

The history of hard rock cafe tourism essay



The history of Hard Rock Cafe headquartered in Orlando, Florida began from July 14, 1971 by the appearance of a modest cafe in London, England. Hard Rock Cafe's founders are Isaac Tigrett and Peter Morton, two enterprising and music-loving Americans. And, 1982 is the time for HR's expansion when 2 owners decided to develop their own HRC in many different places. After some transitions and acquisitions, HR International now belongs to the Seminole Tribe of Florida with over 171 venues in more than 52 countries around the world, including 134 cafes and 15 Hotels/Casinos, live music venues, and a huge annual Rockfest concert.

Differing from other corporations, HRC's awareness of the brand appeared at start-up and throughout the development process. Hard Rock Cafe model is typical of the method of construction products by topic - a brand new marketing tool. Hard Rock Cafe is a mixture of experience, style, entertainment factor, sharing awareness and ultimately memories storage. This is the key factor leading HRC's present success.

With rock 'n roll sensibility - A HR birthright- demonstrated by USD million valued collections of memorabilia, service philosophy " Love All - Serve All" and operations under the banner ' Save The Planet, Hard Rock Cafe - the core of HR International entertainment and leisure company- will definitely continue to successfully expand the Hard Rock Brand. Kuala Lumpur (Malaysia) and Ho Chi Minh City (Vietnam) are considered exotic and far-flung locales of HR system. In 2011, Hanoi (Vietnam) is one of eight venues of HRC coming into being.

I. THE OPERATIONS MANAGEMENT STRATEGY OF HRC

From a modest cafe in London, HRC now occupies over 171 locations in 52 countries. This success has been achieved by changing from a “ themed” restaurant into one participating in what is now called the “ Experience Economy”.

Working in service industry, HRC’s products are services and they are intangible.

OM always plays an important part in service area. HRC understands this and uses OM effectively to get access to their target - serve guests with unique experiences at each as well as every cafe. This is found through its mission of “ To spread the spirit of Rock ‘ n’ Roll by delivering an exceptional entertainment and dining experience. We are committed to being an important, contributing member of our community and offering the Hard Rock family a fun, healthy, and nurturing work environment while ensuring our long-term success”.

In service industry, strategy is basically OM strategy. HRC uses “ Multi-Domestic” strategy when using its (US) domestic model globally, and using franchising operations when it makes sense to do so. (Half company, half franchise). This may includes using the use of joint ventures or subsidiaries. Franchises are used when it is decided “ that local ownership will bring a unique capability, or local conditions suggest there will be an unusual or difficult implementation”. In order to access the competitive advantage (Strategic Differentiation, Low Cost, and Response). Although HRC has no normal competitors, a lot of its rivals are from experience that tourists can experience. HRC selectively applies 10 OM decisions, contributing to

remarkable achievements. This results in 92% name recognition all over the world, putting HR in the top 10 of all restaurants.

1. Product and Service Design

With the philosophy "Love all - serve all", HRC provide guests with experience, not meals simply. Here, the chefs modify menu from classic American - burger & chicken wings- to include higher-end items (stuffed veal chops, lobster tails). They also analyse and test the meals as well as review the menus to make sure the food is well qualified and delicious enough to serve their guests. Because HRC orients to differentiation for making competitive advantage, the menus as well as food is usually changed. Also, HR is adding a new emphasis on live music & redesigning its restaurants to accommodate the changing tastes.

2. Quality

Differing from product, service's quality is affected by many subjective standards. It is not easy to set up a general level of quality. This requires a serious effort to get a success. With a chain of over 171 locations in 52 countries, HRC has nowadays retained many brands. HRC realises the importance of total quality; therefore, each staff or each meal is strongly focused. The staff must be well qualified. They also make research on food, taste or suppliers. Many surveys about quality have been regularly done based on the feedback or comment sheet from guests. They aim at the most perfect quality by using the scorecard of a one to seven scale. If the scores are not a seven, this means a failure. They are happy to receive the comments from guests, even the complaints by which they can improve the

services. That is the reason of the slogan “ We’re going to reap the benefits of the efforts that we put into it, so in the end, the love you take is equal to the love you make”.

3. Process and capacity design:

Because “ Customer may be directly involved in process design and Capacity must match demand” (service with 10 OM decisions – Heizer & Render), HRC puts guests at the heart of operations and staffs always try their best to satisfy guests. Scheduling the large staff of bartenders, cooks and waiters, waitresses is done based off of tracking sales. The schedule can be modified for being suitable with job character, seasonality and guests’ convenience for the purpose of efficiency. Everyday, HRC serves about 100, 000 meals with appetizers, salad, sandwich, sides, burger, entries and desserts.

4. Location selection:

In service industry, location must be near customers. That is why HRC chooses the best venue at the center of each city to locate. Location is a key factor in service business. It is the prerequisite condition making or breaking business strategy. At HRC, location is considered one of the most essential OM decisions done by Oliver Munday – HR’s vice President for cafe development. Before opening a new HRC, Mr. Oliver Munday travels a world to pick up a country for HR’s next cafe, select a city, and find the ideal site and then negotiates the deal. After that, he works with architects and planners and stays with the project through the opening and first year’s sales. Usually, Mr. Oliver Munday looks at several factors with a global view

when considering a location. Some of them are: political risk, currency risk, social norms, brand fit, social costs, business practices. And, an extensive research checklist is applied. They pay attention and make a trend analysis of Demographics, Visitor Market, Transportation, Restaurants and Nightclubs (a selection in key target market areas), Political Risk, Real Estate Market and Hard Rock Cafe Comparable Market Analysis. Depending on the result, HRC will finalise the business model, joint-ventures, subsidiaries or franchise on the way to set up a unique base.

With 75% guests are tourists, most of HRC are located in central areas having congregated nightlife. The location decision is at least a 10-15 year commitment. Also, Break-Even Analysis is used to help decide whether to build the purchased land, or to remodel an existing facility. Currently, Munday is heavily looking into global expansion in Europe, Latin America, and Asia. As estimated, there are 8 HRC that are coming into being in 2011, including Hanoi, Vietnam, helping to increase the total revenues to nearly 180.

5. Layout design:

In service industry, layout is another important element, contributing to improving product & production. After locating, depending on reality, HRC will decide the layout design. Sometimes, they purchase the land to the venue. Sometimes, they just remodel on the base of rent land. HRC takes a great deal of time for this work from exterior to interior. The outline must be attractive while decoration is at the aim of drawing the attention of guests. The bar, furniture, lighting system, sound and circulation are at the guests'

comfort. Meanwhile, the working station as well as kitchen, food area makes staff easy to operate and serve guests at soonest. Moreover, retail shop together with memorabilia creates a deep impression by a unique way that can not be found anywhere else. All of them bring the guests a special atmosphere of living in Rock'n'Roll world.

6. Human resources and job design:

Being aware of the role of human resource which is critical in service, especially in experience economy, HRC is always careful of recruitment as well as training. Applicants to HRC have to meet the criteria of appearance, positiveness in attitude, high self-motivation and interest in serving and sharing experience. In addition, they are required to be skilled at work and passionate about music as well. Being a staff here, everybody passes Rock 101 - a 2-day training course for basic service skills and with a rock'n'roll spirit. Job-oriented interactive CDs covering kitchen, retail & front-of-the-house service is the content of HRC's training programme. HRC tends to the strategy " building a culture allowing for acceptance of substantial diversity and individuality", there is no discrimination at HRC. The promotion and employee policy are also strongly focused and equal to all staffs. With value system " to bring a fun, healthy, nuturing environment into the HRC culture", the staff is the element conveying the rock'n'roll soul, making atmosphere alive and bringing exceptional experience to the guests. That is the reason why HRC is said to have the competitive advantade through its human resources.

Besides those decisions above, HRC also pay attention to supply-chain, Inventory, scheduling and maintenance management. In order to have food served with freshness and high quality, HRC chooses the qualified suppliers and regularly work with them. At HRC, they set a schedule relying on business sales, revenue, events, seasonality, sales forecast and business trend analysis...to make sure they are always at service. The most important inventory management is for memorabilia collections valueing over US\$ 40 million with more than sixty thousand pieces decorated at all HRC. No matter what the large number of memorabilia, HRC effectively manage from a distance. They know well the name of every memorabilia, how many of them at each HRC and where to put. The maintenance of memorabilia is done at Orlando every 5-7 years; hence, their valuable and largest Rock'n'Roll collection is in good condition all the time.

In addition to OM decisions applied, HRC global strategy can be successful thanks to good forecasting. Hard Rock doesn't limit its use of forecasting tools to sales. Depending on the application, Hard Rock makes long-range, intermediate-term or short-term sales forecasts conducted each month, by cafe, and then aggregated for a headquarters view. The daily forecast is further broken into hourly sales. The point-of-sale system (POS) is at the centre of the sales forecasting system. Computerized scheduling software is used and then they compare the actual sales to forecast to calculate the variances, find out the reason for improving. A 3-year weighted moving average is applied to cafe sales, multiple regression is found in Hard Rock's menu planning...Effective forecasting helps HRC be at good service, contributing to its successful Operations Management.

In brief, selective application of 10 OM decisions with forecasting brings HRC with a competitive advantage, differentiating HRC from other cafes. This puts HRC firmly in the service industry, especially in experience economy which is so attractive but with a variety of difficulties and challenges as well.

II. THE OPERATIONS MANagements CHALLENGES AND OPPORTUNITIES FOR HARD ROCK WHEN CONSIDERING AN EXPANSION OF ITS BUSINESS INTO HANOI

Continuing with the success in expansion, HRC first appeared in Vietnam in 2009 by franchise done by Viet Thai International. That is HRC located in Kumho Plaza, right at the heart of Saigon, the biggest and crowded city of Vietnam. After over one year of operation in Saigon, Vietnam HRC step by step gained some success with remaining musical sensibility demonstrated through Rock'n'Roll and valuable memorabilia collection. At the moment, there are a variety of bars, restaurants, cafes and even hotels in this city; nevertheless, HRC is still considered highlight. Of course, the subjects of HRC is not massive, but selective. Their guests are basically hi-end, rich, sophisticated and with high musical taste or foreigners, tourists. They come to HRC not for a drink or a meal only but for a mixture of experience, style, entertainment factor, sharing awareness and ultimately memories storage.. On the way to development, one more HRC is being estimated to come into being in Hanoi - capital of Vietnam. It is no doubt that HRC will face many challenges.

Hanoi is the Vietnam second largest in population (6. 5 million people) with imbalance between urban and rural, urban and suburban. Hanoians are not

so -going, and open-minded as the southern people . They live traditionally and somewhat strict, conservative in accepting anything new or strange. This is the obstacle to HRC with experience way which seems still new to Vietnam. Besides, there are a lot of hotels, bar, restaurants, entertainment centers, shpping malls..., even modern venues invested by foreigners that are regarded as competitors of HRC in experience economy. The limit of Hanoi is at the lack of airport. Until now, Noi Bai is the only one airport and very far from Hanoi's center (40 kilometres), the roads are not bad but not well synchronised yet, making some obstacles to transportation. A variety of restaurants, bar, nightclubs are existing and working in this city, which are competitors sharing the market in experience industry. The competition is more and more intense. About the Real Estate Market, it shows a bad fluctuation with unreasonably high price. Hanoi's land is grouped into highest market in the world, bringing the difficulty in investment. Also, the aftereffect of global crisis leading the decrease in hi-end people, including tourists with high affordability. According to official staticstic, in 2010, the number of hi-end tourists coming to VN downs around 15-20 %. Some foreign offices temporarily close or reduce staff. The local people tend to cut the bugdet for entertainment. Therefore, a luxury environment like HRC will be much damaged in quantity, to some extent.

However, it is apparent to access many opportunity for HRC when deciding to expand into Hanoi.

The first opportunity is the demographics. The population of Hanoi is big at 6. 5 million, the number of people with high affordability are younger and younger. They will be easy at receiving the new features like an experience.

A number of Hanoians seriously and like to take the form of a space so luxurious and unique can be a choice to express status, their level. Hanoi is the capital, the fix number of foreigners living and working here is great. Many restaurants, hotels, bars, convention centers...that are well qualified to serve a number of passengers. Embassies, foreign companies, NGOs...are majorly located here. And the big number of tourists and businessmen come here. And, many events, MICE activities are firstly chosen to organised here. With 75% of HRC is tourists as statistic, Hanoi is at this advantage. Also, the economic indicators are not too bad, even during the economic downturn, promising a benefit for HRC when living standard is enhanced and more guests coming to this cafe.

The next opportunity is created by the differentiation strategy. Although there are a big number of hotels, restaurants, bar, shopping malls or entertainmnet centers, nothing is prominent and highlighted. HRC with the unique features by chain tradition will actually attract customers.

In addition, the transportation in Hanoi is more and more improved. Hanoi is the hub of northern region, the link of cities, provinces in North. Except from the lack of synchronisation in roads and a bigger airport with bigger capacity, the transportation system is relatively good. Noi Bai - an international aiport with a history of 33 years and a capacity of 10 million passengers per year with many airlines (VNA, China Airline, Singapore Airlines, Jetstar...) and direct flights to abroad. Hanoi also has famous river right at the middle of city and a railway station that is not far from the center. These are conveniences!

Hanoi also brings HRC another opportunity of safety. Vietnam is considered one of 10 safe destinations. Everyone can be sure about the political risk in our country. A stable and unified political regime together with a high security can definitely bring the bright prospective of business.

Hanoi with high living standard, a great number of local people are able to highly afford, having high requirements in musical taste and quality. Here is the cradle of rock with a large number of fans. As a result, HRC with Rock'n'Roll sensibility can fully meet their needs and favourite.

Moreover, HRC first came to Vietnam by Franchised done by Viet Thai International in 2009. Viet Thai International is a successful corporation in Highlands cafe chain. It is evident that HRC can continue experience in doing operations in cafe in particular and in experience industry in general.

HRC has been having strong brand and reputation.

In brief, with a lot of opportunities analysed above, it is clear that HRC makes a decision of expansion to Hanoi is reasonable. And, it is no doubt that HRC will continue their success if they remain faithful to system's spirit - The Rock'n'Roll sensibility so that guests come here not for just a meal or a drink, but a mixture of experience, style, entertainment factor, sharing awareness and ultimately memories storage. This is the feeling that can not be found anywhere except HRC chain, until now.

=> Choose central district (Hoan Kiem) at Vincom Plaza