

Cost leadership strategy for tune hotels tourism essay



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As a business development manager of Tune hotel, I have been requested to propose and justify the implementation of an overall cost leadership strategy for Tune hotels. com. this proposal is consists of preparing a strategic service vision for Tune hotels. com by taking few aspects as a consideration into account, such as the target market segment, service concept, operating strategy and also the service delivery system as well. Besides that, I have been asked to identify what are the service dimensions in setting the benchmark for service qualifiers, service winners and service losers as well.

Hotel overview

Air Asia is a low cost carrier (LCC) airline, with the image of making flying feasible for everybody, where it is well known for the largest low fare and no frills airline, and Tune hotel is one of another luminous thought invented by the air Asia's Chief Executive Officer (CEO) and also the founder of Air Asia as well, Datuk Tony Fernandes. Tune hotels have open its first " no frills" hotel branch in Jalan Tuanku Abdul Rahman, Kuala Lumpur on 9th april 2007. Tune Hotel is currently operating in places such as Malaysia, Downtown Penang, Kota Damansara, Kuala Lumpur, KLIA - LCCT Airport, Johor, Kuching, Kota Kinabalu, Indonesia and United Kingdom and London as well.

Question 1

Target market segment

As in the context of a business, target market segment is an essential element which is needed to be considered and it is important in facilitating and directing the business path in the market. Target market segment, which is targeting the audience, is very important to sustain the survival of a

business or industry as well. Tune hotel which has been categorized under the service industry and it can be considered as the market leader in the no frills budget hotel in Malaysia and South East Asia. Tune hotel has implemented a creative and innovative concept to be used in Malaysia, and they differ from their competitors since no any hotel or company has claims to be in the same market segment.

Tune hotel has used the geographic segmentation dimensions to influence the market opportunity, for instance, tune hotel at Kuala Lumpur, Jalan Tuanku Abdul Rahman, which is known as the budget hotel which has the similar concept of no frills Air Asia Airlines, tune hotel also adapt the same concept where it is also the first no frills hotel in Asia as well. Tune hotel Kuala Lumpur are strategically located at the central of Kuala Lumpur in Jalan Tuanku Abdul Rahman, whereby it is close to major shopping, food and beverage outlets and entertainment areas. Moreover, the location is also convenient and facilities such as LRT and bused as well. (Anonmous, n. d)

Swot analysis of tune hotel

Strength

Tune hotel has a great strength whereby they have a reward system to those customers who have done an advance booking service through internet with them. By introducing this system, tune hotel will be able to attract more customers and maintain those loyal customers in future as well. Besides that, Tune hotel have a great central location with facilities such as LRT and buses and it is nearby shopping areas, entertainment areas, and food and beverage areas as well. This attracts and encourages those customers,

especially foreigners to choose Tune hotel as well. Moreover, Tune hotel are attractive with their pricing strategies as well, in situation where most of the Air Asia customers are those tune hotel's loyal customers.

Weakness

Tune hotel has a very limited number of customers in the region who are conscious of the Tune hotel. This could be one of the weaknesses faced by Tune hotel. Tune hotel should be able to work on their advertising method and emphasis more on their service provided.

Opportunity

In order to gain the competitive market and be the first market leader in service industry, Tune hotel can be able to attract more customers by improving their marketing strategy effectively to gain the customer's satisfaction and their support as well in future.

Threat

Tune hotel receives a high competition in the service industry since it has been unique in the industry. High Competition among competitors is one the biggest threat to tune hotel to sustain in the market in the future.

Outsourcing is also one of the threat to Tune Hotel since other Hotels do provide facilities which tune Hotel doesn't provide, for instance other hotels have basis necessities of customer such as the boiler, drinking water and many more, meanwhile Tune hotel does not provide all this.

Service concept

Source: <http://www.xm-msia.com/xm/tunehotels/facilities.asp>

Tune hotel is unique in providing their service, compared to their competitors, and they operate a limited service concept, where they only offer single and double room for its customers. They have 5 star beds provided in each rooms feature high quality spring mattress beds with basic needs such as pillows, pillowcase and bed sheets. Each of the room consists of attached private bathrooms together with heated power showers with the minimal room rates. Tune hotel are have a central and convenient and strategic location which is nearby to shopping areas, ATM services to withdrawal purposes, food and beverage such as kopitiam outlets and entertainment as well. Moreover, Tune hotel has 24-hour security facilities as well whereby it is secure and safe to be in the surroundings of the hotel.

Operating strategy

Tune hotel makes use of the outsourcing as their operating strategy to save the operation cost and to improve and get better output and efficiency of the hotel. For instance, Tune Hotel in Kuala Lumpur, the maintenance, Kopitiam, 7 eleven which is available for 24 hours, money changer kiosk, fast food outlets such as Subway, and CIMB ATM and bureau the change are certainly part of outsourcing. By implementing this operating strategy effectively, Tune Hotel have be able to save a huge amount of their cost and this eventually helped Tune Hotel to improve on better production and productivity effectively and efficiently of their hotel. (Batcha, 2007).

Service delivery system

Source: <http://www.scribd.com/doc/4089502/Tune-Hotel>

The service delivery system in Tune Hotel is overwhelming, and core and supplementary services provided are identified through the flower of service model. The service are divided into 2 main sections, where the information, order taking, billing and payment are categorized under the facilitating services, meanwhile consultation, housekeeping, hospitality and exception are categorized under the second section named as enhancing services.

TUNE HOTEL'S STAKEHOLDERS

Source: http://www.xm-msia.com/xm/tunehotels/about_us_3.asp

Tune hotels sdn. bhd is 40% owned by Datuk Tony Fernandes, 30% by Dato Kamarudin Meranun, 25% by Dennis Melka and the rest 5% by Tune Strategic Investments Limited. Tune Ventures Sdn Bhd owns 72.19% stake in tune hotels, followed by Dato Kalimullah Hassan which now the chairman of ECM avenue which is one of the listed Malaysian investment bank owns 12.03% stake in tune hotels, Lim Kian Onn the chairman of ECM avenue, also owns the same percentage as Dato Kalimullah Hassan 12.03%, and lastly followed by tune hotels employee holding sdn bhd where the company is formely owned by the key employees of tune hotel owns 3.75% stake in tune hotels as well.

Question 2

Service qualifiers

Tune hotel is classified to be the service qualifier since it is providing a good service which meets the requirements of a consumer. For instance, tune hotel has a clean environment around, whereby they provide housekeeping services to make sure the consumers feels safe and clean with the

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surrounding environment. Moreover, Tune hotel are concerned with the safety as well, where they have the 24 hour security system applied, whereby they uses electronic key card to access into rooms, CCTV cameras services, round- the- clock on duty reception staff and no access to the main lobby without a keycard pass midnight.(anonymous, 2007)

Moreover, tune hotel also has introduced tune hotel insurance only in Malaysia, and said to be globally soon. Those insurance are not only responsible for the lost of travel documents, but also has take the responsibilities of being cautious of guest's personal accident, medical expenses and also delayed check in as well.(anonymous, n. d).

Service winners

Service winners are those competitive dimensions used to make the final choice among competitors, for instance is the price. The pricing strategy of Tune hotel is from the range of RM 9. 90. Tune hotel's price will be different during peak seasons, promotion seasons and also a different price range for the advance booking as well.

Service loser

When tune hotel fails to deliver the needs and wants of the customer, they might entitle to be the service loser. Service loser occurs when there is a failure to meet the expectations of what customer actually wants. Tune hotel should be able to implement new marketing strategy as Tune Hotel is having a high competition among its competitors which is a threat to them.

Question 3

Porter's generic strategies

Source: <http://www.quickmba.com/strategy/generic.shtml>

Tune hotel has adopted the cost leadership strategy overall. This cost leadership strategy mainly emphasizes on the low cost producer in the industry. Setting price low sometimes might influence the way of thinking of a customer, where low price may give a negative perception of the quality and the brand image of the company itself. For instance, there are not many out there aware about Tune hotel and its services, since it is new in the market. This is mainly because the strategy used to represent about Tune hotel is done ineffectively. Tune hotel should come up with an effective strategy to expose their brand name by having advertisement about its service and facilities provided to attract not only the Air Asia's customers, but also to the locals and foreigners who travel frequently.

Placing Tune hotel in a strategic location with the lower price is valuable, but it should also be a place where customers feel flexible and convenient with the environment as well. Tune hotel in Kuala Lumpur, Jalan Tuanku Abdul Rahman where it is a location which is popular with prohibited immigrations and place where they gather together. The place is nearer to the place where most of the time it is famous with prostitution, drugs and offense are indivisible. This might not guarantee the safety at times and it could be one of the main problems customer's will have a choice to choose other hotels as their choice. Tune hotel can improve this by making a deep study and

research about those place and plan the location as well to avoid those circumstances occur.

Moreover, Tune hotel has limited services where they don't provide the basic necessities such as boiler, drinking water and so on. Tune hotel save cost on this, but yet it should not be limited in providing the services since its known as the budget hotel. Tune hotel can improve on their service provided to enhance the satisfaction of the customers and maintain its competitive advantage than its competitors.

Conclusion

Overall, Tune hotel has been taking the efforts to reach the audience by implementing the no - frills concept hotel. Since it is still new in the market, Tune hotel should implement new ideas to expose its brand name and win the local consumer's perception as well to adopt their name as well.