

Service operations in the evolving business environment tourism essay



\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [Table of Contents](#) \n \t
2. [Background](#) \n \t
3. [Action and Implementation Plan](#) \n \t
4. [Appendix 1 Banyan Tree Current and Upcoming Destinations](#) \n \t
5. [Year](#) \n \t
6. [Destinations](#) \n

\n[/toc]\n \n

Banyan Tree was very successful and grew very fast in the Asian sector. In this report we will look at the difficulties Banyan Tree has expending globally. At this stage Banyan Tree needs to overcome certain challenges in order to continue its expansion. We will provide suggestions on how to overcome these challenges in this report.

Table of Contents

Executive Summary 2

Table of Contents 3

Background 4

Action and Implementation Plan 10

Appendix 1 Banyan Tree Current and Upcoming Destinations 11

Reference List 12

Background

Banyan Tree Hotels and Resorts was established in 1992 as a family business by Ho Kown Ping. Enz & Farhoomand (2008) stated Ho's family believed Banyan Tree Hotels and Resorts needed to have a unique strategy so it could stay long term in the market, and Ho was influenced by his family on this idea.

The company grew rapidly under Ho's leadership. Ho opened Banyan Tree resort in 1994 for high spending customers and provided premium customer service. It opened another brand called Angsana in 2000, this brand focused on young families and it was not as luxurious as Banyan Tree. Enz & Farhoomand (2008) stated that Banyan Tree Spas and Angsana Spas provided different products and customers' experiences. The ambiance of Banyan Tree Spas was more about the traditional, luxurious and classical while Angsana Spas provided service in a modern and colorful environment. Banyan Tree Oberoi Spas is a brand to provide spas skills to Oberoi Group of India.

" Banyan Tree managed and owned interests in upscale niche hotels and resorts which included 18 resorts and hotels, 49 spas, 53 galleries and two golf courses spread across nice counties" (Enz & Farhoomand , 2008). (See the Appendix 1 for Banyan Tree current and upcoming destinations). Enz & Farhoomand (2008) mentioned that Banyan Tree was rewarded with over 250 awards and accolades. Ho received the Innovation Award from the Hotel Investment Conference Asia in 2003, Entrepreneurship Award from the Hotel Business School and Ernest in 2005 and Young Singapore, Lifestyle, Hospitality and Retail Entrepreneur Award in 2005.

<https://assignbuster.com/service-operations-in-the-evolving-business-environment-tourism-essay/>

Banyan Tree has a few key success factors in their operations, management, service, branding and marketing. Banyan Tree provided various services, the revenue come from residence and property sales and spa and gallery operations based on Enz & Farhoomand (2008). Its operation has six business strategies including hotel investment, hotel management, spa operation, gallery operations, property sales, design fees and others starting from June 2006 based on Enz & Farhoomand (2008).

Enz & Farhoomand (2008) noted that revenue of hotel investment took up more than half of the company's revenues in at the end of 2005; The revenue of hotel management from Banyan Tree was based on management, incentive and other fees including reimbursement of fees received from the sale and marketing service in other resorts and hotels which Banyan Tree provided.

Spas were regarded as one of the main characteristics. According to Enz & Farhoomand (2008), Banyan Tree Phuket won the Crystal Award for Best Spa in Asia from Spafinder's Reader's Poll in 2005. Banyan Tree spas could only be found at Banyan Tree resorts and hotels except for the one at Westin Shanghai as it wanted promote the brand in China, while Angsana spas could be found in all other resorts managed or owned by the company and other operator's resorts and day spas. Oberio spas by Banyan Tree ran under spa management. It is different from room rates, Spas treatment prices were not influenced by seasons. So the pricing structures were different in the individual spas.

Enz & Farhoomand (2008) stated Banyan Tree Gallery and Angsana Gallery rewarded as the Pacific Asia Travel Association Gold Award for Heritage.

Branded gifts, spa products, specialties and others souvenirs could be found in resorts, hotels and spas. Museum shops provided a unique collection of museum duplications and arts. In this way the company's brands got exposed and at the same time it made revenues.

Enz & Farhoomand (2008) also stated that the company had sold 470 resort residences at Laguna and Phuket. Banyan tree's strategy was to connect properties where close to its resorts and spas. The company got profits through selling the resorts residences while it kept unsold properties as resorts rooms to get more hotel investment.

According to Enz & Farhoomand (2008), Banyan Tree Hotels and Resorts provided design service, lease office service and golf course service. All the costs of construction, renovation, alternation and construction management fee were charged by the owner. They believed it could reduce costs, have good quality, be more efficient and keep the design consistency in this way.

Diversity brings a broader range of expertise, resources and viewpoints to projects (Townsend, Demarie, & Hendrickson, 1998, cited in Grosse, 2002).

According to Grosse (2002) having people from different cultures enhances the experience for everybody and strengthens a team. Enz & Farhoomand (2008) mentioned that top management members of Banyan Tree came from 20 different countries which brought Banyan Tree rich experience and leadership while 5, 000 staff from Banyan Tree came from 35 different countries.

According to Enz & Farhoomand (2008), Banyan Tree branding was the core competence since Banyan Tree was created and it had been the key to its success and framework for its global expansion. Enz & Farhoomand (2008) identified cross-selling as one of the strategies from Banyan Tree. Banyan Tree launched a customer reward program called “ Sanctuary Programme” in 2003 to promote other Banyan tree hotels, resorts and spas through giving qualifying customers free stays and incentives. The company tried to make these customers become loyal to its different brands.

Word of mouth is very important within the hospitality industry. According to Enz & Farhoomand (2008), Ho believed word of mouth would be one of the strategies for Banyan Tree’s marketing. Banyan Tree’s vision is based on its brands and its strengths were the corporate social responsibility, property advantage and staff shared the Banyan tree ethos of CSR.

Enz & Farhoomand (2008) suggested that Banyan Tree brand appealed business collaborators such as American Express and other quality business partners. These business collaborators helped Banyan Tree getting high spending customers and provided it other global systems and marketing program as well. Enz & Farhoomand (2008) also stated that the world Travel Market and other major international tradeshow promoted the Banyan Tree Brands as well as provide it a chance for wholesalers. Other famous hotel companies approached Banyan Tree to open a Spa, and it was free advertising for Banyan Tree as well as bringing it to new places.

Banyan Tree had distinctive competencies including corporate Social Responsibility Philosophy (CSR) and The Green Imperative Fun (GIF). Enz &

Farhoomand (2008) stated that CSR was designed to minimize the damage for the environment and help local business and communities. It is also a free advertisement for Banyan Tree. The Banyan Tree website mentions that GIF was created to continue formalizing its corporate social responsibility efforts in 2001. The GIF focused on environmental action and community projects in Banyan Tree's neighborhood.

" Apart from competition within a specific location, there was also competition between locations." " Typically, Banyan Tree didn't compete with large -scale hotel operators, as most of its resorts had fewer than 100 rooms or villas and focused on niche markets in premium resorts and hotels" (Enz & Farhoomand, 2008). Enz & Farhoomand (2008) stated that Banyan Tree's closet competitor were the Aman resorts, COMO Hotels and Resorts, Six Senses Hotels & Resorts, One-and -Only Resorts and the Four Seasons Resorts while Angsana resorts and spas' had different competitors at each outlet such as One-and-Only Kanubura and Shangri-La Hotels.

Enz & Farhoomand (2008) mentioned that Amanresorts resorts focused on local surroundings including open view of rice files etc. It was designed to provide distinct atmosphere and customers experience in different locations. COMO's resorts ranged from cities to secluded places, it claimed to offer the best Yoga teachers in the world. It also mentioned that Six Senses Hotels and Resorts focused on staffs' behaviors and atmosphere at each resort. One - and -Only Resorts' core values is " blow away the customer", it offered customer a unique and luxury experience. The resorts which were rewarded were located in the most beautiful places in the world. Enz & Farhoomand (2008) stated in the interview that Four Seasons is a global company and <https://assignbuster.com/service-operations-in-the-evolving-business-environment-tourism-essay/>

resorts were located in urban city centers which established in 1960. The company stated to be on the top of running luxury hotels and it provided a “home cooking” service. Shangri-La Hotels and Resorts was the largest Asian hotel group in Asia and the Middle east, and half of their business would come from China by 2010.

Enz & Farhoomand (2008) identified Ho was not afraid to face these competitions as he was sure Banyan Tree could lead small to medium sized luxury hotels as long as he overcome a few challenges which includes to be developed into globalizing service operation as well as avoid diluting its brands.

Issue Statement & Problem Analysis

Currently Banyan Tree is mainly located in Asia and is expanding rapidly in that part of the world. Banyan Tree seems to have two core businesses which overlap each other, being resorts and real-estate. The management is looking into globalizing Banyan Tree and expending further into western countries. This however doesn't come with the needed challenges.

Banyan Tree suffered together with the travel and tourism industry the Asian financial crisis of 1997, Bali bombings in 2002, SARS outbreak in 2003 and the Indian Ocean tsunami of 2004. These kinds of crisis had a big impact on Banyan Tree and others in the hospitality and travel industry resulting in “low occupancy” (Enz & Farhoomand, 2008). In the appendix of Enz & Farhoomand (2008) it can be seen that during the SARS period in 2003 a 10 to 50% drop in travelers was occurred in Asia, which shows in Banyan Tree's operating profits. As Banyan Tree is currently mainly located in Asia, this <https://assignbuster.com/service-operations-in-the-evolving-business-environment-tourism-essay/>

drop in travelers didn't support Banyan Tree in their effort to globalize and in fact slowed them down.

Banyan Tree would find new locations based on the criteria of "room rates" of the "typical industry player", which room rate could be ten times lower of what Banyan Tree would ask for (Enz & Farhoomand, 2008). It is mentioned that this "strategy" worked on many occasions and "premium pricing" could be demanded for between 5 to 7 years, before competition entered. This strategy would indicate that the Banyan Tree organization still highly benefits from undeveloped areas and a competition which is less competent. From this we can conclude that if the hospitality and travel industry in China, India and other developing countries in Asia become more developed, the competition will become fiercer for Banyan Tree. This intensification of competition in their home market would surely slow down the globalization of Banyan Tree.

Enz & Farhoomand (2008) mentioned in their interview that the property sales generated more than half the operating profits of the year 2003. For the year 2005, with the depression in the hotel segment, profit from the property sales represented 91.6% of the total operating profits (Enz & Farhoomand, 2008). In the China Daily (Oct 20, 2010) it is mentioned that more Chinese cities implement tougher regulations through "loan caps and higher down payment hurdles", in order to cool down an "overheated property market". Government restrictions like these imposed in China can become a bottleneck to foreign investors. As China is a major market in the Asia sector and thus for Banyan Tree, developments as these will have a

negative impact on Banyan Tree's property sales department. In the worst case scenario it could have a negative impact on their growth.

It is mentioned in the interview that Banyan Tree itself is mainly afraid for "brand dilution" (Enz & Farhoomand, 2008). The paper also mentions that this brand dilution would mainly occur through not having enough "man power", not having proper "infrastructure", spreading itself to thin or venture into locations that could have negative impact on their brand. Banyan Tree being afraid for brand dilution shows very clearly the issues they are having in expanding their organization further, especially to new areas outside of Asia. It can be assumed that their current strategies are mainly focused on Asian culture and aren't truly global. Therefore true globalization strategies would need to be implemented in order to be successful in expanding organization globally.

In short, strategy for new locations is based on finding competition in interesting areas with extremely low room rates, which works in undeveloped areas. Global expansion has slowed down due to several major crises in Asia while property sales have supported the organization in total operating costs. While expanding the organization globally still have some issues which need resolving.

Recommendations

Key issues in globalization include the constraints imposed by language, culture, and government regulations (Lovelock & Yip, 1996). In the Glion institute higher education online study website (2010) mentioned one of most popular ways to being global is franchising and franchising accepts fast <https://assignbuster.com/service-operations-in-the-evolving-business-environment-tourism-essay/>

and extensive growth. Franchising is a system by which a firm grants to others the right and license to sell a product or service and, possibly used the business system developed by the firm (Fitzsimmons & Fitzsimmons, 2010, as cited in The International Franchise Association). Benefits are as stated in Fitzsimmons & Fitzsimmons, (2010) less business risk because of the ability to become part of an established service brand through franchising, enjoying benefits of national advertising, the acquisition of a proven business and benefitting from a centralized purchasing system which saves cost while giving up personal independence. Through franchising as a vehicle it allows Banyan Tree to be able to expand swiftly into new markets, but only on the condition their global marketing plan has been fully worked out and proved to be fully working.

Information-based services offer management greater flexibility to split the back office and front office, with opportunities to centralize the former on a global or regional basis (Lovelock & Yip, 1996). In order to improve Banyan Tree's infrastructure their current backend information system should be renewed in order to facilitate expansion, competitiveness and globalization efforts. Through this system customers could be tracked with their personal wishes and habits making it possible to provide services towards the customer next time he visits without the need to ask and being able to prepare the customer's needs before arrival. This is one step towards global premium service to Banyan's customers. Besides customer preferences training, policy updates and information sharing could be made possible guiding all of Banyan Tree's venues towards standardization and compliance,

which in the end would provide the customer with a single Banyan Tree experience, not matter which Banyan Tree would be visited.

Enz & Farhoomand (2008) mentioned that globalization of the Banyan Tree organization will “ spread the risks of natural catastrophes” and also “ reduces the impact of cyclical and seasonable fluctuations in the tourism industry”. Focused network is “ a service firm that must be readily accessible to customers” (Fitzsimmons & Fitzsimmons, 2010). They also state that a “ focused network allows management to maintain control, which ensures consistency of service”. It is advisable to implement a multisite strategy and become a focused network which has as benefit that it supports the franchising method and thus rapid growth. As a global service strategy importing customer service strategy type would fit Banyan tree. Fitzsimmons & Fitzsimmons (2010) stated that the importing customers type as “ a service evolves that is focused on the attraction” of customers. This method works well together with the service type called “ beating the clock” at which 24 hour service is provided to customers. The ability to be able to have a 24 hours reachable reservation desk online or by phone is a must for a global organization. Note that this reservation system would go hand in hand with their information systems. This reservation system would also promote their quest in globalization of their organization as they make themselves at anytime at any place reachable.

According to Hallowell (2000) that Four Seasons has a low staff turnover compared to industry standard because of its training strategy and promotion program. Attracting and training new staff is more expensive and difficult compared to retaining current staff. Banyan Tree could follow Four
<https://assignbuster.com/service-operations-in-the-evolving-business-environment-tourism-essay/>

Seasons' employee strategies to train and develop its staff to maintain a low turnover rate.

Action and Implementation Plan

True global products and services have a standardized core product or service that requires a minimum of local adaptation (Lovelock & Yip, 1996). They mentioned further in their paper that managers may find that the best way to achieve global consistency in the core product is to create easily replicable service concepts, backed by clear standards, which allow for either franchises or country managers to clone the original core product in a new setting. Banyan Tree needs set up a global team in order to prepare for a global strategy. This would be done through using all of their general managers at each resort. At the end a strategy should be finalized after which the implementation phase can be started.

In order to service and track their customers an online accessible backend system should be implemented. A well designed and implemented system would provide major benefits to the Banyan organization in their pursuit to go fully global. Banyan Tree should contact an off the shelf software supplier which meet their demands with options to customize their software. This way their information system doesn't need to be developed totally from scratch and future updates can be implemented easier as the software is based on existing software.

“ Labour intensive activities can be supported by major investments in communications and computer systems that facilitate the transfer of information into and out of the process” (McLaughlin & Fitzsimmons, 1996).

<https://assignbuster.com/service-operations-in-the-evolving-business-environment-tourism-essay/>

In order to keep a low turnover of staff it is advised to create a special program for that. Step one would be to provide continues training to the staff, in order to support their career. If staff have the potential to keep growing within the company including its rewards there is no reason to look outside for another job. Secondly staff needs to be respected as peers, no matter the position. Thirdly a certain company atmosphere needs to be created in order for people to feel happy and close to each other. This supports their needs as well as the company as it promotes team work.

These strategies and plans will support Banyan Tree in its quest to expend globally, However it still has long way to go in order to develop into a global origination.

Appendix 1 Banyan Tree Current and Upcoming Destinations

Year

Destinations

Existed destinations

Banyan Tree Hangzhou - China

Banyan Tree Lijiang - China

Banyan Tree Ringha - China

Banyan Tree Sanya - China

Banyan Tree Bintan - Indonesia

Banyan Tree Ungasan, Bali- Indonesia

Banyan Tree Club & Spa Seoul-Korea

Banyan Tree Madivaru, Maldives

Banyan Tree Vabbinfaru, Maldives

Banyan Tree Cabo Marqués-Mexico

Banyan Tree Mayakoba-Mexico

Banyan Tree Seychelles

Banyan Tree Bangkok-Thailand

Banyan Tree Phuket-Thailand

Banyan Tree Samui- Thailand

Banyan Tree Al Wadi-UAE

2011

Banyan Tree Macau-China

Banyan Tree Riverside - China

Banyan Tree Kerala - India

2012

Banyan Tree Lang Co - Vietnam

Banyan Tree North Bund - China

Banyan Tree Tianjin - China

Banyan Tree Alqueva - Portugal

Banyan Tree Jiuzhaigou - China

2013

Banyan Tree Yangshuo - China

Banyan Tree Huangshan - China

Banyan Tree Costa Navarino - Greece

Banyan Tree Tamouda Bay - Morocco

Banyan Tree Sifah - Oman

Banyan Tree Panda Town - China

Source: www.banyantree.com