

# Comparison of jumeirah group and hotel formula 1 marketing essay



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Starting business in 1997 with the Jumeirah Beach Hotel, the Group dreamed of becoming the most innovative luxury hospitality group in the world. Ever since the opening of Burj Al Arab, which still represents the most luxurious hotel in the world, the group has achieved exactly what it strived for right from the beginning. Now, 12 years after foundation, Jumeirah Group has gone much further than only offering world class hotels to their customers. By 2011, the Group still works exclusively in the hospitality sector, but their portfolio has spread widely within these last years. Figure 1 provides an overview of Jumeirah Group's portfolio (Jumeirah Group 2011a).

overview1

Figure . Overview of Jumeirah Group's portfolio.

Including most of their hotels and resorts in Dubai, Jumeirah Group also built luxurious hotels in London, New York and Shanghai. New openings in the year 2011 include hotels in countries all over the world, such as the Maldives, Abu Dhabi, Kuwait, Baku and Germany. The different hotels and resorts employ a total number of over 11, 500 employees from 100 nationalities. This way it is assured that every customer can feel extra special, enjoying extraordinary customer service (Jumeirah Group 2011b).

### **Jumeirah Group's value chain**

Jumeirah Group's main value drivers are " high quality and personalized products and services" as well as their " positive impact on the community" (Jumeirah Group 2008, p. 14). In the following it is described, how Jumeirah Group operates within their primary as these are the main drivers of creating as much value as possible for Jumeirah Group's upmarket customers.

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Within their inbound logistics, Jumeirah Group focuses on “planned, efficient, financially beneficial and ethically sound provision of high quality” as well as “best value products and services”. Therefore, within the process of choosing their suppliers, Jumeirah Group emphasizes that this process is to be held fair in order to provide every possible supplier with an equal opportunity to work for Jumeirah Group. Of course, every new supplier has to “meet several health, safety and legal requirements” in order to fall into Jumeirah Group’s consideration. With the aim of constant improvement of their supply chain, Jumeirah Group has established a Supplier Forum. Within this forum, suppliers can not only discuss strategic changes with Jumeirah Group’s Supply Chain & Logistics department, but they can also make suggestions in order to improve current practices and processes (Jumeirah Group 2008, p. 17).

To facilitate smooth operations while providing outstanding customer service, Jumeirah Group employs only the best people and strongly focuses on their talent development. As Jumeirah Group attracts customers from all over world, their employees originate from more than one hundred nationalities, which enables them to “meet the needs of guests and colleagues from many different value systems, cultures and languages” (Jumeirah Group 2008, p. 25).

Table . Breakdown of total workforce.

work force1

The outbound logistics within Jumeirah Group’s value chain are represented by satisfied customers, the Group’s economic impact as well as their  
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environmental impact. While customer satisfaction is probably one of Jumeirah Group's most important outputs, as it is much easier to retain customers than to acquire new ones, they also contribute positively to their home community's welfare by creating valuable and long term job opportunities (Jumeirah Group 2008). In addition, Jumeirah Group focuses on minimizing their environmental impact as much as possible by using sustainable energy sources, investing in energy efficiency and reducing their overall waste output (Jumeirah Group 2008).

In order to use the full potential of marketing opportunities, Jumeirah Group established global strategic partnerships within the travel, finance, retail and luxury industry. The relationships formed within these partnerships enhance Jumeirah Group's brand awareness through various initiatives. Of course, their partners must display a wide range of criteria, such as " brand fit, global reach and transparent and honest relationship", in order to promote sales effectively for Jumeirah Group (Jumeirah Group 2008, p. 15).

Ultimately, all of these primary activities work together synergistically in order to facilitate Jumeirah Group with the ability to offer luxury services for high class customers.

### **Jumeirah Group's process design**

Hotels are usually seen as service shops as they deal with a medium amount of volume and variability. However, Jumeirah Group's process type best embodies professional services as they deal with a medium volume but a very high variety of customers, requiring a high degree of front-office activities. Within this process type, customers " spend a considerable time in

the service process”, which provides “ high levels of customization in order to meet individual customer needs” (Slack, Chambers & Johnston 2010).

Figure 2 shows Jumeirah Group’s location within the different service process types.

The processes at Jumeirah Group are very much people based meaning that not only do products such as furniture or other surroundings have to be of best quality, but the service has to be delivered in a very high standard. This is the reason why Jumeirah Group only employs the best people throughout their value chain.

service process type JG

Figure . Jumeirah Group’s service process type.

As Jumeirah Group solely delivers high quality services, their products such as food have to be of highest quality as well. Using fresh food as an example, Jumeirah Group structures its supply network in an order that they don’t have much inventory. Using the pull method they can provide just in time services utilizing only very little inventory. That way Jumeirah Group can respond to capacity variations quickly, keeping costs down and quality of products and services high. Therefore, within the design of their supply network, Jumeirah Group seeks first tier suppliers that produce their products themselves and are therefore able to quickly deliver high quality products.

process design3

Figure . Overview of process design elements.

## **Hotel Formule 1**

### **Company Overview**

Hotel Formule 1 was created under ACCOR Group in 1984, dedicating to create a revolutionized world low cost budget hotel chain. Under the notion of 'sleep well at the best price' (Formule 1 2010a), the hotel offers minimal services than other one start hotels in returns to offer the lowest price to customers. The hotel is running at the least human resources evident by only two receptionists are working during the busiest check-in and check-out period; customers can check-in by using the automatic check-in machine with credit card outside the reception desk operation time. The hotel rooms included basic standardize necessities, a double bed, corner table, TV and bathroom. There is no restaurant to provide dinner service in order to maintain simplest management while customers find it easily to dine in restaurants near Formule 1 Hotel. The hotel has the largest market share in the low price hotel field in France (Kim & Mauborgne 1997) while it has widely expand across the world incorporates Europe, Africa, Australia, New Zealand and Asia. There are 339 F1 Hotels with 27994 hotel rooms (ACCOR 2010a) in total while the hotel group is now targeting to explore more on Asia market.

hotelF1\_photo-facade\_724b3ea663

Figure . Outside of Hotel Formule 1 (ACCOR 2011).

### **Formule 1 Hotel's value chain**

Formule 1 is segmented as economy hotel which its core value driver is best price with quality of service deliver to customers together with 'committed

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to growing the well-being of the earth's populations and to preserving the planet's resources' (ACCOR 2011).

In order to actualize offering the best price to customers, the hotel offer small size and soundproofed hotel rooms, just comfortable enough to spend overnight; no decoration of hotel as customers are not expect to pay the price for architecture; minimal furniture with top quality hygiene which is real concern of customers; vending machines are available for selling sweets and snacks as well as automatic check-in machine is working 24/7 with least staff employed. The hotel therefore benefits from cost advantage over competitors by halve the building cost of hotel rooms and cut the staff cost between 25 percent and 35 percent of sales (Kim & Mauborgne 1997). Moreover, the hotel launches best price/cleanliness guarantee which promise to offer invincible price and hygiene or the hotel will compensate for the default (Formule 1 2010b).

In order to provide quality service to customers, Formule 1 Hotel endeavor to improve the quality of working team especially on managerial level by supporting hotel managers in achieving degrees in hospitality field which further polished their skills and knowledge housekeeping, reception and management skills under Validation of Acquired Experience System (ACCOR 2010a). Hotel managers not only can transform their experience into certified degrees, it can also sharpen their knowledge on hospitality in professional manner in order to deliver quality customer service.

Formule 1 not only strives for minimizing cost in order to offer best price to customers, but also committed to better use of natural resource to reduce

environmental pollution evident by introducing the Earth Guest Program and installed solar panels on the roof of some Formule 1 Hotels across the world. Under the Earth Guest Program, 11. 1% of Formule 1 Hotels are equipped with tap and shower flow regulators which effectively lessened water consumption to 243 liters per occupied room per day (ACCOR Sustainable development Department 2010). In addition, renewable solar energy is promoted by the installation of solar panels which effectively supplying 40 percent to 60 percent of the needs of hot domestic water per annum (ACCOR 2010b). The operation of business is more environmental friendly on one hand while it helps in saving cost of the hotels on the other hands that reach a win-win situation.

### **Formule 1 Hotel's process design**

Formule 1 Hotel's process is best described as mass services unlike the traditional position of hotel industry at services shops; as the hotel handles high volume but low variety of customers which requiring limit contact of front-office officers. In this category of process, there is limited contact time between staff and customers that provides little customization to suit mass customers (Slack, Chambers & Johnston 2010). Figure 5 demonstrates the hotel is locating in a mass service group.

The service process of Formule 1 Hotel is fundamentally technology based which means it highly rely on the use of technology than human resources for instance automatic check-in system, vending machines and automatic toilets and showers cleaning system (Slack, Chambers & Johnston 2010). The hotel provides standardize products in terms of rooms size, room setting and hotel decoration whilst it also delivers reasonable quality of service to

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customers. Therefore, Formule 1 Hotels put more effort on investing in hotel equipment and technology innovation.

service process type F1

Figure . Hotel Formule 1's service process type.

As Formule 1 Hotel mainly concerns on offering unbeatable price by minimizing costs, therefore anything that will raise cost will be eliminated. Hotel restaurant is the best example for illustration, there is no restaurant in the hotel whereas only self-served breakfast is available, and therefore the hotel minimized waste and inventory of food. While vending machines for snacks and cold/hot drinks available 24/7 therefore it can serve for mass demand of food and drink with standardized product and service.

## **Comparison**

Formule 1(F1) and the Jumeirah Group (JG) are two companies with very substantial differences. While both are active in the hospitality sector, specifically in the accommodation of guests, they focus on very different market segments. To achieve their financial and economic goals and to gain an appropriate share in their specific market segments both companies have developed almost opposing strategies, despite certain similarities. The following segment will elaborate on those differences and similarities.

## **Key operations in hotels**

The key criterion in the hotel sector is to provide a service which meets the demand and expectations by customer. Therefore hotels and groups have to perform well in certain essential operations. Those include cleaning, room

service, reception, facilities. In addition hotels can offer additional services like mini bars, concierge service, complimentary internet and Wi-Fi equipment or sport facilities. The range of optional services is quite extensive and every company has to carefully assess which services and facilities to offer in regards to the company policy and operations strategy.

F1 and JG both have to deal with cleaning and tidiness in their facilities as a minimum level is a qualifying factor in this industry. However the F1 follows an approach of shared bathrooms, which are self-cleaning, aiming at an acceptable level of cleanness at minimum cost, while JG is following a traditional manual high quality cleaning process for each room's individual bathrooms.

In other aspects F1 low cost approach is apparent as well. There is no room service or any other additional service available, even the reception process has been automated as no clerk is available outside business hours. JG in contrast is following a pure high quality strategy with providing all possible services, even a fleet of luxury cars is on stock available for guests. Instead of focussing on merely the qualifying factors with low prices JG intends to secure market share through order-winning and even delighting factors (creating the first 7-star hotel).

## **4 V's**

One useful instrument of comparison and contrast is the use of the 4V model. This model will illustrate the key operational strategic characteristics of both companies.

Figure . Comparison of the 4 V's.

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JG's customers pay premium prices and therefore have very high expectations on their stays with the hotel. This means that customers might require assistance with entertainment arrangements, planning of trips or other very special requests. With only a few individualized hotels worldwide in central locations, JG is clearly not focussing on a mass market.

F1 instead has 300 standardized hotels located at highways and airports. Most customers are just looking for a cheap night close to infrastructural hubs and have therefore very different expectations to F1. As the model illustrates the volume factor is high while variety and variation is rather low.

The visibility for both groups is high as customers can clearly see and evaluate the apparent cost difference and the difference in provided services.

## **Five competitive priorities**

Another area of interest for comparison is the analysis of the five comparative priorities for each group. This tool provides a useful insight into a company's operational strategy, as it identifies measures how a company tries to reach its goals.

Figure . Comparison of the five competitive priorities.

F1 follows a strategy that is aiming to reduce costs especially at the expense of flexibility. Additionally facilities and equipment in F1 hotels are designed to be functional. These types of interior and other processes like the self-cleaning process might not reach the same standard as high-class hotels, however it does not mean that quality is not a priority for F1. The strength of

F1 lies in speed and dependability, which is also their focus. Customers can pull up to the hotel at any time and can be sure to have a cheap robust room within minutes.

JG on the other hand tries to excel in all areas, especially in terms of flexibility and quality, which comes at a very high cost. The aim is to fulfil every wish customers might have and create a very high satisfaction. Especially during special events like conferences or sport events, the speed and dependability might suffer as rooms are booked out months in advance or too many customers come with too many special requests at the same time.

## **Conclusion**