

# Factors that has helped four seasons hotel tourism essay



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The main reason behind the preparation of this assignment is to analyse the case study about the factors that has helped Four Seasons hotel to succeed initially and understanding and appreciating the different growth strategies that are adopted and implemented by Four Seasons in order to be one of the successful operating company in hospitality industry. This assignment also discusses the various downturns that the hospitality industry has faced over the years and how Four Seasons dealt with the situation in order to survive in the business. Moreover, in the assignment, the unique business model of Four Seasons hotel is compared and relate to different theories such as value chain analysis which shows how Four Seasons hotel is able to manage their stakeholders expectations.

In addition, I have given some recommendations for Four Seasons hotel, to sustain in the hotel business.

### **Company Profile:**

Four Seasons Hotels and Resorts, the world's leading operator of luxury hotels with a history spanning four decades and a portfolio that extended worldwide. It is one of the world's biggest and finest chains of luxury hotels which have developed from one motel started by Isadore sharp 1961 in downtown Toronto Canada, to 82 luxury hotel properties in 34 countries worldwide.

Four Seasons owns its own hotels, principally under the Four Seasons and Regent names, as well as some others, including the Ritz-Carlton in Chicago and the Pierre in New York. About half the company's earnings come from management fees, and half of it from properties it owns directly.

Their highly admired service quality helped them to become benchmark in luxury hotel market.

The basic operational policy of Four Seasons hotel is “ Treat others as you would like to be treated”. Highest quality of service to the customers is acquired by Four Seasons by maintaining and improving their service standards also with an innovative approach and continuous development and an eye for detail every single time of service.

The company shifted from hotel owner to hotel operator in 1990's the company's 95% of the shares are owned by Bill Gates the founder of Microsoft and Al-Waleed Bin Talal (Prince of Saudi Arabia equally). Rest of the shares are owned by Isadore sharp CEO and company founder.

### **Establishment of Four Seasons:**

Four Seasons Hotel Chain was founded in 1961, by visionary Isadore sharp with the opening of 126 rooms Inn on the Park in downtown Canada. Sharp was a degree holder in architecture and not from a hotel management background thus Sharp was totally new to the Hotel Business. Sharp describes himself ' a builder' who joined his fathers business after graduation.

Joining a hotel industry business was not at all in his mind or his intention till he was working on a project to build a motel. He got an exposure with the motel project and he realised about the upcoming market of luxury hotels. The need of personalised service round the clock with the booming economy made him take a decision to get into Hotel business.

The hotel he opened is named as The Four Seasons motor hotel which he opened with the help from his brother in law. The hotel became famous amongst the business travellers and celebrities as it had a innovative design it was different from other hotels as he built all rooms facing inwards giving a view of inner courtyard and swimming pool instead of the outside neighbourhood.

### **Growth and expansion:**

With the initial success of his first hotel, the big break through which Isadore Sharp was waiting for came in 1970 by opening first Four Seasons Hotel in Hyde Park area of London. Comparatively the room rates were higher than the competitors in the 270 room hotel but then also Four Seasons enjoyed 95% occupancy through out the year. The success came with an innovative idea of hotel equipped with latest amenities unlike old traditional hotels in London.

In 1972, Sharp opened a massive 1600 room hotel convention centre in Toronto, Canada in partnership with Sheraton. It took a long time to complete the project, almost 10 years.

In 1980 the economy was booming and the demand for luxury hotels increased , and thus Sharp started building hotels across the North America, later in almost every major US city, also to take an advantage of real estate deals.

In three decades by 1990, Four Seasons already opened 23 hotels in three countries with net earnings of \$15 million.

Four Seasons became Global leader in 1992 with acquisition of Regent International hotels. further strong financial base to build and buy hotel properties worldwide came in 1994 when Saudi Prince Alwaleed Bin Talal bought 25% of company's shares. They also signed a contract with Carlson Hospitality to develop and expand regent brand worldwide through establishing management contracts and franchising agreements.

### **Initial Success Factors of Four Seasons:**

“ To combine best of small hotels with the best of large hotels”

Isadore Sharp

He came up with the idea of opening the medium sized hotels which was enough to give a touch of personalised service providing with a range of luxury amenities and services.

### **Running business from Customer's Perspective:**

The most effective initial strategy for Sharp was to look at the business from customer's point of view. He was a innovative thinker to fulfil customers needs in terms of luxury. Example When Four Seasons came into existence the trend was to use flimsy towels in bathroom, he replaced that we 100% cotton towels which worked really well. With experience of opening the first hotel, Sharp realised customers are ready to spend for one thing that's service. And as Four seasons most guest were business travellers and with the experience he came to a conclusion that for them Service means luxury.

## **Luxury Redefined:**

Maintaining high quality service can also be a brand if delivered constantly according to Sharp. This idea provided him with the initial success in medium sized luxury hotels which gives commitment of providing homelike comforts and personalised service. Thus luxury was redefined as Service and not as decor and architecture. Quality of service comes before the hotel decor and architecture for the customers. As most of the customers for Four Seasons were business travellers Sharp commented

**“ They are mostly executives, often under pressure fighting jet lag, stress and the clock. We decided to redefine luxury as service.”**

Thus the key towards Customer satisfaction was achieved by Sharp and he knew what the customers wanted “ unmatched service quality” will give them competitive edge. Although Four Seasons charge 20% extra room rate than the closest competitors but still they were successful of maintaining high occupancy rates. Further Sharp wanted the highest personalised service quality for the guest which was possible only if employees are motivated and happy they will deliver it. Thus employee motivation, mutual respect and empowerment played a vital role in achieving customer satisfaction. And thus he introduced the golden rule.

## **Golden rule:**

Sharp refer to his first business rule as Golden rule ‘ treat your customers as you want to be treated’. This became the operational policy for Four Seasons. Every employee is a member of customer service and in charge of it.

And he believed employees are the most important part of Four Seasons hotel because there is very limited time in which service encounter takes place unlike other industries. And the employee has to give his best to maintain proper service standards thus lot of screening and interviews are done to ensure the right candidate is selected for right job.

### **Innovation:**

Innovation contributed a lot in the initial success of Four Seasons. Most of the luxurious amenities and services like Shampoo in the shower, bathrobes, 24 hour room service, two- line phone in guest room, pressing iron, 24 hour secretarial service, big well lit desk were the First to be introduced by Sharp and Four Seasons. The Custom made mattresses is now became the standard of luxury hotels which was Sharp's favourite.

Vision of Isadore Sharp: Provide each and every thing in the guest room that will make the customer happy.

### **Growth Strategies adopted by four seasons:**

Initial success for Four Seasons did built a platform for them to grow world wide. It created a network of mid sized luxury hotel in almost all key financial cities all over the world.

During this process Four Seasons adopted many different growth strategies as follows:

**Brand name is competitive advantage:**

The biggest asset for Four Seasons group was their brand name which was not responsible for their initial success but also a part of their global expansion strategy.

The core business strategy for four seasons was

“ to continuously improve their market position and profitability to ensure the competitive advantage while obtaining new management contracts worldwide.”

**Strategic relationship with investors:**

With the help of strategic relationships with many small private institutions earlier helped them to expand their opportunities worldwide. Prince Alwaleed bin Talal bought 25% of company shares and with his major investments in Four Seasons which helped them to enter in new markets as well the ownership was not of Four seasons so it served their primary objective of being a management company.

**From Hotel owner to Hotel operators:**

Their unique business development model stated they wanted to be a hotel chain operator than hotel chain owner. It has ownership of only three hotels out of their sixty three hotels.

Under this unique business model Four seasons hotel doesn't have a burden of ownership, the major capital is brought by the partners with whom Four Seasons developed strategic relationships.



There is wide range of management fees (base fee, incentive fee, sales and marketing charge and reservation charge) for providing these services to the owner.

## **How Four Seasons responded to economic downturns?**

Four Seasons faced economic downturns in different years in four decades 1970, 1980, 1990, 2000 in the following years 74, 81, 91, 2001. And all of them made a significant impact on Four seasons strategy.

The hotel business during the time of recession were mainly affected by

Increased interest rates and

Decrease in market prices

With the increased airfares and the increased occupancy rates the tourism was badly affected. Executives of the company were travelling less and the leisure facilities were decreased for the executives which affected the hotel and tourism market.

Furthermore increased terrorism affected hotel and tourism market.

There were drastic steps taken by different hotel operators by cutting labour cost, lowering prices but Four seasons believed that the industry is going to return to normal soon and Isadore Sharp adopted exactly the other way. He took the challenge during the time of recession and saw the opportunity to develop the hotels. He told his executives about his thoughts that “ when our competitors are lowering standards we will raise ours”

The different actions taken by Four Seasons as an answer to economic downturns are:

### **Four Seasons followed their words to look after their employees:**

During the time of recession most of the hotel operators cut down their labour cost but Four Seasons tackled the situation the other way, they responded by cutting the overhead costs but not the labour costs. They aimed for maximizing labour's value instead of lowering labour cost.

Sharp explained this strategy to his executives,

“ And we also know that what we must do to meet that goal, is to lower costs and raise service and product quality. But cutting costs and raise service and product quality. But cutting costs by cutting labour, if carried too far, lowers quality. The only way these seemingly conflicting aims can be reconciled is by responsible employees committed to working smarter. Instead of minimizing labour's cost we should maximize labour's value: by convincing our employees that our purpose merits commitment.”

Four seasons offered Flexible Contracts to the employees rather than job cut, in which employees will be called on duty as per the demand of the business which replaced working four days a week instead of five days a week. It was in the agreement of the employees and all the employees were in favour of the decision furthermore the salaries and the bonuses of the managers was also affected. This all resulted in sharing a common policy in heading towards company's goals.

**Improving the products:**

Most of the hotel operators paused the construction or running of a hotel for a temporary period but the property business is really high during the time of recession because the properties are sold out on lower rates thus Four Seasons tackled the situation by renovation and refurbishment to improve the products. Isadore Sharp believed that providing quality service to the guest are a necessity and not a service by itself. And if the hotel wants to sustain in the market the new trends in the hotel industries should be followed to keep up with the market. Thus to accommodate these changes and provide customers with quality service. During recession the room occupancy is the lowest thus the inconvenience caused to the guests are very less and thus the guests get a royal out of the world service. They followed this strategy during recession period which gave them a steady growth over the decade.

**Advertising costs:**

Most of the competitors of Four Seasons hotel kept cutting their advertising and marketing costs, but Four Seasons didn't cut their advertising and marketing budget to maintain the brand recognition as they had a very good recognition in the Hospitality industry. It is easy to maintain the momentum rather than restart it. This strategy helped them to gain a competitive edge over their competitors in maintaining their brand recognition.

**Property market:**

During recession the supply in the market for the land was than the demand on low prices. Four seasons took the advantage of low prices of the land and

they picked the premium locations which would have been difficult to buy them in normal times. Thus this strategy paid off to Four Seasons during the time of recession and they came with the finest of the hotels in top locations after recession.

## **How four seasons managed various stakeholder expectations?**

Stakeholder: Person, group, or organization that has direct or indirect stake in organization because it can affect or be affected by the organization's actions, objectives, and policies. (www. businessdictionary. com)

There are three most important aspects of managing stakeholder expectations:

Know your stakeholders

Know what exactly they expect from you

Make them accountable for realities of project by making them aware of risks and consequences.

(According to Dr. James Brown, president of the project management company Seba Solutions).

Different stake holders of Four Seasons hotel are

Stakeholders play a vital role for a company to survive thus the company or organisation needs to implement a strategy for managing their stakeholder expectations.

Thus Four seasons implemented following strategy for managing their stakeholder expectations:

## **STAKEHOLDER MANAGEMENT**

Managing the stakeholder's expectation is a step by step process:

After identification of stakeholders, the second step is to identify their needs.

Needs and expectations of the stakeholders of Four seasons can be described as follows:

Owners: Returns on investment by profit

Management: Management fees on the basis of gross revenue.

Employees: Empowerment, Career opportunities and job security.

Customers: High quality service and luxury.

Society: Corporate social responsibility.

Their strategy to manage stakeholder expectations can be summarised with relation to value chain analysis as well

value\_chain\_analysis

Value chain analysis is a concept to create competitive advantage and sustaining superior performance.

Owner: Expectation of the owners are really high on returns in terms of profit because they are the one who made the capital investment in the projects.

The different aspects of value chain used by four season hotels are like Infrastructure of the hotel, the most innovative idea of the initial strategy was to come up with medium sized hotels, and it worked really well. It was made possible and successful by Isadore Sharp who was the degree holder in architecture and he knew the latest designs of buildings and hotels like building rooms facing inwards to avoid view of neighbourhood made significant contribution to it. These innovative designs really helped Four Seasons to come up with the highest occupancy among the travellers. Thus they were successful in managing owners expectations by giving returns on their investments in less time.

**Management:** To ensure a good gross revenue it is vital to get higher occupancy with good average room rate throughout the year.

Sales and Marketing and technology come into picture from Value chain analysis. The marketing strategy for Four season hotel is to target the luxury segment of the market. 69% of their business comes from business travellers and groups. So almost all of their advertising and marketing programmes were designed to enhance the awareness of luxury service provided by Four seasons hotel. Technology played a vital part in achieving their goal by newly designed website and superior reservation system. They gained an advantage over other hotels by Global reservation system which gave an option to the guests to be comfortable with their own local language in North America, Asia and European Network.

Example: There are so many hotels in Hyde Park area but over 30 years Four Seasons has gained and enjoyed the highest occupancy in the area with their strategy.

Employees: Employees expect Mutual respect and Empowerment from Four season hotel.

Employees are the most important stakeholders of the organisation, if they are happy to work for the organisation the whole business cycle can run smoothly, If Employees are happy then the customers are happy with their service it leads to word of mouth publicity and the organisation gets a repeat business.

Employees deserve a mutual respect from the management. Human Resource Management from value chain ensures that employees should get what they deserve and expect. And most importantly the Golden Rule of Four Seasons is ' treat others as you would like to be treated' also they believe that if employees are happy then only they can make customers happy.

Four Seasons has maintained empowering their employees, and the best outcome and results can be obtained from their employees by empowering them.

**I'm sure we've all read reports on the productivity gains achieved by empowering employees. And we all know the workplace has to change to attain this. And in a survey of 264 big company chairman, 62 percent agreed that “ one of the most important business issues facing them” was “ building and keeping a qualified workforce.”**

### **-Isadore Sharp**

d.) Customers:

The expectation of the customers is very high as Four Seasons targets luxury segment of market. Service factor from Value Chain is wisely utilized by Four Seasons to manage expectations of luxury for the customers.

They redefined luxury as service. Four Seasons gained a competitive edge by provided high standard of service with personalised touch. Customers got what they expected from Four Seasons. And they are very successful in making customers happy.

E.) Society:

As Society expects some corporate social responsibility(CRS) from all the hotels and organisation, their expectation for four seasons towards society is really high as well. CSR includes encouraging activities for development of society and avoiding practices which causes harm to the environment.

Four Seasons explain how they help and take initiative towards community by various training and mentoring programmes for young people and helping whoever in need in their website [www. fourseasons. com](http://www.fourseasons.com) .



Example: They donate organic food to local farmers to feed their animals (Costa Rica) and also providing shelter camps to Urban Elephants(Golden Triangle, Thailand), Raising significant funds for cancer research and awareness programmes.

### **Recommendation:**

Four Seasons has a strong portfolio in the Hotel Industry but to sustain they should focus on few things which are as follows:

Four Seasons should concentrate on building more brands and focus on all the categories like upper-scale, middle and budget hotels. Unlike Accor group of hotel they have segmented their hotels and created a brand focusing the needs of its customers such as Etap, Ibis, Novotel, Sofitel etc.

To compete with other leading brands Four Seasons should come up with more hotels all over the world for more brand recognition and for customers to have a taste of their service.

Furthermore Four Seasons should continue the effective management of the hotel the way they are doing it to sustain in the market.

### **CONCLUSION**

With the base of the case study and research on Four seasons hotel, Canadian based business has an excellent brand recognition all over the world. The company is moving ahead with excellence along with strong financial and operational management. Different innovative ideas of Four Seasons hotel helped them grow in this hospitality business over the years furthermore during the time of recession Four Seasons hotel did really well,

<https://assignbuster.com/factors-that-has-helped-four-seasons-hotel-tourism-essay/>

thus it says Fours Seasons Hotel has turned economic down turn to a competitive advantage over their competitors by coming up with different properties with prime location after recession (they responded very well to economic downturn). They took the down turn as an opportunity to expand and thus they are achieving excellence in their business.