

The millennium and cophthorne hotel tourism essay



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To examine and evaluate a real life example within the hospitality industry of how a particular organization pursued a certain strategic choice, in recent years.'

This is a study of the Millennium and Copthorne hotel in terms of its performance in the hospitality industry and focuses on its strategic choices to operate and growth. Furthermore, this paper will include the basic competitive advantage of the organization, its strategies in term of handling the green issues compare to the industry rivals and the directions of its growth with the organizational change in the firm. The paper will also analyze the strategic adaptation in the firm.

The Basis of the Competitive Advantage:

Lately the hospitality industry become highly fragmented small units where the site and the spatial arrangement of room are prominent factors are the determinant of rivalry. Furthermore, the industry is experiencing a new look involving high variety and excellence of accommodation along with multi-product nature incorporating seasonal variations in demand. Finally the green issues are also playing a key role which introduces a new dimension in the industry nature.

Fig: International Tourism (Source: UNWTO)

The Millennium & Copthorne Hotels plc, a universal hotel, dynamic in nature, operates almost 120 hotels and resorts in approximately 20 different countries. The company maintains and runs mostly four- and five-star hotels generally under the Copthorne and Millennium names. The company also maintains non-hotel assets like the Kings Tanglin Shopping Centre in

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Singapore, the Biltmore Court & Tower in Los-Angeles. The group has dual origin – in the UK from the 1970's as a hotel operation for British Caledonian Airways, and in Singapore as part of the CDL organization. Among the two major brands the Millennium is a four Star and the Copthorne is a five star hotel. The group was voted ninth in top 10 in the industry and was placed 189th in the top 220 companies across all industries. (Millennium Hotel and Resorts, 2010)

Five Year Chart for MILL & COP HTLS

Fig: Last Five Years Performance (Source: Thomson Reuters)

The strategy the company followed is a mixture of the cost leadership and differentiation strategy as the hotel operates in the major gateway cities and some renowned areas offering standard rooms, club accommodation and suites. Many hotels of the brand offer club lounge and a fully furnished business centre and all have in-room business facilities. The company has specific focus on the meeting, events facilities or most high-tech built conference centres in most of the hotels.

The company's Service Delivery Guarantee (a twenty point programme) includes every aspect of the event, offering the exclusive support to the event managers. The company has introduced a new "CONNECT" standard for smaller meeting rooms in hotels. This is a differentiation strategy among the industry rivals. In some convenient venues the hotel also introduced full scale musical theatres for larger events with conference and banqueting and other purpose built.

Apart from that the business facilities the company also focused on the holiday and the leisure industry so that the leisure travellers can pick to base themselves at the hotels whilst sightseeing the neighboring countryside. Many hotels of this group offer health club and fitness facilities which are within easy reach of the local attractions like the theatres, shops, galleries, theme park or museum. The hotel offers some packages depending on the convenience with exiting leisure breaks with wide range of restaurants offering the traditional dishes.

The group expanded the number of properties across the globe through management agreements. Still a number of new management agreements have been signed with more in the pipeline. In some suburban areas, the hotel itself acts as an iconic building for the city having unique features connected with the hotel's location within busy Harbor.

Like the industry competitors, the International hotel chain has also been following a classic “ hub and spoke” development strategy, from the beginning. Lately the company is searching for gateway city locations for its establishment and implementing a very careful approach. This is due to represent itself in major gateway cities to establish the brand as a global network of properties and increase the customer loyalty and avoid the risk of customer switching helping the customer retention.

The company has been in the process of Merger and Acquisition to pursue the potential to gain competitive advantage by exploiting the technological advantage in diverse areas like reservation systems, training, customer relationship marketing and franchising network etc. Apart from that the

merger and acquisition process will help the company to protect, maintain and increase the existing market share in each geographic segment in the industry. Most importantly this process will help the company to forestall a competitor by gaining an establishment in a key site. Along with the merger and acquisition process the company has increased its non-equity utilization.

To deal with the economic crisis, the company's geographic spread of properties aided to heal the financial shock. Millennium and Copthorne Hotels was able to gain the FTSE 250 as it had managed to get rid of the gloom of the travel industry and stake 2009 profits above outlooks, in fact this is beyond the company's expectation. (guardian. co. uk, 2010)

As the company is wide spread hotels within London and the weak pound lured the international travelers to travel London, which indirectly helped the company to accelerate the profit in the best performing market, London.

Though the economic down turn in the company's operating region has been experienced slow-down in the first half it has however been successful in pursuing new business channels aided the company to remove the decline in occupancy levels. Apart from that there are significant pricing pressures forced the room rates to go down by 12. 6% on a constant currency basis. Furthermore, the company is maintaining the profit margin against the 5. 6% decline in Global RevPAR and 19. 8% on a constant currency basis. (M&C Interim Report, 2009)

To compete in the current market condition, along with the focus on obtaining fair market share and exceeding wherever possible within the predefined competitive set. To do that the company is forced to impose a

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tight control over the capital expenditure and the operating cost with increased efficiency and effectiveness. It helped the company to manage strong cash generation from the operation with a strong balance sheet with only 14.8% gearing. (M&C Interim Report, 2009)

Lately the company has significantly minimized the lease premium, plant, equipment and property by £169.8M. Control over the exchange movements helped the company to decrease operating cost helping it to go for investment in and loans to joints ventures and associates of £35.0m.

Management of Green Issue

As Green issues are playing a key role in the consumers mind when choosing a hotel for accommodation. There is a segment solely prefer an eco-friendly hotel if it was offered by an online booking system. Along with the knowledge customer are now aware of the importance of the eco-friendly environment. In order to attract that market segment companies are now engaging their effort towards green marketing. Apart from establishing a green hotels companies are now adapting factors relating to the green issue within their operational strategy. The strength of the association between psychographic variables and ecologically conscious consumption are more appropriate than demographic profiling in terms of ease of use. Psychographic parameters deliver a tougher and more useful profile of green consumption. (Robert D. Straughan, 1999)

Realizing the role of the environmental factors in the decision making process, the hotel is raising awareness of sustainable development issues across all its properties by promoting environmental purchase and supply. To

follow the progress of implementation the company has set up Green Committee in its each property. The hotel has incorporated the green issue in its website mentioning its initiatives, performance, short term and long term goal.

The company claims that, it operates in a way that helps to preserve environment with eco-friendly initiatives in each level. To comply with the initiatives the company's first step of the long term focus on being green. Still the performance is very low compare to the competitor.

Products and Practices

The company has introduced only the awareness program in terms of the use of the conservation of water and other resources. For instance the guest are requested to do their part by opting to have their linens changed on the second night of their stay, to reduce the amount of water used in the cleaning process. Again, the guests are informed about the terry re-use program to avoid the access use of water. Furthermore, the hotel rooms have been equipped with showerheads, toilets and nozzles that conserve water.

Electrical Energy Conservation

The hotel is using the low-energy lighting by purchasing all the equipment which are EnergyStar® compliant. Furthermore it has introduces new programmable regulators in rooms eliminate avoidable energy usage.

Recycling

The company claims that it has introduced recycling programs for daily goods wherever possible. It has also introduced a program to recycle paper at every level and the hotel offices and the reception desks.

Eco-Friendly Suppliers and Products

The group has introduced refurbished cleaning process to abolish the use of aerosols and increased environment friendly cleaning liquids. In every hotel non-biodegradable Styrofoam cups are used and recycled plastics and papers are used for all corporate and property-wide collaterals. It also prefers eco-friendly suppliers for its Avendra procurement program.

The hotel has set its objective to become more environments friendly and introduce new policy in accordance with the need in future.

<http://www.caterersearch.com/assets/getasset.aspx?itemid=19951>

Fig: Whitbread's Green Hotel (Source: www.caterersearch.com)

Compare to the competitor the Millennium and Copthorne hotel is still far behind as the industry rivals are acting strongly on this issue. For instance, Whitbread is about to launch its second green hotel with first low carbon restaurant, Premier Inn, intends to represent the latest development in environmentally-friendly budget hotels. Whitbread's first green budget hotel established in 2008 aimed to deliver 70% carbon and 60% water savings. The new hotel will offer 220 cover open grill restaurant. It is built using timber frame construction methods from sustainable sourced wood which include ground source heat pumps, rainwater harvesting and gray water

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recycling. Recycled water will save 20% of its entire water use. Furthermore the hotel will use high-efficiency thermal insulation, low-flow showerheads, automated light controls and sun pipes to minimize the use of artificial light. (Janet Harmer, 2010)

Direction(s) for Growth:

The strategy of the management sustained to focus on the trading in lucrative destinations rather than only brand driven consideration as the company owns and operates hotel assets. The company's business model is maintaining a higher operational gearing level than the major competitors and it is proven to be a tough one as it has successfully maintained a significant profit margin in this adverse economic condition. The company was able to deliver savings in the operational costs including central cost, non-hotel costs and hotel fixed charges though the revenue was fall. Recently it is focusing on the cost control with a recovery rate of 54% having impact on the profit protection scheme. This was done by concentrating to the detail and solid performance by the management, redesigning processes and head count reduction resulting the considering period in line with the goal and objectives.

The company has been spearheading the strategy in a hub and spoke method. It entered in the global strategic marketing alliance with prestigious companies (Maritim Hotel) which allowed both the corporations to penetrate into each partner's geographic regions without high capital investment. Due to the alliance the customers were happy as the options were enlarged.

Market penetration in the Ansoff Matrix take place when a company enters/penetrates in a existing market with its existing products. With this strategy companies slowly captures the competitor's market share. It is the least hazardous way for a company to grow. Since the beginning (1970) the company has introduced itself in the new market identifying the potential of the location disregarding other factors. The company has always been in a process of investment. First it grew within the UK market then enter in to the new markets (existing) identifying the potential and started capturing the market share. In the Ansoff Matrix, Millennium and Copthorne was always in the market penetration process which is applicable for most of the geographic segment.

1995 Copthorne Hotels sold to CDL for £219 million leading to group's new global brand Millennium Hotel and resorts which became New Zealand's largest hotel owner, and attained a governing portion in the landmark Plaza Hotel in New York. Similarly the company has been successfully acquired a significant market share in the global hotel industry by maintaining a less risky way. Though the return is not significantly, it becomes a renowned brand in the industry, by engaging less capital. Understanding the potential in the Middle East M&C has entered in that segment through several management contracts, in 2001.

The company was successful to prove itself to deliver good earnings growth by utilizing the operating skills along with the use of the real estate expertise and resources to ensure further gain from each Strategic Business Unit. The twin strategy helped the company a lot to capture the global market and

own the hotels worldwide. By late 2005, M&C owned most of its properties and, unlike many others, it seems happy to remain a hotel owner.

Rather than establishing a new project the company preferred acquisition or merge. For instance, May 2006 the company declared the signing of an agreement with the Chelsea Football Club and started managing two hotels, one under the Millennium and the other one under the brand of Copthorne. Furthermore in 2007 it has successfully signed a contract with the Sheffield United's stadium, and started running in the name of Copthorne.

In some place the company has followed the product development strategy. For instance, the hotel group has signed up to create two new venues in Liverpool's Central Village development. Along with these two hotels the increasing global portfolio establishes a prominent footstep heading its intension managing properties in the convenient location. The company is a destination focused group with an intention to open up hotels in the right places. The company never leap frog rather it entered in the existing market with careful observation in terms of the outlook, market potential etc. of the geographic segment.

Since 2007 the group has opened several hotels in Bankok, Egypt, Abu Dhabi, Beijin and Xiamin, Dubai, Kuwait, Sheffild and many more in 2008 and 2009 followed by projects in the pipeline in 2010 Southampton Ocean Village (UK) and Abu Dhabi.

Conclusion and recommendation:

The corporate travelers are playing a key role in the hospitality industry.

Again the technological advancement is also helping the companies to avoid

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the use of the Conference/ Meeting rooms. So the MICE market (Meeting, Incentives, Exhibitions/ Conference) is in critical position. The economic downturn also forcing the companies to cut operational costs. For instance, lately Cisco has cut its travel budget by \$400 Million.

The advertising and marketing is switching from the traditional to online. The company may introduce its offers and manipulate its packages and promote them through website and the distribution channels for the optimum utilization of the available resources throughout the year (both peak and off-peak). To do this the company may organize events during the off pick time to increase the effectiveness of the properties.

As the new economies are now getting stronger and new demand also generating in the new market segment such as China, Brazil, India the company may focus and analyze the trend to grab the market opportunity and bypassing the risk. Increased Competition in the market as low priced hotels are the potential threat in the industry. So the company may design the product considering the available market price to gain the competitive advantage. The company may utilize the available information regarding the potential demand, supply, competition to contribute in the decision making process As the intermediary channels play significant role in the industry the management may increase its value towards the tour operators by offering them a satisfactory level of commission.

Along with the global awareness the green marketing and the green issues which have great impact in the environment are creating new market segment, and the competitors are also significantly capturing the market. To

maintain and increase the market share the hotel group must introduce environment friendly approach and communicating these issues to the customers will help the company to maintain sustainable development within the industry. Though the Millennium and Copthorne hotel is trying to raise the awareness it can do more about this issue as there is a significantly big size of customer segment.

The use of the internet marketing and e booking has significantly increased in the industry. So rather than going for the traditional marketing the company may adopt customized approach using internet and the social websites can help the company to attract the customers. The hotel group may target the new market segment as there is a potential because most of the properties have almost exclusively been at the upper and luxury end in the market.

The hospitality and tourism industry has been forced to transform itself into a customer oriented business enterprise disregarding the product and service sold. So rather than the facilities the services are playing key role in this industry as it is the determining factor of the company's success. Furthermore service has become un-compromise-able element in the hospitality industry and tourism business and this is evolving as a strategic function.

Apart from the traditional tourism the company may focus on other sorts of tourism and establish/ operate hotels in the Health and Wellness tourism, Wildlife tourism, Eco Tourism, Heritage, Adventure, Cultural and Sports tourism. Destinations appear as blends of products, facilities and services

satisfying the need for travellers and attracting the visitors. Managing destinations marketing is a really difficult as it requires all local actors and stakeholders to come together, but generate huge revenue if properly managed. It is disclosed that the Millennium and Copthorne Hotel group are now interested in destination marketing for the lucrative place building new villages and tourist attractions.

Still, the company may monitor the UNWTO projection regarding the tourism industry and redesign its strategy in term of establishing a new project. The report from UNWTO shows that the industry will move towards Africa, Asia and especially Middle East.