

# Marketing analysis for shangri la hotels and resorts



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A Shangri-la hotels and Resorts is founded in 1971 which is the first deluxe hotel in Singapore by the Malaysian-Chinese tycoon Robert Kuok. The name was inspired by British author James Hilton's novel "Lost Horizon". The meaning of Shangri-la is ethnic youth, peace and tranquility.

Shangri-la hotels and Resorts is the first enter to a Chinese hotel market as a foreign investor and built its headquarters in Hong-Kong.

From 1982 to 2002 the company went through aggressive expansion in Asia pacific region specially focus on Chinese market. During expanding period Asia has a rapid economic growth and a high demand of the luxury hotel for business travelers and international tourists' needs in Asian. Therefore, the company was growing rapidly and save more funds for future expansion. Also the company is the largest luxury hotel chain in mainland China. From 2002, the company continues to expand of brand globally with a strong foundation and great reputation in Asia.

Today, the company is a world class deluxe Asian hotel chain and its business throughout Asia Pacific, North American and the Middle East. Moreover, by 2010 the company owned 69 hotel and resorts and 29 under development of new hotels around the world. Due to its legendary service, Shangri-la hotel received many international awards from the publication and hotel industry. As the result, Shangri-la hotels and Resorts is the leading player in the Luxury hotel industry.

## **Mission**

" To delight our guests every time by creating engaging experiences straight from our hearts"

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It identified the company's main task is attractive more customers in order to achieve the business goals of expanding to be a leader in global hotel industry.

## **Vision**

“ To be the first choice for guests, colleagues, shareholders and business partners”. The company states that it puts its customers to be the first choice to attract more customers in order to increase the business profit. The employee, shareholders and business partner will get more benefit from the business. Moreover, due to excellent services to customers, the reputation of company will increase.

## **Core Value**

Respect, humility, courtesy, helpfulness, sincerity

This five core value is developed by Shangri-La Hospitality. It involves the positive influences to successfully running the business. And the core value creates a relationship between customer satisfactions and employees' behaviors.

## **Philosophy**

Shangri-La Hospitality from a caring family.

It means the hotel will provide the great services and let the customer feel like being home

## **Marketing Mix**

Shangri-la had 4 main businesses segments

## Hotel ownership and operations

Property development, it includes commercial building and services

Hotel management services to group owned and third party hotels

Spas at Shangri-La provides private spa suite and help the traveler relaxing and restoring the balance to mind and body

It offers five star and four star hotels in four different brands. According to company's logo " S", it presents unique Asian architectural forms of the hotel location designing. It means hotel like a majestic mountain and the lake or ocean should surround it. The most of five star Shangri-La hotel and resorts provide an ocean or lake view to their customers.[1]

Also the company specially promotes Asian hospitality for high quality services to meet the customer needs in different hotel brands. There are three main brands of hotel in the company to target different customers' needs.

The brand of Shangri-La hotel is a five star luxury hotel and typically target market comes from the higher income busy travelers. It is located in premier city.

Shangri-La resorts are a five star luxury hotel target high income travelers and families. It offers a relaxing environment for customer vacation. It is located in some of the world's most exotic destination.

Trader hotel is a four star luxury hotel and the price of the hotel is mid-range. It offers an efficiency and functional environment for the budget-conscious travelers. It usually mainly target market is business traveler who can afford to purchase service and their expenses are supplied by their companies. It is located in business centers

## **Basic strategy**

Differentiation strategy in niche market

The company offers different branding hotels to meet different niche groups of customer expectations with a unique Asian hospitality services model such as spa branding hotel and trader hotel.

Moreover, it divided the business into different segments. It provides various services to their niche target market such as commercial and service apartment market and management contracts of running business for other parties.

There is a distinct about lucrative of company' revenue and a competitive advantage of expanding business globally by using of focused differentiation strategy.

## **External analysis**

### **Industry overview**

Economic factors: in Asia area, GDP is growth faster than others, but inflation rate is increasing rapidly; in North America, the economic is recession now.

In additional, as a global business, exchange rate and interest rates directly affect the cost and profit of the business.

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Socio-cultural factors: because of global business arising, there is more business people need to travel to overseas or other cities. Moreover, vacation on travelling become more popular than before in Asian country. Asian consumers income increasing and has a strong consuming abilities. In NA and European countries, most people still like traveling during the vacation. Cultural differences in each area affect the company's quality services.

Environment and legal factors: green issues and government policies in each country affect the company's policies changes and company's positive social responsibility.

### **Industry life cycle**

The company is a growth market stage, because the consumer has brand awareness on this company and potential market is very competitive environment for new local hotels entering and existing global company in hotel industry. The company should continue on differentiation strategy to increase the market share. Moreover, the company needs to increase the customer loyalty and brand image to get a high ratio on customer return. Also aggressive promotion and operations expend can appeal to more customers. As these strategies, company can achieve the goals of growing faster than market average.

### **Five forces analysis**

Bargaining power of suppliers: low

Controlling the quality of the supplies

As a partnering or collaboration with selected suppliers

Switching cost to alternative supplier are low

Bargaining power of buyers: high

Customers switching cost are low

brand differentiation has increased market base

price and value of hotel is important to customer

The threat of potential new entrants: moderate

economies of scale is going down

few number of investor enter into the industry

fastest growing industry around the world

The threat of substitutes: high

Difference of substitute products is low

Improvement of substitute performance is low

Rivalry: high

Large number of competitors offer the same high quality services

## **Driving forces**

Changes in an industry's long-term growth rate: in asian market, even

though economic growth is going up, development of asian market is a peak

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of business, it affects the company growing slowly and force the company entry new market in North American and Euupean.

Growing customer preferences for differntiated products instead of standardized product: because of competitors increasing and different group customer needs, the company forces to develop different core brands of hotel to gained the loyal and increase marketing base.

## **Competitors**

Shangri-La hotel and resorts as one of the top luxurious hotel in Asia, still faces a strong competition with many other top global hotel companies and demestic hotel companies. The top of five competitors of this company are:

Hong Kong and Shanghai Hotels Ltd: it has more than 24 deluxe hotels, commerical and residential properties in Asia, Austrailia, Europea, and North America.[2]

Mandiarin Oriental Hotel Group: it operates over 42 hotels in 30 countries.[3]

New World Development: it offers a borad differetatian service lines to attract a width range of costomers. Its business includes apartments, office buildings, hotels, department stores, roads and power plants in Hong Kong, mainland China and Southeast Asia.[4]

Mrrriott hotel Chain: it opertes different brands of hotels which includes Ritz-Carlton, Renaissance and Courtyard. Also there is large market share in North American hotel industry and the company began expanding in Asian over 100 hotels by end of 2010.[5]



Four seasons hotel resorts: it operates by high level quality service hotel, private residual property renting in 35 countries and owns over 84 five star hotels.[6]

## **Strategic Map**

In Appendix 1, by a strategic group map application, it shows the close competitors is Mandarin Oriental Hotel Group and Four season hotel and resort. These two hotels have the almost same business strategies with Shangri-la. Also four seasons hotel and resorts has the higher percentage of market share than Shangri-La hotel and resorts in over the world. In addition Mandarin Oriental Hotel Group has the highest price level than other competitors.

## **Key success factors**

Offered high quality of services and products increase brand image and customer satisfaction

Differentiated products and services to focus on different target marketing

Culture training program in everyday performance specifically

Loyalty program to delight customer

Choose the favorable Location to fit the customer needs on each hotel

Effective on promotion and Special offer to attract the customers' attention

Effective process management to fast delivery services

Effective advertising on public commercial

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Compensation and reward growth: reward employees for a high performances standard and making employee more valuable by compensation motivation.

## **Internal Analysis**

### **Finacial performances**

#### **” Fit ” strategy analysis**

The company’s focused differentiation strategy matching the resources and capabilities of the firm and arises the opportunities from the external environment. It has advantages for competitive leisure industry and is capable to fit the economic trends. Moreover, Shangri-La has a well management of its financial system, even though, its revenue is lower than last year, and the company still keeps growth for profit in each year. In addition, there is a the large investment to expanding of new hotels and new projects in next 2 year, which it believes the company will add more value to the shareholders and become stronger on its financial performance in next few years. Therefore, the company still needs to be improved to increase its revenues and profits, but the current financial performance is showing positive.

The company may consider the following qualitative efforts to fit success factors.

The company has to focus differentiation strategy and continues to increase the brand awareness and loyalty to attractive more customers

The company should implement the human resource management by training employees and unique high quality services.

In order to increase the revenues, the company should offer low budget brands of hotel to appeal more customers

Innovation some unique high quality services to against strong competition such as partnership with Airline Company or car Rental Company.

Due to stiff competition, the company should put more investment on the employee's compensation in order to motivate their high performances.

## **Summary of SWOT**