purposes. Such insights would help these individuals to more realistically interpret and/or use the findings in such studies, which would hopefully lead to better investment decisions in the hospitality community. Educators are also advised to help diffuse better methodologies and analytical techniques by incorporating these into their lectures and courses; as more graduates are familiar and comfortable with these techniques, the greater the chance that they will use or require them of others during their professional careers.

SUGGESTIONS FOR FUTURE RESEARCH

Although our research did address calls for a better understanding of how feasibility studies are used and why they have not evolved (e.g., Singh et al., 2011), further work is still needed in this area. A more updated and more methodologically rigorous analysis of the predictive accuracy of feasibility studies is needed. Such studies would either help bolster claims that the current methodologies and work are of an acceptable level, or the opposite—which would add credence to the call for more rigorous and accurate feasibility studies. Longitudinal studies following the creation, use, and follow-up of such studies would be particularly interesting.

Research that consultants could use to improve their underlying assumptions is necessary. For example, a recent study by O'Neill (2011) examined the accuracy of the three-year occupancy stabilization assumption that most feasibility studies adopt. As a result of the findings, providers of feasibility studies can now better adapt their financial projections based on such issues as location, scale, category, and population. Additional research that helps to incrementally improve the underlying assumptions and methodologies of feasibility studies are needed.

AUTHOR NOTES

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