

The sri lanka tourism promotion bureau marketing essay

[Business](#), [Marketing](#)



To: Director ♦" Business Development From: Business Development Manger

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Acronyms

SLTPB - Sri Lanka Tourism Promotion Bureau
 USP- Unique Selling
 Proposition
 MICE- Meetings, Incentives, Conferences and Exhibitions
 Terms of
 Reference
 According to the Sri Lanka Tourism Promotion Bureau (SLTPB),
 from ancient times, Sri Lanka, then Serendib, Serendipity and Ceylon, as it
 was then known was considered to be an Island of great beauty, diversity

and friendly people and among those who were fascinated by the tropical Island were some of the greatest early travellers namely Marco Polo Iban Batuta, and Robert Knox. The Tourism sector which grew by leaps and bounds in the 1960s and the 1970s collapsed with the ethnic riots in 1983 and for the next thirty years, it was on a declining trend owing to the civil war in the North- East of the country. However, with the ending of the war in the year 2009, peace returned to the Island and tourism once again begun to thrive (SLTPB). Hence, considered that a business strategy is the need of the hour, to take advantage of the opportunities and take the business to greater heights. The business strategy report has been based on secondary data, sourced from the Renuka City Hotel PLC, Colombo 3, the SLTPB, textbooks and websites. Analysis of information and conclusion were based on established business theories and models. Data pertaining to the operation of the hotel was analyzed by employing industry yardsticks such as percentages and market share, among others and conclusions arrived at.

Executive summaryThe report on “ Business strategy for Renuka City Hotel PLC, Colombo 3, Sri Lanka” has been prepared to identify strategic options available for business development, and conforms to the highest standards, both in terms of inputs and in-depth analysis of relevant models, theories and concepts. The methodology has been based on secondary data sourced from the Renuka City Hotel PLC, the Internet, the (SLTPB), and several textbooks on management, business planning and business models by well-known authors. The report recommends that a comprehensive and systematic business plan be formulated in the year 2013/14 initially, and revised annually, so that it may become a working paper and a rolling plan,

in addition to the financial forecasts that the hotel has currently formulated. Also, strategies identified and recommended should be adopted for greater market share, turnover, profit and building corporate image. The need for such a business plan cannot be over emphasized, given the negative figures in the financial statement of 2011/12. (Refer Table 1).

Introduction

The Renuka City Hotel PLC, Colombo 3, Sri Lanka, began its operation as a city hotel almost half a century ago, but became a public quoted company only sixteen years ago. Catering to business travellers particularly, Indian business travellers who were desirous of south Asian food and accommodation within the commercial capital and within easy reach to all important public institutions, commercial banks, customs, port, and leading private sector organisations, the hotel was able to grow and expand into a profitable venture, and having understood the needs and wants of the clientele, the management of Renuka Hotel directed their energy and effort to create the environment the clientele had preferred, complete with Indian and Sri Lankan restaurants at modest rates. For example, the full board for a double room was approximately 50% less than that of a five-star hotel, despite the fact that it had a three-star rating from the Sri Lanka tourism Promotion Bureau.

Vision statement “ To become the most preferred tourist hotel in Colombo, for business travellers from Asia”

Mission statement A company’s mission is defined as the core and unique purpose for existence and identifies the scope for the company in terms of products/services and markets (Pearce and Robinson 2001). According to King and Cleland (1999), A good mission statement should accomplish: 1). Unanimity of purpose, 2). Motivation of all stakeholders, 3). Create a basis for resource allocation, 4).

Serve as a focal point, 5). Facilitate realization of goals and objectives, and 6). Describe the purpose of the organization. Further, a good mission statement should address some fundamental issues namely, belief that the company's products/services can provide utility to customers, and are capable of satisfying the needs and wants of the target group more than the competitive products/services, technology adaption could help improve products/services and reduce costs, and management philosophy pertaining to all stakeholders that could enhance corporate image (Pearce and Robinson 2001). According to the Annual Report of the Renuka City Hotel PLC, the mission statement of the Renuka City Hotel PLC is " We are dedicated to the total satisfaction of our guests, whilst keeping in focus the welfare of all our stakeholders. We believe we could make a significant contribution to the National economy and the country. We conduct our business in an ethical and transparent manner as a good corporate citizen".

Target customer segments The target customer segments may be best described by employing major segmental variables, as detailed below:

Geographic segment: According to internal sources, over 80% of customers are from India, on business and the balance is made-up of Europeans, Chinese, and Japanese arriving to participate at MICE- meetings, incentives, conferences and exhibitions. Demographic segment: According to the same source, the male-female ratio is 85: 10 and the majority of customers belonged to 35 to 50 years age group. Trade-wise, over 76% are businessmen representing either their own or someone else's business, in India. Psychographic segment: Main purpose (80%) of visiting Sri Lanka and staying at the Renuka City Hotel PLC has been attributed to business, which

includes trade, seminar, meetings, and conferences (MICE). The balance 20% had claimed that they were on holiday, which includes the spouse of businessmen staying at the hotel. Buyer behaviour: According to the same source, guests staying at the Renuka City Hotel PLC are budget conscious, often availing themselves of only bed and breakfast [half board]. Whilst bar bills are minimal owing to such guests refraining from alcohol consumption, the usage of the hotel's taxi service was also negligible, as most guests travel by three wheels, in Colombo. However, purchase occasion, in this case re-visits had been over 45% year on year, as claimed by the hotel management. Corporate/ Business objective The Renuka City Hotel PLC has been in operation for over 50 years, but it was only 16 years ago that the company went public. The hotel hosts banquets, receptions and seminars, although in limited numbers, as bigger and luxury venues are available at all five-star hotels, at discounted rates. The year 2011/12 has been a good year for Renuka City Hotel PLC, with an average occupancy rate of 58% and a net profit after tax and interest of Rs. Mn. 181. 0, despite the fact that the hotel was closed for refurbishment for over four months (annual Report 2011/12. Renuka City Hotel PLC). Comparison of performance in respect of 2010/11 and 2011/12 is given below:

Item	2011/2012	2010/2011	Change- Rs	Change (%)
Sales revenue	99, 215, 29680, 641, 68518, 573, 61123. 03			
Cost of sales	18, 008, 48314, 499, 3163, 589, 16724. 20			
Gross profit	81, 206, 81366, 142, 35915, 064, 45422780			
Other operational income	177, 475, 665187, 289, 007(9, 813, 342)(5. 23)			
Net profit before tax & interest	179, 520, 275217, 116, 888(37, 596, 613)(17. 40)			
Net profit after tax & interest	171, 770, 882194, 521, 113(22, 750, 231)(11. 69)			
Dividend per share	5. 505.			

5000 Earnings per share 27. 54 24. 79 2. 75 20. 71 Average occupancy rate (%) 58 41 17 41. 47

Table 1: Financial & market comparison (2001/11-2011/12)
 Source: annual report 2011/12. Renuka hotel plc. Based on the above, ratios on major financial indicators have been calculated and shown in Table 2, below:

Ratio	2010/11	2011/12
Gross profit %	18. 15	17. 97
Net profit before tax & interest %	64. 88	67. 68
Cost of sales %	18. 18	17. 5
Net profit after tax & interest %	9. 23	8. 34

Table 2: Ratio analysis
 Source: annual Report 2011/12. Renuka Hotel PLC. Overall, performance in 2011/12 has been below that of 2010/11, despite an increase in room sales and occupancy rates. I believe that at least three factors contributed to this decline 1). Income from other operations had declined by about Rs. Mn. 10. 0 in 2011/12 over 2010/11, 2). Refurbishment cost, and 3). Closure of the hotel for four months, for refurbishment. Bearing the above in mind, the management of the hotel has set itself the following objectives, both financial and non-financial, for 2012/13: To generate a sales turnover of Rs. Mn. 350. 0 (2012/13) over Rs. Mn. 277. 0 Mn- appx. (2011/12). To generate a net profit after tax and interest from Rs. Mn. 181. 0 (2011/12) to Rs. Mn. 250. 0 (2012/13). To increase the occupancy rate from 58% (2011/12) to 70% (2012/13) and To enhance the corporate image of the company among the target segment through intensive marketing communication. Competitive advantage

The concept of competitive advantage was first introduced by Michael Porter in his book “ Competitive advantage”, it suggests that firms adopt the value chain approach to gaining competitive advantage over rivals. In this context, believes that there are other factors that contribute to competitive advantage like, the central location of the hotel which is in the

midst of banks, corporate sector organizations, government offices and several five-star hotels. Also, repeat clientele, which stood at 45% as claimed by the management. Business strategy

Broadly, strategies may be grouped into three namely, corporate strategy, business strategy and functional strategy (Drucker (1999). Business strategy may be defined as a strategy concerned with a business unit or product level, capable of improving the competitive position of the firm's products or services in the industry the firm operates and may be classified as competitive strategy, and cooperative strategy (Wheelen and Hunger 2005). I am of the view that whilst competitive strategy is aimed at market position such as: market leader, market challenger, market follower or niche market, the cooperative strategy is about forming strategic alliances, as in the case of Holiday Inn Hotel, Sri Lanka, which had formed a strategic alliance with Alhambra Hotel chain and greatly benefitted in hosting guests channelled by this chain. Strategies are means by which an organization moves from a current position with which it is unsatisfied , to a desired position in the marketplace [in terms of market share, turnover and profit, for instance] over a pre-determined time period (Wilson and Gilligan 1999). In this context a brief discussion on some of the common strategies namely, Porter's generic strategies, Ansoff matrix, growth strategies, market segmentation strategies and niche market strategy are considered necessary and may be found below: Porter's generic strategies: Porter (1985) introduced three generic strategies namely, cost leadership, differentiation and focus for competitive advantage and over time he subdivided the focus strategy into cost focus and differentiation focus. However, for simplicity, had dealt with the original version. Cost

leadership strategy is about reducing cost all round and gaining economies of scale, [offering mostly basic or standardized products], differentiation strategy advocates unique products and services [which would contain USP-unique selling proposition and which competitors cannot boast of, at least in the short-run, and focus strategy, meaning firms could also target a niche market [often overlooked by market leader, market challengers and market followers) with specific product/service and which is capable of meeting the needs and wants of that niche market. These strategies are depicted in Figure 1, below: Cost leadership strategy Differentiation strategy Focus strategy

Figure 1: Porter's generic strategies Source: Porter M. (1985).

Competitive Advantage: Creating and Sustaining Superior Performance. New Delhi. Prentice-Hall. Growth strategies Growth strategies are those postulated by Ansoff (1968), referred to as Ansoff Matrix, and contain four strategies namely, market penetration [which means that the firm will offer existing product to existing market through depth, width and consistency] , market development [where the firm develops identified potential markets for existing product/service], product development [which is about offering either a modified product or a new product/service to the existing market] and diversification [where the firm will deal with entirely new product/service, totally different from current range, to a totally new market]. (answers. com). According to Wilson and Gilligan (1999), the growth strategies provide a simple, convenient and easy to adopt set of strategies for firms engaged in the marketing of their products and services. Since setting objectives and employing strategies to achieve the set objectives is a

fundamental activity for firms engaged in marketing, and the growth strategy model is shown in Figure 2, below:

PRODUCT

ExistingNewProduct developmentMarket

penetrationExistingDiversificationMarket developmentMarketNewFigure 2:

Ansoff's growth matrixSource: Kotler P., and Armstrong G. (2007). Principles of Marketing. (12th Ed.). New Delhi. Prentice-Hall. Also, the Boston Consulting Group Matrix (BCG matrix), often referred to as the BCG growth/share matrix, is widely adopted by firms for portfolio analysis and strategy formulation. The diagram is constructed with each of the firm's businesses on the basis of market growth rate and relative competitive position (Wilson and Gilligan 1999). In the matrix, "dogs" refer to portfolios with low competitive position and low market growth rate for which strategies recommended are either "harvest" or "liquidation". The second portfolio is named as "question marks" also exhibiting low competitive position, but high market growth rate, and strategies recommended are: infusion of capital to turn round or divestiture. The third portfolio is "stars", with high relative competitive position and high market growth rate, for which the strategy recommended is an infusion of capital, and the fourth category is "cash cow", with relatively high competitive position, but low market growth rate, for which the recommended strategy is "milking", meaning surplus cash generated may be withdrawn and invested in building question marks and stars (Pearce and Robinson 2001). Another commonly adopted strategy model is the "Product life cycle model", which classifies

the life span of a product or service into four distinct stages namely, introduction, growth, maturity and decline, and for each of these stages, appropriate strategies based on the marketing-mix [product, price, place and promotion], and external factors such as: competition, are recommended (Kotler and Armstrong 2007). A product's sales and profits go through four distinct stages and the product life cycle may be short [fad and fashion goods], medium [candies] or long [detergents]. Market segmentation strategy According to Kotler (2002), the pillars of modern strategies- particularly marketing strategies, is the STP principle, which stands for segmentation [of market], targeting [specific segments] and positioning [the offer]. Therefore, wish to stress the fact that not all products appeal to all customers, except a few basic necessities such as salt and sugar, even though there can be variations like; brown sugar and white sugar or iodised salt and plain salt, and therefore, identification of the most appropriate and profitable segment becomes imperative, and which is nothing but matching the product/service to a specific market/s. Variations of the market segments are done on the basis of geography, demography, psychography and buyer behaviour (Stanton 1999). Niche marketing strategy According to Kotler (2004), about 10% of any market are served by market niches- firms that serve small, yet profitable market segments which are deliberately left-out by market leader, market challengers and market followers. This strategy, It's very apt for SMEs [small and medium entrepreneurs] and individually owned business with limited resources and expertise. In this context, the student is of the opinion that the Renuka City Hotel PLC is also following a niche market strategy, catering mostly to Indian businessmen visiting Sri

Lanka on business. Unique selling proposition Kotler and Armstrong (2007) insist that, in order to be successful in the market place, a firm's product/service should possess a unique selling proposition- USP, and without which, the product/service becomes a " me-too" product/service, thereby not giving a valid reason for customers to buy it. Reeves (1960) stated that a company should develop a unique selling proposition for its product or service and stick to it. Kotler (2004) recommends double benefit positioning or triple benefit positioning, as opposed to single benefit positioning. He also suggests that the unique selling proposition may be built around best quality, best service, lowest price or best value. However, the view that the Renuka City Hotel PLC does not possess a unique selling proposition and is similar to many three-star hotels in Colombo. Proposes a triple benefit unique selling proposition based on its culinary exploits [as in the case of Mt. Lavinia Hotel, Mt. Lavinia, Sri Lanka, which has very successfully marketed its master chef published both locally and internationally, so much so, he is the best known and most admired Chef in Sri Lanka], superior customer service, and super value for money. Strategic options available for Renuka City Hotel PLC After careful consideration of Renuka City Hotel PLC, its business strategies and operations, wish to recommend the " differentiation strategy", owing to competition several other hotels competing for the same segment namely, Indian business travellers' segment. In this context, the Renuka City Hotel PLC could do well by introducing differentiation by adding a North Indian restaurant, South Indian restaurant and an international restaurant for those desiring a change and to cater to those booking-in at the hotel and also those patronizing the

hotel for meals. Currently, the hotel has only one restaurant serving Northern [Jaffna] dishes. With hyper-competition in the hospitality trade, Renuka City Hotel PLC using the differentiation strategy will be unique, will have a strong business and employing a differentiation strategy also gives customers a clear reason to choose them. Renuka Hotel PLC has both ways; either with low prices or with higher prices that allows with a strong differentiation strategy. Low prices for North Indian restaurant, South Indian restaurant. High prices for International restaurant. Therefore, for business survival differentiation strategy becomes necessary. Another strategy recommended is the “ market development strategy”, by which the Renuka City Hotel PLC would be able to create greater awareness among the target group as well as the locals, stimulate interest and induce trial, at least for their restaurants and meeting, incentive, conference and exhibition (MICE) activities.

4. Business planning and its uses

Kotler (2004) states that a plan is nothing, but planning is everything. Quinn (1980) also states that organizations failing to plan are indeed planning to fail, both of which stress the need for business planning. Planning is the process of establishing organizational goals and objectives and appropriate course of action through strategies for achieving the pre-determined goals and objectives (Stoner and Freeman (1998). Further, a business plan may be defined as a comprehensive document containing assessments of macro, micro environments, objectives, strategies, time plan and financial forecasts (entrepreneur. com). To describe a business plan as a road map providing direction to firms in the market they operate, among competitors and their offensive as well as defensive actions in a bid to expand market share and

generate greater turnover and profit. Traditional business plans contain several key chapters on: 1). Executive summary, 2). Corporate profile, 3). Market profile, 4). Competitor analysis, 5). Product/service profile, 6). Resource analysis, 7). Market analysis [PESTEL, SWOT, Porter's five forces, Ansoff Matrix, and cost-benefit analysis] and market segmentation, 8). Objectives [both primary and secondary], strategies, including product, pricing, distribution and promotion strategies [in the case of services, additional Ps' of the marketing-mix such as: place. People and process are required], 9). Financial forecasts [projected profit and loss statement, cash-flow, break-even and ratios] 10). Time frame and 11). Contingency plan [alternate plan should something go wrong] (Stoner and Freeman 1998).

Renuka City Hotel PLC could benefit immensely by having in place a detailed and systematic business plan, which according to internal sources, is currently not available, as the hotel has only the annual financial forecasts. In developing the business plan, the Renuka City Hotel PLC should critically examine its current segment and also prospect in other related segments in the hospitality and tourism sector. Provision should also be made for inclusion of ancillary services such as venue for MICE- meetings, incentives, conferences and exhibitions, which is a growing segment and which is well suited for Renuka City Hotel PLC, given its strategic location in Colombo. 4. 8

Associated risks
In implementing the two recommended strategies namely, differentiation and the market development strategy, the Renuka City Hotel PLC will not expose it to any risk- image or otherwise, as the proposed strategies only further consolidate and enhance its position and image as the most preferred three-star hotel among those foreign businessmen,

particularly Indian with a limited budget, in Colombo, thereby retaining the focus on its core business. As for technological risk, there is absolutely none, given the nature of the industry and sector namely, hospitality and tourism, which is not hi-tech by any standard. Risk categories with examples are given below; Business and Operation risk- The activities carried out within an organization, arising from structure, systems, people, products or process. Example ; Product failure, employees making errors when invoicing Environmental risk " This relates changes in political, economical, social and financial environment over which organization would have little influence. Example; Natural disaster, climate & legislative change and slow down in economic. Financial risk " This risk is to the financial operation of the company such as Credit risk, cash flow risk, currency risk, liquidity risk and interest rate risk. Example; misuse of organization funds, few attendees than are needed to cover costs, poor accounting procedures, theft, and unanticipated expenses Reputation risk - are those things that may result in negative publicity for the organization. Example; might include a publicity campaign containing offensive materials, activities that do not support the mission of your organization. 5. 0 Conclusion Strategies are means by which an organization moves from a current position with which it is unsatisfied, to a desired position in the marketplace [in terms of market share, turnover and profit, for instance] over a pre-determined time period (Wilson and Gilligan 1999). Although numerous strategies are available to a business manager, the student is of the opinion that there is no need to re-invent the wheel. Of such strategies, the most commonly adopted strategies for business planning and development are: Ansoff's matrix, Product life Cycle,

Family life cycle, growth strategies and Porter's generic strategies, among others. In the process of formulating the report on Business Strategy for Renuka City Hotel PLC, Colombo 3, an in-depth analysis of the company, its financial performance, customer profile and market segment, current objectives and strategies, and has proposed two strategies for adoption, which is discussed briefly under Ch. 9. 0. Recommendations.

Recommendations After careful consideration of Renuka City Hotel PLC, its business strategies and operations has recommended two strategies to be adopted in business planning namely: differentiation strategy, as postulated by Porter, which suggests that firms introduce differentiation for their products and services, so that they are different from competing brands and possess specific utility value, and therefore, are preferred by the target market. In this context, the Renuka City Hotel PLC could do well by introducing differentiation by adding a North Indian restaurant, South Indian restaurant and an international restaurant for those desiring a change and to cater to those booking-in at the hotel and also those patronizing the hotel for meals. Currently, the hotel has only one restaurant serving Northern [Jaffna] dishes. Another strategy recommended is the market development strategy, by which the Renuka City Hotel PLC would be able to create greater awareness among the target group as well as the locals, stimulate interest and induce trial, at least for their restaurants and meeting, incentive, conference and exhibition (MICE) activities. In the course of the investigation, has discovered that the Renuka City Hotel LC does not have a unique selling proposition (USP) and it is just a "me-too" hotel.

Recommending a triple benefit unique selling proposition based on its

culinary exploits superior customer service and super value for money.

Further, it has been noted that the Renuka City Hotel PLC does not have a detailed, systematic, and practical business plan; instead all it has is the financial forecast. Renuka City Hotel PLC could benefit immensely by having in place a detailed and systematic business plan and in developing the business plan, the Renuka City Hotel PLC should critically examine its current segment and also prospect in other related segments in the hospitality and tourism sector. Provision should also be made for inclusion of ancillary services such as venue for MICE- meetings, incentives, conferences and exhibitions, which is a growing segment and which is well suited for Renuka City Hotel PLC, given its strategic location in Colombo.