

Value chain of mariott hotel



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Im writing this assignment to give a complete idea about the business model of Value Chain and how can be applied into the hospitality industry which is a modern industry in fast growth with many challenges.

In fact hospitality is something started about 100 years ago and is in constant progress. This business model will help us to understand how value can be added to a company in order to involve more customers interested in a touristic products and generate more revenue. In the first part I will introduce the Value chain and its activities followed from cost advantage, differentiation and how important is the technology. After small description of two hospitality worldwide company I'm going to apply the value chain to the hotel industry to understand how takes action in the hotels with some example and comparison between the two company and how is evolving the idea of " add value".

Value Chain - Definition and its components

According to Wright (2004), Value Chain is a traditional manner of departmentalising stages of the business process. The value chain highlights the importance of the operational manager being involved in all aspects of the process, from suppliers right trough the customer. With the value chain approach functional boundaries are ignored and in many organisations its now accepted that the operations manager has to control the whole process from buying in goods and services to the final stage of satisfying the customer. Marketing, accounting, human resources are not showing up in the value chain, but the operational manager has to be interesting and to be

involved in these internal functions of the organisation as well. (Wright and Race 2004)

Information technology is changing the way companies operates.

According to Porter (1985), cost leadership and product differentiation can be pursued simultaneously only under rare conditions.

If organisations are to achieve competitive advantage by delivering value to customers, managers need to understand which activities the undertake are especially important in creating that value and which are not (Johnson et all 2008) . The value chain concept is important to understand this describing the categories of activities within and around an organisation, which together create a product or service”. The concept was developed by Michael Porter with his book “ competitive advantage 1985” where the idea of value chain is based on the processe view of organisations, the idea of seeing a manufacturing or service organisation as system, made up of subsystems each with inputs, transformation process and outputs which involve the acquisition and consumption of resources (money, equipment, labour, land, buildings, management and administration).

The primary value chain activities are:

1. Logistics/ Inbound: the distribution of manufacturing after the raw materials are received and warehoused.
2. Operations: the transformation process of inputs into services and finish products.

3. Logistics/ Outbound: The warehousing and distribution of the finished goods.
4. Marketing and sales: Placing the product on the market generating sales reaching the right people interested to buy it
5. Service: The tool used to offer the product on the market and the service offered after the product is sold (customer service)

This Primary Activities are supported by:

- The infrastructure of the firm: organisational structure, control system, company culture etc.
- Human resource management: employee recruiting, hiring, training, development and compensation.
- Technology development: technologies to support the value chain activity
- Procurement: purchasing input such as materials, supplies, and equipments. (<http://www.netmba.com/strategy/value-chain/>)

“ The firm’s margin or profit then depends on its effectiveness in performing these activities efficiently, so that the amount that the customer is willing to pay for the products exceeds the cost of the activities in the value chain. It is in these activities that a firm has the opportunity to generate superior value. A competitive advantage may be achieved by reconfiguring the value chain to provide lower cost or better differentiation”. (<http://www.netmba.com/strategy/value-chain/>)

External efficiency is measured by customer satisfaction and by market share. To achieve customer satisfaction the company requires, and is depends on, the timely received goods and its services to specification by <https://assignbuster.com/value-chain-of-mariott-hotel/>

external suppliers. Is very important to have a good communication, and teamwork between suppliers at one end, and the customer at the other end of the value chain. (Wright and Race 2004)

Cost Advantage and Value Chain

A firm maybe create a cost advantage either by reducing the cost of individual value chain activities, or by reconfiguring the value chain. Once the value chain is defined, a cost analysis can be performed by assessing the costs of the value chain activities. The cost obtained from the accounting report may need to be modified in order to allocate them properly to the value creating activity.

Porter identified 10 cost drivers realting to the value chain activities:

A firm develops a cost advantage by controlling these drivers better than do the competition.

A cost advantage also can be pursued by reconfiguring the value chain. Reconfiguration means structural changes such a new production process, new distribution channels, or a different sales approach. For example FedEx structurally redefined express freight service by acquiring its own planes and implementing a hub and spoke system.(<http://www.netmba.com/strategy/value-chain/>)

Differentiation and Value Chain

A differentiation advantage can arise from any part of the value chain. For example procurements of inputs that are unique and widely available for

competitors can create differentiation, as can distributor channels that offers high service levels. A differentiation advantage may be achieved by changing individual value chain activities to increase uniqueness in the final product, or by reconfiguring the value chain.

Porter identified several drivers of uniqueness:

- Policies and decision
- Linkages among activities
- Timing
- Location
- Interrelationships
- Learning
- Integration
- Scale (eg better service as a result of large scale)
- Institutional factors

Most of these also serve as cost drivers. There are several ways which a firm can reconfigure its value chain in order to create uniqueness. (<http://www.netmba.com/strategy/value-chain/>)

Technologies and the Value Chain

The changes in technologies can impact the competitive advantage changing and making possible new configuration of value chain. Many technologies are used in both primary value activities and support activities:

Hospitality Company Hilton and Marriott and Value Chain Analysis

In order to compare value chain activities and how can be added value to a company, I small description, history and value of Marriott and Hilton Hotels.

Hilton Worldwide

Is the leading global hospitality company, spanning the lodging sector from luxurious full-service hotels and resorts to extended-stay suites and mid-priced hotels. For over 90 years Hilton has been offering business and leisure travellers the finest in accommodations, service, amenities and value.

Company dedicated for the tradition of providing exceptional guest experience across its global brands distributed over a total of more than 3400 hotels in 79 countries. “ The new corporate and Hilton Hhonors branding enable our individual hotel brands to further build their distinctive identities while also communication their common connections and the strong value proposition of the Hhonors program” said Paul Brown, President of Hilton’s Global Brands and commercial services.

Marriott international

Marriott’s brands are leading in customer satisfaction and owner and franchisee preferences. Exceptional amenities. Attentive guest care. In-depth local knowledge set industry standards around the world.

Marriott International has become the world’s leading lodging company, not only through its diverse portfolio of global brands, but also by training and engaging the best employees (300. 000) to delivery the best service and create “ Guest engagement”. About 3000 hotels (managed or owned) in over 66 countries with luxurious brands such us Bulgari, Ritz Carlton and JW

Marriott. “ The core values established by the Marriott family over 80 years ago have served our company well and will continue to guide our growth into the future. Foremost of these core values is the enduring belief that our associates ar our greatest assets”. Marriott focus its success on the Marriott experience providing opportunities for employees. Marriott Rewards is the reward program which is a kind of world hotel club for Marriott’s hotels.

As we can see, two very big hospitality companies operating worldwide are constantly trying to add value to their products. In the service industry and especially in the hotel industry, the value is added and created from the people inputs of time, knowledge, equipments and systems to serve the hotel guests and customers. Customers in these companies can be also employees from the same organisation. The more value is created, the more people will be ready to pay the price for the service or product and the more they will keep on buying from the same company. The decisions to differentiate the products offered from the two companies are crucial to add value and persuade the potential customer to the right choice.

According to Hilton and Marriott websites, Hilton is generating most of its revenue using the web reservation system while the main Marriott income (about 40%) is generated from Marriott’s members.

This good example is showing how two very similar products are offered on the market and are seen with different value. According to a small survive, 8 out of 10 people that never staid before in one of this two hotels, and using internet to book a room, wood book a Hilton property. The same survive offered to world travellers that staid at many Hotels managed from Hilton

and Marriott (7 out of 10) is more oriented to Marriott hotel for the quality of service.

If for example one of these two company would come up with a new technological and advanced system for online reservations, that customers would like use for its innovation, easy and fast to use and secure (credit cards details), with new futures (text confirmation, priority check in, express check out, dinner reservations and amenities), for sure the margin of value is enhanced and until the competitors is studying a better system, the customer will like to use this new system.

Value chain analysis

To understand and find out where we can create value we need to use a Value Chain Analysis.

The first step for the analysis is the Activity Analysis:

where all the activities to serve the customer and to deliver the service are analysed.

In this step of activities analysis we are going to collect as much information as we can from all the people involved within the organisation such us guest, employees, suppliers, business partners, travel agents and tour operators.

This stage will also involve the way to recruit people with the right skills that will deliver the best service. How to keep the team motivated and informed about the performance. In the case of these featured company the KPI system (Key Performance Indicator) has been introduced to control the

standard of performance that will help to get feedback from the guest to enhance the guest engagement.

To conduct the Value Chain Analysis are needed up to three years of annual reports to understand and analyse how the costing of the activities are changing and whether they are in unison with the competitive strategy of the firm. To gain knowledge about the core competence of the company, we can have a look at the company and competitor websites and SWOT analysis of both companies can be done to understand the key strengths and weaknesses of the company and how different are the firms from the direct competitor. (<http://www.coursework4you.co.uk/>)

Value analysis

After few activities are identified we list the “ Value Factors” which is the kind of service that the customer value in the way the activity is conducted.

If we analyse for instance a telephone order placed to the room service department, the customer will value a quick answer to his/her call, a good and polite manner, efficient taking of order details with fast and knowledgeable answering of questions and a quick resolution to any problems that arise during the order. Delivering a professional service, the customer will like the correct solution based on the good options and up to date alternatives.

This analysis will give us what needs to be done or changed to provide a great value for each Value factor.

Evaluate changes and Plan for Action

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With the Value Analysis, we will generate so many ideas for increasing the value that we are going to deliver to customers.

Value Chain in the Hotel Industry

The primary activities in the Hotel industry:

Starting from the Inbound Logistics where we have all the contracts with supplier that are delivering the food and beverage, providing laundry service and other services; Back of the house storage and distribution within the hotel's departments and inventory control and stock requisitions.

The Operations are represented from all the procedures and processes that, with the support from all the advanced equipments and tools, will produce goods and service to offer on the market.

Outbound Logistics in the hotel can be the way the services and final products are offered and distributed to the different outlets and different guests.

Marketing and Sales: all the activities that are trying to get customers and people interested in the hotel for rooms, conferences, restaurants but also the promotion of the hotel with advertise and pricing considering the competitors

Service in the hotel industry is crucial for its succes. The quality of service is created with a certain number of employees in proportion with the hotel capability and with the respective training. A good service will enhance the product's value and will be crucial for the guest that will have to chose in which of the many hotels to stay. An example can be made between the

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company Hilton and Marriott where both can offer the same guest room, the same equipment in the room, same facilities with different price; probably the price for Hilton is more competitive but the service offered will be not at the same level as a Marriott hotel. The same room at the Marriott hotel with a nice presentation of the hotel services from the reception staff will probably an added value and the travellers will be more likely to go back where a better service is offered if the price is not much higher (value for money).

Support activities in the Hotel industry

The Procurement in the hotel can be the facilities offered to guest, the building, and the equipment that will support all the operations to make easy and smoothly the service.

Technology Development is very important within the hospitality as it is a modern industry in constantly growth where new technologies are needed to save time and work smarter. The Propriety Management System is the most important to take into consideration which is the software to manage all the operations and share all the information with all the hotel departments in real time. The innovation and the technology are developing the hotel industry.

The Firm Infrastructure is represented from the management team with the long term planning, the quality management , public affairs, finance and accounting.

Conclusions

All the primary activities of the Value Chain are used to increase the “ Margin of Value” and the support activities have special role for the success. As we can see in the above analysis, in this complex industry there is a very high amount of operations and procedures within all these activities all with the same role to reach the customer and delivery a good service. There is also a lot of effort to increase this margin from all the hotel departments. In the Hospitality all the process are linked and if a small activity is generating problems, will effect the efficiency and the quality of all the other processes. Therefore is important the Value Chain Analysis to get ideas and find out what can be done at operational level to add value to the product and service offered. This analysis will help the operations director to understand how he can achieve the fixed objectives.

Recommendations

Studying and researching for the value chain and how value can be added to a business, helped me to understand that generally when hospitality properties are making something new to add value is very likely to find it on their websites. As it is usually some ideas that could come from the customer’s satisfactions survey or from employees feedback, and therefore is good to listen the employees working in direct contact to the customers to understand in which direction to move and how value service can be offered to a valued customer. In fact most even if the managers have the important role to direct the company, key factor for the value chain is the mix of all the ideas coming from the employees which is undertaken in some workplace.

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