

# Business strategy report

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However, the only problem of the hotel was its design style did not combine with local cultures. The Ibis hotel also had capabilities to provide the 15 minutes contract to guarantee the staff will solve problems in short time. In addition, the Ibis hotel operated its business in high efficiency and quality, and it could be regarded as the most innovative hotel chains, which were the most obvious competitive advantages. In terms of external analysis, the growth rate of the economy and global trades contributed to the development of the Ibis hotel.

Based on Porter's five Forces analyzed, the risk of entry by potential competitors was high. Bargaining power of suppliers was low, which was an opportunity for Ibis hotel development. In the last part of the report, the Ibis hotel applied the franchising plan to expand its business, but it still needed to reduce its cost. Furthermore, the Ibis hotel should focus on its service and facilities quality.

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1. 00 Introduction Ibis hotel is an economic chain hotel which is one of the brands of Accor international hotel. Since it

was established in 1974, Ibis hotel is world-renowned for TTS quality service and competitive prices. Nowadays, Ibis hotel has nearly 900 branch chains which are located in 45 countries and regions. This report aims to analyze the internal and external environment of Ibis hotel and find out the business strategy for the enterprise.

This report is divided into three aspects. Firstly, the authors critically analyze the Ibis hotel's internal environment. Secondly, external environment is analyzed from two aspects, which are macro- environment and industry environment. Recommendations are proposed in the third part, which assists Ibis hotel maintain and improve its competitive advantages. . 00 Analysis of the internal environment 'The internal environment consists of the inherent competencies of the firm and the structure of its internal systems and processes' (Hill & Jones 2010, p. 9). In order to formulate a distinctive strategy of the corporation it is essential to analyze the internal environment of the company, which includes evaluating its resources and capabilities. In this section, the author will critically analyze Ibis hotels' internal environment and discover this chain hotels' competitive advantages based on Hill and Jones theory. 2. 10 Resource As (Hill & Jones 2010, p. 0) pointed out, 'Resources refer to the assets of a company, which also can be divided into two types: tangible and intangible resources'.

In terms of Ibis hotel, it has standard hotel facilities and high- level service quality, but there are still some problems cannot be ignored. 2. 11 Tangible resources international hotel. This hotel equipped with full range of facilities, including internet connection, bath room, room furniture, and restaurants

(Ibis 2013). Compared with other economic hotels, the sound insulation of the walls of Ibis hotel is quite satisfactory, which protects customers' privacy. In addition, the Ibis hotel also arioso language backgrounds, and the hotel also applied the advanced VA equipment to attract more professional merchants.

Meanwhile, the Ibis hotel offers a clear price both outside and inside of the hotel, which means there are no difference between the announced price and what is paid (Accord Business Traveler survey 2009), which conveys the reliability of the hotel service to guests. Nevertheless, Ibis hotel merely provides free internet in public areas, which is not convenient for guests. Furthermore, even though the Ibis hotel has more than 900 branches all over the world, the types of the guest rooms are simplex, which cannot atticsfamilygroups in some countries.

According to (Rosary's 2010, p. 20), analyzing the local market needs is the key element to expand business in different places. Therefore, the Ibis hotel should focus on different types of customers to expand its customer base. 2. 12 Intangible resources 'Intangible resources are nonphysical entities that are created by managers and other employees' (Hill & Jones 2010, p. 21). Ibis hotel followed the policy of innovation and modernization to build branch hotels and improve service quality, which is the important intangible resource.

From 2002 to 2010, the Ibis hotel continuously won My Favorite Economic Hotel" brand, which directly improve the brand image and develop customer base (Ibis hotel 2008). Therefore, the intangible resources of Ibis hotel play

an essential role in developing hotel potential markets, but the design of the Ibis hotel should involve local cultural and the manager should employ more experienced staff. 2. 20 Capability 'A company's capabilities are basically the skills available through the company to perform certain actions' (Hill & Jones 2010, p. 25).

As one of the well-known economic chain hotel, the capabilities of Ibis hotel not only reflect in its human resources management, but also in service management. The Ibis hotel teams are well organized and trained by Accord hotel group, because they aim to provide the quality service to customers. For instance, the hotel multi-skilled employees will sign a 15 minutes satisfaction contract with customers which means the hotel staff will solve problems within 15 minutes (Ibis hotel 2010). In terms of service management, Ibis hotel offers the breakfast from am to noon (Ibis hotel 2010).

Compared with other economic hotel, this service is crucial to attract the customers, which also prove the comprehensiveness and particularity of the Ibis hotel. However, both breakfast service and 15 minutes contract will consume too much human resources, which probably influence the operating of other departments. 2. 30 Distinctive competencies 'Distinctive competencies are firm-specific strengths that allow a company to differentiate its products from those offered by rivals and achieve substantially lower costs than its rivals' (Hill & Jones 2010, p. 28).

Compare with other budget hotels, Ibis hotel has its own superiority. From the budget hotel in China. However, service quality and infrastructure of the

Ibis hotel are exceeded other budget hotels. For instance, Ibis hotel is the first economy hotel chain to receive sissies certification. The hotel provides some high quality service that makes customers feel comfortable, such as providing 24 hours reception and dining facilities for customers (Ibis hotel 2010). From the operator's point of view, Ibis hotel provides a reasonable procurement method, which is not only providing purchase service in China, but also global purchase.

The operators can use large-scale procurement to reduce operating costs, and gain more profits. 2. 40 Competitive advantage 'Competitive advantages are those resources that allow a business entity to develop ND maintain an edge over competitors who produce similar goods and services' (Hill & Jones 2010, p. 35). Meanwhile, according to Hill and loner's building block, the competitive advantage should be reflected in three aspects, including Superior efficiency, Superior quality and Superior innovation. Superior efficiency The efficiency of hotel is an essential element to expand customer resource market (Hill & Jones 2010).

The Ibis hotel follows the service and training standard of Accord hotel, hence the staff can solve the problems and customers' complain in short time to enable other departments will not influenced by any unnecessary issues. In addition, the Ibis hotel applied the advanced computer system which insures reception staffs increase the efficiency of check in process (Ibis Hotel 2013). Superior quality Although the Ibis hotel is an economic hotel, the hardware facilities of the hotel are in good conditions and the price is unchanged with other competitors (Ibis Hotel 2013).

Hence, the quality of facilities and equipment is the competitive advantage of the hotel. Furthermore, the service quality of the Ibis hotel is reliable because the staffs aims to provide the comprehensive services to customers and guarantee the efficiency of solving problems. Superior innovation  
Innovation in business is including the creation and improves products and services for customers. The goal of business innovation is providing the unique products and service which can help companies stand out from competitors.

Innovative room design is one of the innovative products of the Ibis hotel. Each room has super soft fluffy pillows, which can provide customers a comfortable sleep environment. Also, the hotel has a noise barrier, which can provide a quiet environment for customers. Black-out curtains can block the sun when customers are A new restaurant operation principle is another innovative product of the Ibis hotel. Generally, opening hours of budget hotel's restaurant is a very short time, which is only a few hours on lunch and dinner time.

However, compare with other budget hotels, Ibis hotel provides a kitchen which is open 24 hours a day, and can service many different tastes of dishes for customers. 3. 00 Analysis of the external environment 3. 10  
Analysis of the macro-environment According to Mill (2009), macro environment is the major external and uncontrollable factors that influence an organization's decision making, and affect its performance and strategies (Mill 2009). These factors include macroeconomic forces, global forces, genealogical forces, demographic forces, social forces and political and legal

forces (Mill 2009). . 11 Macroeconomic Forces Business is affected by the external environment, and understanding of macroeconomic factors will help enterprises recognize the current market environment, and develop a different strategy to gain more profits (Hans 2009). Three macroeconomic factors are analyzed below and these are the growth rate of the economy, interest rates and currency exchange rates. Growth rate of the economy Economic growth can improve the purchasing power of the customer and therefore his will reduce the competitive pressure for enterprises (Healthier 2012).

The growth of an economy can provide the opportunity for companies to expand their industry and earn higher profits. For instance, in the past year, Chinese hotel occupancy rate was increased by about 1% because of the growth rate of the economy (Hold 2011). However, an economic decline will decrease people's income and then the rate of service requirements declines. For example, the 2008 economic crises led to the global economic recession and the hotel industry has also been affected. Chinese hotel occupancy rate was decreased by about 1. % (Hold 2011). Also, an economic decline can intensify the competition; so many companies may decide to reduce prices to attract customers. This will reduce the profits of the enterprises. A typical example is " 7 days hotel " which provides 77 Yuan for the customers who are staying at the hotel for the first time (Hold 2011).

Interest rates The interest rate impact on the enterprise is reflected in bank borrowing (Nelson 2011). For Ibis hotel, an increase in interest rates is a threat, because it will increase the cost of borrowing.



For example, when the Ibis Hotel group wants to expand its pay the rental fees. However, the growth interest rate will cause the hotel's borrowing costs to increase. In addition, from the consumer's point of view, growth interest rates might prompt them to cut back on spending, which would result in lower demand (Nelson 2011). For instance, in China, increased interest rates led to a declining demand for tourism, so the spending of tourism products also decreased, and Ibis Hotels profits will be reduced (Hold 2011).

Currency exchange rates Hospitality and tourism are the world's single largest industry and probably one of the industries most affected by foreign exchange movements (Bilabial 2002). The impact of currency exchange rates on inbound tourism is mainly reflected in the price competition. For example, China will lose a price advantage if ARM appreciates. The number of foreign tourists will be reduced, and it is a threat to the development of the hotel industry. 3. 12 Global Forces Globalization gives many enterprises the opportunity to expand their scale and become a multinational corporation (Gloss 2012).

With the reduction of barriers to international trade and investment, an increasing number of enterprises have the opportunities to enter the international market. For instance, more and more foreign companies are attracted to China because of the development of the Chinese economy and the political reforms and open policies. Ibis Hotels is one of the foreign companies which are gaining the opportunity to grow its profits. However, lowering barriers to entry has made it easier for foreign enterprises to enter the domestic markets, which is a threat for Chinese companies.

Domestic market competition will intensify because of the entry of foreign companies. 3. 20 Analysis of the industry environment Industry environment is an exterior force which cannot be controlled by marketing UT may have a significant impact on helping enterprise to make successful strategy (Hill & Jones 2010). Michael Porter's Five Forces Model shows that there are five factors that affect the competition of an industry, which are the threat of new entrants to a market, bargaining power of suppliers, bargaining power of customers, threat of substitute products and the degree of competitive rivalry.

According to this model, the industry environment of the Ibis Hotels is analyzed as below. 3. 21 Risk of entry by potential competitors--High When a new competitor enters an industry it has the potential to obtain a market share and intensify the competition in the industry (Awoke 2010). If barriers to entry are low then the threat of potential competitors will be high and vice-versa (Awoke 2010). Therefore, high entry barriers play an important role in keeping potential competitors out of an industry, even when industry profits are high (Awoke 2010).

The threat of new entrants to the market in this report is high, because the entry budget hotel is relatively low, which means that many competitors may appear to share the market. For instance, the cost of opening an Ibis Hotel is about Y6000000 (Ibis 2013), and due to the low prices, the occupancy rate can reach nearly 90%, hence, the company can recover the cost in only three years. However, opening a four-star or five-star hotel needs an investment of at least a thousand million Yuan. Low costs and high profits

will attract many competitors, and increase the threat of entry by potential competitors.

However, Ibis Hotels provides high quality service and low prices for customers, which means that Ibis can attract many loyal customers, and it is not very likely that these customers will try a new brand. Hence, the well-established brand of Ibis Hotels compels the new entrants have to make a considerable investment in the quality of service, which increases the difficulty of entry for potential competitors.

3. 22 Bargaining power of suppliers-Low The budget hotel industry is a highly profitable industry because of the low bargaining power of suppliers.

In this report, suppliers for Ibis Hotels are facilities suppliers and food suppliers. However, these suppliers are not unique in the market. Hence, this will reduce the bargaining power of suppliers. Secondly, Ibis Hotels is an established global chain company, so some suppliers would want to keep a long-ERM relationship with the company, so the bargaining power of suppliers will be reduced. Moreover, suppliers to Ibis Hotels are not providing scarce resources and will have lower cost of the hotel to switch to alternative suppliers. Hence this benefits the company.

. 23 Bargaining power of customers-High Powerful customers are able to reduce profits in an industry (Hill & Jones 2010). In this report, the bargaining power of customers is high for the Ibis Hotels. Firstly, the switching costs are low for Ibis's hotel customers, because most budget hotels are providing similar service quality and price. For instance, 'Homeliness' is the bellwether of the Chinese budget hotels and, compared with 'Homeliness', Ibis Hotels cannot

provide better quality service and lower prices, and are not as well known as 'Homeliness'.

Hence, customers find it easy and inexpensive to switch to alternative suppliers, which is a threat to the company. In addition, online booking leads to a greater price selection for customers, so the bargaining power of Ibis's customers is high. 3. 24 Intensity of rivalry-High The fierce competition in an industry will encourage companies to change their business strategy, such as participation in a price war and investment in a new reduce. However, these strategies will increase the costs and lower profits for companies (Michael 2009).

Firstly, competitive rivalry will be higher in an industry with many current and potential competitors (Michael 2009). The Chinese budget hotel sector has increased Green Tree Inns, and also, there are Chinese budget hotels such as " 7 days hotel", " Homeliness", and " Motivate". The increasing number of budget hotels will share the market and pose a threat to the Ibis Hotels Company. Secondly, the more lower degree of product differentiation, the greater the intensity of price competition (Michael 2009). Because the difference is not obvious, price promotion becomes the main competition for budget hotels.

For instance, with the increased competitive pressure, many hotels provide a preferential price to attract customers. However, the price promotion strategy has a risk for the company, because it will reduce the profits. 3. 25 The Threat of substitute products-High Substitute products are regarded as something that can provide the same requirements for customers (Hill &

Jones 2010). If a company has many substitute products, then it will have to limit price and this will reduce the company's profits Hill & Jones 2010).

The main threats to budget hotels come from two aspects, which are backpacker accommodation and apartments. Although the backpacker's facilities are relatively simple, however their low prices still can attract a large number of low-income tourists. Apartments are another competitor, which can provide relatively high quality service and the same price for customers. Ibis is one of the budget hotels, so if Ibis wants to attract more customers, it has to reduce prices or introduce innovative products.

However, these methods will reduce the company's profits, which are a risk to the company.

#### 4. 0 Recommended strategic direction

#### 4. 10 Recommendations for business-level strategy

'A generic business-level strategy detail actions taken to provide value to customers and gain a competitive advantage by exploiting core competencies in specific, individual product or service markets' (Gallagher 2004, p. 4). It includes costleadership, differentiation, focus, and combination of the strategies. According to (Hill & Jones 2010, p. 154), 'A generic business-level strategy gives a company a specific form of competitive position and advantage vis-à-vis its rivals that results in above-average profitability. Based on the current situation of Ibis hotel, cost leadership strategy will benefit the maintenance and improvement of the competitive advantage. The cost leadership strategy aims to attract more business opportunities with lower cost than other competitors (Hill & Jones 2010). The room price of the Ibis hotel is in same level with other economic hotels, and the cost is lower. From 2010 to 2013, the Ibis hotels have carried out franchising plan to replace independent management 2008) pointed out,

franchising plan is the way to promote the business and gain an opportunity to advertise its brand.

For instance, the franchisees of Ibis hotel use hotel brand and reputation, and they also follow the standard service system of the hotel, which not only save the cost of land and facilities but also worldwide expand the Ibis brand. Therefore, the lower cost is one of the competitive advantages that need to be retained by Ibis hotel. The differentiation strategy focus on produce the unique service and product to attract more potential customers (investor words 2010). The differentiation between Ibis hotel and other economic hotels is the comprehensive service.

As the author mentioned in internal analysis part, the Ibis hotel starts the breakfast from am to noon, which will satisfy the need of different guests, especially for those travelers who need to get up early to catch airplane. Generally, those economic hotels provide breakfast from am to loam. Therefore, the majority of guests will prefer to choose Ibis hotel because of its quality and unique food service, which needs to be retained and regarded as the competitive advantage.

However, the economic hotels apply the standardized operation mode, which is not flexible because guests with different ultra backgrounds have different requirements. Therefore, the Ibis hotel should combine its standardized operation mode with local characteristics, which probably improve its competitive advantage. A firm attempting to implement a focus strategy is serving the needs of a limited group or segment very well, which also can be

divided into focused Low Cost and focus differentiation (investor words 2010).

In terms of focused low cost, the Ibis hotel should expand its suppliers to get relatively low cost, and this hotel also needs to reduce its price to attract guests in different periods and places. In addition, the Ibis hotel merely focus on business groups, and it provides the advanced VA equipment and facilities, which needs to be retained. For focus differentiation, the Ibis hotel not only needs to focus on narrow target market, but also need to focus on room and food service. For example, the room facilities should be functional and the food menu should be optional for customers. . 20 Recommendations for corporate-level strategy Corporate-level strategy refers to 'specifies actions taken by the firm to gain a competitive advantage by selecting and managing a group of different businesses omitting in several industries and product markets' (Hill & Jones 2010, 178). It also includes diversification strategy and concentrate in single business. Diversification strategy is the process of organizations move into new businesses and services (Hill & Jones 2010). For Ibis hotel, it carried out the related diversification strategy to expand similar industry.

The Ibis created three style hotels for customers with different services and styles which directly expand the market share. Guests could select one of three types of Ibis hotel depend on their own need and preference.

Therefore, this related diversification creates the additional value for companies, which means these companies can share the customer base to

discover more customer resource markets. Nevertheless, this diversification strategy is easily affected by external environment of Ibis hotel.

For example, the Ibis hotel probably will be influenced by the change of exchange currency and seasonal tourism. In this case, in order to create value, the Ibis hotel should explore other relevant industries and keep the loyalty of customers. Another direction of corporate level strategy is concentrate in single business. For instance, the McDonald's consistently produce unique fast food industry and update its products and design of the restaurants, nowadays this fast food chain restaurant gains more than 80% market share (BBC 2010).

As the branch of Accor, the Ibis hotel probably needs to learn the strategy of McDonald's to concentrate on its hotel service quality. Currently, the service of economic hotels still in an average level and the room price is almost same (China Daily 2009). In order to make more profits, reducing room price may not be the best way to attract customers, so the Ibis hotel should consider improving the room and service quality to gain value instead of using price strategy to compete with other economic hotels.

The recommendation for Ibis hotel is that the hotel should focus on improving its original business. 5.00 Conclusion In conclusion, Ibis hotel provides the high level tangible and intangible resources to attract different customers. Standard hotel facilities, high quality of service and innovative products provide powerful competitive advantage for Ibis hotel. However, the network in the hotel is a limitation of hotel development. The challenges and



opportunities of the hotel development are discussed through the analysis of the external environment.