

# [Analysis of the shangri la group tourism essay](https://assignbuster.com/analysis-of-the-shangri-la-group-tourism-essay/)

Internal Organizational Analysis and the competitive advantage the group may or may not have in establishing a presence in London

A schematic representation of the SWOT (Strengths, weaknesses, opportunities & threats) will be used to match the key external and internal factors. The following SWOT would provide us with a comprehensive organizational resource analysis of the Shangri La group alongside providing us with the competitive advantage the group would enjoy.

Strengths

Weaknesses

Situated at a premier location in London as has been evident in their properties throughout the world (Grayson & Hodges, 2004).

Legendary Asian Hospitality – the classic Asian Flavor – having a Chinese parent company gives them an edge over all the others in terms of having the Asian culture part of their corporate culture and thus a unique position (Hitt, Ireland & Hoskisson, 2009).

40 hotels worldwide – thus a broad base to share experiences and put learned lessons from around the world to good use (Robbins & DeCenzo, 2007).

Pre identified target segment of business and leisure travelers with an eye for class and culture (Robbins & DeCenzo, 2007).

Service approach of hospitality and flexibility embedded in corporate culture and marketing activities (Walker, Walker, Mullins & Boyd, 2010).

Sound financial backing.

First interaction with Western culture was Sydney – no other experiences as yet in the West

Marked difference in Sydney and London’s Culture

An effective and efficient management style played a major role in Shangri La Sydney’s success.

The brand is not that well recognized outside the Asian and now also Sydney’s market.

Opportunities

S-O strategies

W-O strategies

London 2012 Olympic and Paralympics Games.

New planned tourist attractions like International Dome in London.

Trend of using price promotions.

Comparatively lower value of Pound sterling

Growing emphasis of the local government on promoting tourism.

Growth of London as a financial sector – a conference and business destination.

Establish in London (S1, S2, O1, O2, O4, O5, O6,)

Extensive integrated marketing communication efforts. (W1, W4, O1, O5, O6)

Make use of opportunities in the West (W1, W5).

Threats

S-T strategies

W-T strategies

Recent trends show that luxury hotels have grown at a rapid pace in London. The competition in the near future will be cut-throat and intensive as more and more rooms will be added to the industry.

The presence of much more powerful brands in the luxury sector of the London hospitality industry

Substantial increase in branded budget hotels – around 13% last year

Uncertainty created by terrorist activities.

Aggressive investments in the sector by other Asian & Middle Eastern investors.

High barriers of entry

Niche Marketing and maintain that niche (S2, T1, T2)

Premium, Image Based pricing (S2, S5, T3, T5)

Based on the above analysis and the secondary research, Shangri La’s competitive advantage lies in its classic Asian Flavor and the ability to maintain a customer-centric approach which forms the basis of their corporate culture, thus also reducing the need for standardization of processes. The core values of the training are: respect, courtesy, sincerity, helpfulness and humility and the training modules focus on the group’s mission of “ delighting customers each and every time (Honeycutt, Ford & Simintiras, 2003)”. Not confined to training programs, Shangri-La Care is a living culture within the group, strongly supported by top management and continuously cascaded through the organization.

Both these are bound to help Shangri La carve out a unique niche for itself in the London market. The only threat being the fact that other Asian and Middle Eastern players are also venturing into the hospitality industry. Whether those who are positioned based on their Asian ethnicity are able to bring out the same flavor in their culture remains to be seen!

2. An external analysis of the potential competitors and customers in London

London, that great cesspool into which all the loungers and idlers of the Empire are irresistibly drained.

-Doyle, Sir Arthur Conan

The past 20 years has seen an overall increase in the total number of visitors to London, despite any temporary downfalls seen intermittently in the short-term. Overseas visitor numbers have increased from 9. 6m in 1990 to around 14. 9m (estimated) in 2006 (Hooley, Saunders, Piercy & Nicolaud, 2008). Domestic visitor numbers to London have also grown over the long-term from 6. 9m in 1990 to an estimated 11. 8m in 2006. Domestic numbers however have seen the largest fluctuations (compared to overseas visitors) in the short-term, resulting in a slight downward trend in total visitors to London since 2002. This has been influenced by the increasing popularity and accessibility of many countries and growing competition from other major European cities (due in part to the ascension of no-frills airlines) (Flourish & Oswald, 2006).

The overall London market has been buffeted by a number of issues since 2001, including terror events, SARS and the outbreak of Foot and Mouth. However, a recovery in demand (particularly for international visitors) is evident and the London bombings in July have proved only a temporary setback. Improved room yields have supported investment in new hotel rooms in London, increasingly away from central London to the western and eastern parts of the city. The dispersal of accommodation represents opportunities for businesses outside of Central London, but also provides challenges for coordinating visitor infrastructure including transport and information services (Easterby-Smith, Thorpe & Lowe, 2002).

There has been strong growth in the budget sector of the market and this has provided visitors to London with a greater choice of accommodation. Moves to standardize the quality ratings for hotels will hopefully also provide visitors with greater information and certainty regarding their accommodation experience. Looking forward, tourism is expected to continue to grow (as forecast to 2016 in the 2002 PwC report and extended in this report to 2026) and when considered in combination with the additional impact of the 2012 Olympic and Paralympics Games (whose influence was not included in the PwC report), and the planned development of major tourism facilities, such as the International Convention Centre, it can be seen that substantial additional demand for accommodation on an on-going basis could be generated (Young, Weiss & Stewart, 2006). New accommodation is planned to meet future demand, closing the gap between the current room stock and the demand forecast in 2016 as reported by PwC, and the hotel market is upbeat about London’s prospects.

Demographic change looking forward, tourism is expected to continue to grow (as forecast to 2016 in the 2002 PwC report and extended in this report to 2026) and when considered in combination with the additional impact of the 2012 Olympic and Paralympics Games (whose influence was not included in the PwC report), and the planned development of major tourism facilities, such as the International Convention Centre, it can be seen that substantial additional demand for accommodation on an on-going basis could be generated. is expected to provide a market opportunity for the provision of accommodation to the accessible accommodation market, although evidence suggests that London is not servicing this market as well as other destinations, which provides challenges for the future (Greater London Authority, 2006).

As one of the main tourist destinations in the world and with the 2012 Olympic Games on the horizon, London is set to be at the forefront of a recovery in the UK, and indeed European, hotel markets. Price promotions and the low value of sterling during the year allowed London to remain a popular tourist destination, with leisure tourism particular from Europe, offsetting the fall in corporate bookings, which had continued from 2008 (Smith, Berry & Pulford, 1999).

These would-be buyers have been attracted by the depreciation of the British Pound against the US Dollar and the Euro. Initial signs of a slowdown in the reduction of values, indicating that the bottom of the market has been reached also makes purchasing attractive to high net worth individuals and sovereign wealth funds. The lure of the Olympics is continuing to draw operators and developers into the capital, which is predicted to experience a 12% increase in new rooms (13, 300) by 2012. With its high barriers of entry London continues to be an extremely competitive market place but one, as the recovery gathers momentum, that will remain a target for the majority of hotel investors, developers and operators with their eye on long-term gains (Murphy, Maguiness, Pescott, Wislang, Ma & Wang, 2005).

Worldwide, the majority of international tourist trips in 2004 were for the purpose of leisure and holidays (52%) with only16% being for business travel. The rise in the number of people (both international and domestic visitors) to London has been relatively modest since 2000, with the number of visits only now returning to the high point reached at the Millennium. However, over the long term there has been a steady increase in visitors to London. Nights stayed in London by international visitors have risen on average by 3. 1% each year since 1993 (compared to 1. 6% each year for the UK as a whole (Greater London Authority, 2006). In 2004, 33% of overseas tourist trips to London were for holiday, 27% were for business and 28% were for the purpose of visiting family and friends (IPS 2004, 2005 Growth has been particularly strong in 2004 and 2005, with growth of over 14% in 2004 and estimated growth of 6% in 2005.

However, growth was relatively modest in the early part of the 2000s with a number of circumstances (such as low cost airlines, exchange rates, terror events) reducing overall tourist arrivals, impacting on both overseas and domestic tourists. The events of September 11th had a similar effect on tourism, with the number of visits only returning to their 2000 high point in 2004 (Robbins & DeCenzo, 2007). The London bombings in July 2005 had only a short term impact on overseas visitor numbers with visitor numbers rebounding in the latter part of 2005. 7 It should be noted that the PwC report produced in 2002 did not include the short-term downward trends noted above since these trends were only just in the cycle at this point (Greater London Authority, 2006).

Domestic visitors to London have also increased dramatically, given the ‘ one of a kind’ millennium celebrations; the opening of several new and attractive tourist attractions. Until recently there has not been a proper understanding within central or local government of the importance of business tourism or its contribution to the local and national economies. One business tourist is worth at least three times the amount of one leisure tourist in employment and economic terms and business tourism is worth £3. 2bn to London, making the business tourism sector an important area for London to invest in. London, being a metropolis destination always had immense potential as a business destination (Hooley, Saunders, Piercy & Nicolaud, 2008). Understanding that potential, the government and the hospitality industry has finally started taking steps in this regard.

Currently the city lacks facilities that would allow maximum exploitation of the city’s potential but work has started on those lines. An international chain has just initiated “ Duchess Rooms” in order to attract the businesswoman of today – especially the Middle Eastern market (Honeycutt, Ford & Simintiras, 2003). However, there remains a great deal of work that the city administration can undertake in a bid to rejuvenate the city’s illustrious image.

London caters to a wide variety of visitor specific accommodation needs. The only exception is the apparent lack of accessible accommodation for disabled visitors. Visit London estimates that serviced accommodation (including hotels, bed & breakfast establishments and guesthouses) accounts for around 76% of all bedrooms (with the remainder comprising self-catering, hostels and university accommodation) (Jensen, 2008). The budget hotel market growth and the increasing investment in up market hotels has led to a polarization in supply and gradual erosion of the three-star serviced hotels previously provided by Thistle and Marriott amongst others. It is possible that a situation could occur in the short to medium term where hotel grading and quality/service provision at the budget end of the market, could become blurred to some buyers (Guffey & Loewy, 2010).

With the near saturation of roadside and motorway sites, greater flexibility will need to be shown by both planners and developers if this demand is to be satisfied. For example some solutions may include the alteration or refurbishment of redundant buildings into hotels, rather than completely new build, as well as the development of sites around the M25 corridor and other key transport corridors. The continued growth of London s financial sector will mean more developments geared to this market and the meetings/ business tourism market generally. This is likely to include larger developments with leisure facilities, more bedrooms, but also with more flexible meeting facilities and (subject to planning), apartments, apart hotels, or even hotels with apartments located very close by that can enjoy the hotel s facilities ( e. g. Capital, St James and Ritz Hotels) (Hitt, Ireland & Hoskisson, 2009).

3. An analysis of Possible Segmentation strategies that the Shangri La could adopt

This refers to the process of choosing one’s target market. It needs to be clarified at the onset that marketing targeting is not synonymous with market segmentation. Segmentation is actually the prelude to target market selection. One of the most significant advantages of effective target marketing is that it improves the efficacy of all the four P’s of marketing (Aaker, Kumar, Day & Leone, 2010). The use of segmentation, as a tool to distinguish the entire market into “ stratas” is a useful process. Firms can then decide which segment they are targeting and focus their efforts and energies towards that segment in order to achieve the highest return on investment (Robbins & DeCenzo, 2007).

Positioning, on the other hand, is a concept introduced in “ Positioning – a Positioning – a battle for your mind”. According to the authors ‘ Positioning is what you do to mind of the prospect’. Meaning it is how the customer perceives your product or what you are in the eyes of the beholder! Thus it is imperative that each brand is ‘ Positioned’ in a particular class or segment (Al Ries & Trout, 1993).

Given the turn of the millennium and the growth witnessed in travel, each segment in the tourism industry has set its goals on increasing its share of the pie – thus trying to appear most attractive to the target audience. In this case, marketing communication helps differentiate similar accommodations and travel hot spots in terms of making their spot appear the most attractive (Arbuckle, 2000). But also in this case, it becomes essential that the target segment for the integrated marketing communication is identified beforehand. It is essential that marketers ensure that the destination is not competing with a competitor with greater edge; secondly, that the destinations’ position is not vague in the customers mind and lastly that the destination has no image or probably a negative image in the eyes of the customer. (Lovelock, 1991).

The hospitality industry based on the diverse nature of its offerings also witnesses a variety of positioning strategies. “ The meeting place for sun worshipers”, is the positioning statement of Cancun, Mexico. However, positioning can vary greatly. Fisher Island has positioned itself as “ where people who run things can stop running”. It all depends on the creativity of the positioning team (Bergh & Ketchen, 2009). An interesting positioning statement is that of Ritz-Carlton Hotels Group; it says “ After a day of competition, you deserve a hotel that has none”. The degree to which marketing teams strive to be unique determines the extent to which a positioning statement is distinctive and appealing.

“ By developing a creative campaign, an operator can market the fact that many Japanese visitors have been to the Grand Canyon, and were impressed by its awe-inspiring presence. This may include testimonials from previous visitors or tour operators’ example to illustrate this feeling who can make a direct appeal to the target market.  However, since the feeling of awe is an intangible construct, positioning statements must show a tangible (Young, Weiss & Stewart, 2006).” There are many ways of communicating to the audience the position you want your brand to occupy in the customers mind. They might include a creative campaign; a testimonial by celebs’ or by previous visitors etc, but it is necessary to be able to convey the inspiration and the other intangibles associated with the brand.

The London hotel market could be segmented into several groups namely, bed & breakfast, inns, hotels (five star, four star etc,), country hotels, motor lodge hotel, town house hotel, youth & groups to name the broadest categories. The composition of branded hotels and luxury outlets in London has soared to around 13% of the total supply in the capital, with chains such as Whitbread, Premier Travel Inn, Travelodge, IHG s Express by Holiday Inn, Accor, Ibis, Choice, Comfort Inn and Quality Hotels increasing their exposure (Blaxter, Hughes & Tight, 2006). This growth in the budget hotel market throughout all parts of the capital, as elsewhere, has been the key trend in this industry over the last decade. In London, particularly, it has to some extent, replaced the traditional three-star hotels which were more in evidence in previous decades. The cost of building a three-star establishment, with its higher specifications, service and food requirement is generally considered to be prohibitive in London.

The gradual erosion of the mid-market three-star brands in London has possibly contributed to accusations that the capital is expensive and does not provide value- for money , Given that budget hotels have only been so evident in recent years and that central London prices are (like most major cities) high, this is unsurprising (Easteryby-Smith, Thorpe & Lowe, 2002).

However, as we will see later, both Paris and Geneva recorded higher average room rates than London in 2005. It is perhaps the perception of expensive that has to be addressed. In the central sub-region, it is still difficult to find cheap accommodation, unlike say Paris or Amsterdam and it is unrealistic to expect budget hotel developers to invest in the more expensive areas of the central sub-region, such as Westminster or Kensington and Chelsea, to any great extent. The dynamics of hotel demand and this industry’s development and operation economics will mean that future up market hotel development will continue to be more viable centrally. The international business visitor and high spending US, Arab and Japanese leisure tourists for example, will still choose to be In this context it should be recognized that a branded budget hotel, with limited service may still be awarded a two star grading, the same as a quality inn in the regions with good service, but limited facilities (Greater London Authority, 2006).

Hotels in London are concentrated in the central area, but are increasingly being distributed more evenly across London, located where the main attractions, retail and restaurants are located. “ The luxury sector is amongst the fastest growing sectors in London – there are reports that as many as four thousand additional rooms can be operational in the next five years (Greater London Authority, 2006)”. The industry is set to become increasingly dependent on exotic marketing and luring of customers and tourists that arrive in London each year. It will require a “ survival of the fittest” strategy from all major players to see through the competition.

Thistle is the largest provider of hotels and hotel bedrooms in London. The company has some 5, 969 bedrooms, which equates to 6. 4% of the total London supply of serviced accommodation. Hilton follows closely with 4, 662 bedrooms (Greater London Authority, 2006). Both these groups operate in the upper tier category. The Inter-Continental Group operates across the tiers with its 5-star hotel in Park Lane, 4-star Holiday Inns and the budget brand Express by Holiday Inn. Accor, with its range of brands, provides bedrooms in each category, from the 5-star Sofitel to the 4-star Novotel, 3-star Ibis and budget Formula.

The main branded hotels comprise 12% of the total number of serviced establishments and 38% of the number of bedrooms in serviced accommodation. The identified branded hotels are most dominant in the high-end of the market, comprising over half of all 4 and 5 star establishments in London (Greater London Authority, 2006). The above mentioned names also will be Shangri La London’s main competitors. However, the difference between niche marketing and direct competition will prevail in this scenario. It is necessary for Shangri La to ensure that it is able to position itself well, with respect to its competitors (Etzel, Walker, Walker & Stanton, 2007).

The international business visitor and high spending US, Arab and Japanese leisure tourists are the main segments that Shangri La will target. As per the Greater London Authority carried out under the London government, he conference and incentive travel industry has evolved over the past few decades into a mature business sector. It is increasingly clear that businesses and associations cannot function effectively without face-to-face meetings. Over the ten years to 2004, there was a 50% increase in all business trips (with 27% of overseas visitors travelling on businesses to the UK in 2004) exceeding the overall tourism growth rate (Gilgeous & Chambers, 2001).

On a global scale, 16% of International tourist arrivals worldwide were for the purpose of business in 2004. For Shangri La, the discerning business and leisure travelers are the prime focus. The majority of the customers for Shangri La should hail from this segment and thus should be targeted using appropriate and relevant strategies (Young, Weiss & Stewart, 2006).

The positioning of Shangri La for the assigned market segments in London will be truly psychological image based positioning – aiming to create a unique position in the consumers mind on the basis of the classic Asian Flavor visible prominently in the corporate culture of the organization and in the nature of the hospitality services provided.