

Strategic marketing and international marketing for burj flashcard



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The aims and objectives of the project is to analyses and distinguish arioso strategies, which Burj AL Arab hotel follows to align with the risk environment in Dubai it functions, in order to increase its profit and to be one of the finest world recognition. Dubai is situated in United Arab Emirates, which is bordered in the north by Arabian Gulf, east and south by sultanate of Oman and Saudi and to the west by Qatar and Saudi Arabia. It is a predominant Muslim country with Islam as its main religion.

The country has a large dependence on oil and natural gas exports where business also follows. This has encouraged the flourishing of a large number of hotels in Dubai, which has created a lot of tourists visiting the country over a long period of time. Burj AL Arab is referred to as the “ Arabian tower”. Centrally located in Dubai and with a height of 321 m, it is the tallest hotel in the world. The hotel was built on a man made island mom offshore, appearing to look like a sail or a “ Jib” to devout sailors. It has a total of 202 duplex suites and it is an all suite hotel.

From risk analysis and review of the competitive environment aspects, this article expounds the intuition of Dubai and its Burj AL Arab hotel that is managing to strive the highest quality in the hotel industry. The risk analysis comprise cultural aspects, economical aspects, demographic aspects, social behavioral aspects, and political and legal aspects; the review of competitive environment consists of analysis of the nature of competitive environment, capitalizing Porter’s 5 forces, Porter’s competitive strategies and competitive tactics, and directional strategies based on the case of Dubai and its Burj AL Arab hotel.

ENVIRONMENT RISK ANALYSIS Significant Cultural Influence A bold and forward-looking society, Dublin proudly treasures its culture and traditions. It has a tolerant, cosmopolitan society that maintains its Islamic values and ultra. Although relatively tolerant and relaxed, Tuba's culture is firmly rooted in Islam. Most Emirates are Sunnis Muslims, and many belong to the strict Habits sect (womb. Oz]l. Com). Population makeup is quite diverse: only about a quarter of Tuba's people are Emirate; Russian, Iranian, and Filipino traditions contribute to the overall feeling of Dublin.

Arabic is the official language, but English is the language of business. Urdu, Fairs and Malaysia are also useful. The Arab national dress worn in Dublin is well adapted to the high temperatures of the region. Most men wear a traditional long white robe, while women are usually veered entirely by a black bay and a thin face veil. Traditionally, the people in Dublin are courteous, kind and friendly and quite hospitable both in social matters and in business. But as in any Islamic country, they are expected to respect local customs, especially religious practice (homogeneous. Mom). Dublin is also home to the world's richest horse race, the Dublin Cup, and championship golf courses. The cultural environment holds deeply influence on marketing behavior. Hotel industry needs to be sensitive to cultural variation in the environment and grasp opportunities for expanding. For instance, In Dublin there is 80 percent foreigners who have investments, businesses and employments. Over 1100 staff members from 50 different nationalities work in different areas of Bur] AL Arab hotel.

Therefore, they bring the diverse cultures from all different home countries such as religions, values, and social behaviors, etc. There will be slight or <https://assignbuster.com/strategic-marketing-and-international-marketing-for-burj-flashcard/>

even severe varies between different guest groups, product suppliers, and hotel employees. It is crucial important for the managerial level to treat people with equal respect and revere different cultural norms. The Relevant and Current Economic Climate The relevant and current economic situation and climate of Dublin evident influenced the development and threats of Burj Arab-the Arabian Tower.

The city of Dublin has an open economy with a high per capita income and a sizable annual trade surplus. Its wealth is based on oil and gas output (about 33% of GAP), and the fortunes of the economy fluctuate with the prices of those commodities. At present levels of production, oil and gas reserves should last for more than 100 years. The government has increased spending on Job creation and infrastructure expansion and is opening up its utilities to greater private sector involvement. (wry. N. B.. Co. E) The factors that distinguish Dublin are its attractive commercial and investment climate that made Dublin an important destination for international trade and tourism, investors, businessmen and shippers from neighboring countries and other parts of the world coming to the Dublin thus making a positive impact on its economic and commercial activity. Figure 1. Reflecting buoyant economic activity in trade, services and tourism and manufacturing sectors, the Gross Domestic Product (GAP) real growth rate is EST.).

The GAP purchasing power panty \$51 billion and the GAP purchasing power parity-per capita is \$21, 100 (2001 EST.). The GAP composition by sector is: Agriculture: 3%; Industry: 46%; Services: 51 % (2001 EST.). And the labor force is 1. 6 million include: Services 78%; industry 15%; agriculture 7% (2000 EST.) (wry. Nonresistant. Com). The continued increased GAP, the <https://assignbuster.com/strategic-marketing-and-international-marketing-for-burj-flashcard/>

structure of GAP, the labor force structure show that the service is a very important part in the GAP. And fiscal policies will promote the development of the non-oil industry like tourism and hospitality industry so that

Burj Al Arab hotel will develop in this kind of economic environment. This economic environment consists of factors that affect consumer purchasing power and spending patterns. Markets require buying power as well as people (Kettle et al, 1996). So the buying power of customers decides that whether they will consume in the Burj Al Arab, and also influence the consume class of the customers in the hotel of Burj Al Arab. Demographic Profile and Effects on Business Dubai is the second largest of seven Emirates that comprise the United Arab Emirates (AAU).

It is the coastal city of the United Arab Emirates, which located on the out eastern end of the Arabian Peninsula. Dubai's area is 3, 900 sq. Km (www. Transporters. Gov. UK). Dubai's population is estimated at 700, 000. All of Dubai's citizens are Muslims, with approximately 85 percent followers of Sunnis Islam and the remaining 15 percent followers of Shi'ah's Islam (www. Planetary. Com). Naturalization of new citizens is limited to Sunnis Muslims. Approximately 80 percent of the population are foreigners, predominantly from South and Southeast Asia.

A substantial number of foreign professionals are citizens of countries in the Middle East, Europe, and North America. The population density is 24 inhabitants per sq km. The estimated population growth rate is 3. 5% per year. In the AAU, individual emirates as well as the Federal Government regulate economic activity. In Dubai, the authorities have deliberately

sought to create an environment, which is well ordered without being unduly restrictive. As a result, Dublin offers businessmen operating conditions that are among the most liberal.

There are many options open to international companies seeking to establish a business relationship with Dublin. Apart from forming a trading relationship, many impasses find that there are distinct advantages in having an on-the-spot presence in order to research market prospects, make contacts, lease with customers, and see through the details of any transactions and orders secured. From that situation, Dublin have a strong demand on Burj AL Arab lodging industry from two largest market groups which are Business and Tourists travelers. Therefore, main target markets of Burj AL Arab will be both two types' travelers.

As other market segments, such as families, tourist etc, may as well provide large potential revenue, thus Burj AL Arab will also include these segments as target markets. Moreover, since Burj AL Arab only provide limited services charge with high prices, which therefore will attract top-tier segments with middle to higher income. Social/Behavior Factors Dublin is a fine example of economic development triggering swift social changes. The city is constantly building up its infrastructure of transport facilities, schools, hospitals, tourism developments and other amenities of an advanced society (www.

Elementary. Com). It is a commercial city with cosmopolitan feature, but has not forsaken its ancient ways. Attractive features offered have tempted international businesses in developing their rarest. The market has been increasing steady, although the I-SEA has a relatively smaller population

than other Middle East countries. Customer buying behavior is influence by <https://assignbuster.com/strategic-marketing-and-international-marketing-for-burj-flashcard/>

social factor, including the consumers' reference groups, family, social rules and status (Kettle et al, 1999). Local communities accept the different culture and behavior of tourists.

In addition, Dublin is very safety and comfortable for tourists and hotels in doing their business. The social/behavioral in Dublin brings positive impact not only for Burj AL Arab Hotel, but also for others, such as Lee Meridian Mina Essays Resort, Hyatt Regency Dublin, and Sheraton Jumpier Beach Resort and Towers that can increase visitors traveling to Dublin, and also makes the competition tighter between hotels. Furthermore, Islamic law applies as social rules that companies must follow.

As the country with major population of Islam, Burj AL Arab Hotel must follow the regulation on selling alcohol and pork and praying formulation. Political and Legal aspects which support or constrain the business Dublin government is circumspectly setting laws and regulations with regard to running business. Regulations such as Tax Treatment of offshore operations might ring negative benefit to the domestic operations. All foreign investors have to apply for a license from the ministry of economy and commerce before they start their business (windbag. Mom), which will provide a more desirable environment. Foreign operators have to obtain required approvals from certain ministries and other authorities. This may decrease the virulent competition or entry of inappropriate companies or organizations. In the case of the hotel Burj AL Arab, competition seems unavoidable. The policies and regulations is fair to any investors, even foreign companies may have more lattice benefit, it will encourage hotels running by the domestic owners to

improve themselves to be more preponderant by changing their policies so that to be firm.

With the regulation of government, if these regulations and policies were implemented authentically, the business environment would be comparatively more normal, easier for government to control and for investors to manage. Other regulations such as: ' No personal income tax is deducted from wages and salaries paid to employees or on other income earned. '(Taxation of Foreign Employees of Offshore Operations, Offshore legal and tax regimes in Dublin) may effect this hotel facing the poetical problems such as the increase of operating cost.

Employees may Job-hop to other hotels under the policy mentioned above, and then there will be an increase of the cost for recruitment and training. This might affect hotels in the host countries to change their policies or employee treatment, even the organizational culture to adapt to the policies, regulations and changes. Recently, there was a rough period for the hospitality industry as it struggled to operate in a tense political and economical atmosphere, which was rocked by terrorist attacks. For the condition of the turbulence in the Middle East, Dublin as a neutral state since 1971 hasn't been influenced negatively.

However, the possible war against Iraq may cause negative effect over the development of Dublin tourism. REVIEW OF THE COMPETITIVE ENVIRONMENT
The Nature of the Competitive Environment Dublin has experienced remarkable growth in the hospitality industry in both sides of availability and quality. Although recent political situation in Middle East reduced

development, hospitality industry is predicted to greatly expand in the coming years according to the developing trends. Scale From 1993 to 2001, hotel industry in Dublin grew at an annual average of 6.1 per cent, and hotels' total revenues increase an average annual of 9. Percent (wry. Hotelier-Malta. Com). By the end of 2001, Dublin possessed 69.5 percent of I-JAKE Do 2 billion total revenue from hotel and 72.5 percent of 364 total hotel amount. For the hotels occupancy, the more luxury the hotel is, the more occupancy rate occurs, for instance: 5 star hotels or up-71%, 4 star hotels-65%, 3 star hotels-53%, and 2 star hotel or under-47%. Positioning According to Fred (1995), based on two evaluate dimensions: competitive position and rarest growth, appropriate strategies for any corporation are listed in each quadrant, which is called Grand Strategy Matrix.

In the case of Burj AL Arab hotel in Dubai, due to the great occupancy rate and high industry's growth rate, it experienced the high market growth and strong competitive position (More analysis of Burj AL Arab's strong competitive advantage will be provided in Porter's Competitive Strategy and Competitive Tactics). Thus, the hotel is positioned in Quadrant 1, "which means continual concentration on current markets penetrating and products developing are appropriate strategies" (Fred, 1995). Figure 2.

Grand Strategy Matrix

Rapid Market Growth	Quadrant 2	Quadrant 1	Market development	Market development	Market penetration	Market penetration
Product development	Product development	Horizontal integration	Forward integration	Divestitures	Backward integration	Liquidation
Horizontal integration	Weak Concentric diversification	Strong Competitive	Competitive	Position	Quadrant 3	Quadrant 4
Retrenchment	Concentric					

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diversification Concentric diversification Horizontal diversification Horizontal diversification Conglomerate diversification Conglomerate diversification Joint ventures Divestiture

Liquidation Slow Market Growth Dynamism Top-class leisure, sports event, and Dublin shopping festival have become the main dynamism for visiting Dublin. Leisure has surpassed business as the primary reason for visiting Dublin due to the deluxe hotel services and facilities. Dublin is also widely known as an international sporting venue holding many sport events such as Horse Races, International Power Boat Racing, Pedigree Camel Races, Dublin World Cup, Dublin Tennis Championships, etc.

In addition, the well-known Dublin shopping festival, which offers shopping, world-class entertainment, daily raffles and arts, has been recognized as the world's largest festival. Porter's 5 Forces Michael Porter provided a framework, which models an industry influenced by five forces: threat of new entrants, bargaining power of supplier, rivalry among existing competitors, bargaining power of buyer and threat of substitute product and service. This model can be utilized to gain in-depth understanding of the industry context in which the firm operates, and assist the firm in achieving higher profit margins and remain competitiveness.

Figure 3. Rivalry Among Existing Firms According to Grant (1998), there are several factors to examine when considering the rivalry among existing firms: * Low demand of the products * Low switching cost * Exit barriers * More equal size competitors As a leading regional commercial hub with a state-of-the-art infrastructure and an excellent business environment, Dublin

provides investors with a unique and comprehensive value-added platform that make Dublin a strategic location for conducting business.

As evidences to Dublin success in attracting foreign investments, many hotels were built in the past and some are under development to meet the high demand of foreign customers and to support the economic growth of Dublin. Burj Al Arab is one of the most obvious distinctions among them. It have a lot of competitor like Lee Murdered Mina Assays, Hyatt Regency Dublin, Sheraton Jumpier Beach Hotel and much more, which have strong brand reputation among local and international travelers.

In order to leverage its brand equity, Burj Al Arab Hotel must possess better quality of service and facilities above its competitors. Threat of New entrants According to Johnson et al (1999), there are several aspects when considering the power of the new entrants: * Existing loyalty to major brands * High fixed costs * High costs of switching companies Government restrictions or legislation For Burj Al Arab hotel, there also exists threat from the new entrants.

Even though it has loyal customers, small mishandling in customers expectations may cause the loyal customers to switch preferences. Burj Al Arab has raised the customer expectations to a very high degree and failure to meet these expectations can disappoint the customers. This hotel has a particular advantage which other hotels are difficult to replace: the particularity of the product. Its ideographic makes the hotel became the primary choice for the guests who would like to have a deluxe and exiting stay in Dublin.

In comparing this hotel with other new entrants, Burj Al Arab hotel possess competitive advantages in term of cost advantages such as hiring cost, recruiting cost, and operating cost, and strong brand recognition among top-tier travelers. Bargaining Power of Buyers The power of buyers is the impact that customers have on a producing industry. In general, when buyer power is strong, the relationship to the producing industry is near to what an economist terms a monopoly - a market in which there are many suppliers and one buyer.

According to Fred (1995), the analysis of competition of rye power for Burj Al Arab hotel can be express in the following points: * Price sensitivity * Product differentiation * Brand Identity Majority of customers always pay close attention to the hotel's price. Therefore Burj Al Arab hotel should raise or lowering prices to gain a temporary advantage based on the changes of high season or low season. A low level of product differentiation is associated with higher levels of rivalry. On the contrary, Burj Al Arab has great product differentiation with the only room type-suit rooms.

It helps lower the rivalry levels. Burj Al Arab hotel is a single marketed brand hotel. It doesn't have the brand recognition when compared with Sheraton, Hyatt or the Lee Meridian chain of hotels. However, this does not affect Burj Al Arab Hotel seem the hotel aims for a high profile customer who is willing to pay premium price for their unique experiences and first class services. In addition, it manages to maintain a high " buyer volume" with large number of guest staying at the hotel throughout the year and with high occupancy.

Bargaining Power of Supplier “ Suppliers are firm and individuals that provide the resources needed by the many to produce its goods and services” (Kettle et al, 1999). Under the following conditions, supplier can assert large influence in the business transaction: * There are few dominant suppliers of a particular product * There are no substituted products * Switching to another product is very costly * The product is extremely important to hotel

If these situations occur, Burj AL Arab hotel has to face a pressure from their suppliers.

However, the hotel can reduce the bargaining power of supplier by partnering with travel agency or big supermarket chain, purchasing extremely high volume of products, and reduce its dependency on suppliers by producing part of its own products such as detergent, pastry, etc.

Moreover, the owner of Burj AL Arab Hotel is the sheik prime minister of I-SEA, thus it helps to build better relationship with suppliers in Dublin.

Indirectly, this provides the hotel with some economic advantages resulted from political factors.

Threat of Substitute Products or Services Knowles (1999) suggested that all firms in an industry are competing in a broad sense with industries producing substitute products, thus creating revenue and profit pressures. Following is the key points of substitution's threat: * Fair price performance * Buyer's propensity The chief point is the similarity of substitutes the existence of close substitutes presents a strong competitive threat, limiting the price a company can charge and thus its profitability (Hill et al, 2001).

Nevertheless, if a company's products have few close substitutes, the great opportunity does exist to raise prices and earn additional profits. The competitive threat of the substitution for Burr AL Arab Hotel in Dublin is not critical strong, because of different room type (only suit rooms available) and valuable expectation from the service quality (designed as the first 7 star hotel in the world). Hence the room rate for Burr AL Arab is around \$900-\$7000 per night, which maximize the hotel profitable ability.