

Four seasons hotels and resorts



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Introduction:

This report is all about Four Seasons Hotels and Resorts which opened its first hotel in 1961, Isadore Sharp was accidentally got into the business and through decades he never looked back. This is the tale of continual innovation, remarkable expansion and a single minded dedication of highest standards. The Canadian base company has almost 50 years and Four Seasons has redefined luxury for modern traveller.

The brand embodies a home away from home for who know and appreciate it best. The company has grown widely in 34 countries all together 82 hotels. Four Seasons have strong commitment to the community and environment in which they operate.

Four Seasons initial success:

The Four Seasons entered in the hospitality business in 1961 by opening their first hotel Four Seasons Motor Hotel in Toronto. Which concentrated on global business travellers which look for personalise service round the clock. The main objective of Sharp's business plan is to be luxurious hotel chain which will deliver consistent high standard service worldwide. Sharp decided to enlarge his business in medium size luxury hotels and resorts at holiday locations. Though Four Seasons brand was new to the hospitality industry it made a positive beginning by defining hospitality in its own way. The trend motel was popular with basic service in that era. Four Seasons change to high class, luxurious and round the clock service.

The plan was to establish Four Seasons internationally. In 1970 opening of hotel in London was a defining moment. In 1970 London was dominated by

Victorian traditional English hotels where as Four Seasons made its entry with high end luxurious and modern amenities. This was a big move for Four Seasons hotels.

The objective of the company is to operate as finest hotels, resorts and residential properties. The goal is to create using superior design and enhance them with deeply instilled ethic of personal service. The Four Seasons belief on what they serving and proper financial planning may be made them successful in the initial stage.

A very new and modern approach to hospitality was a success key for Four Seasons. Instead of casual and very old traditional service Four Seasons delivered high end luxurious services in modern atmosphere round the clock. The rate Four Seasons used to charge was 25% more than the nearest competitors. Rather than being all the things to all the people, Four Seasons was focused on quality and being best in each location with medium sized hotels. The trend set by Four Seasons might be very popular due to success of Four Seasons.

Possible growth strategies for Four Seasons:

The consistent focus on high end service delivery and focus on brand management are the features of global expansion. The worldwide expansion began when Four Seasons open first international hotel in London and followed by building hotels across North America and in every US city. For global expansion they might have used Ansoff's Matrix.

Ansoff's matrix is a tool that helps businesses to decide their product and market growth strategy.

Ansoff's matrix:

Product

	Existing	New
Product	Product	Product
Market	Product	Product
penetration	development	development
* To increase market share for existing current product.	Introducing new products to existing clientele eg. Building Resorts, residential properties with same brand standards.	
Dominating the market by pricing and advertising strategies.		
New Market	Development	Diversification
Market		

* Creating

new

market

segment.

*

International
Introduction
of hotels,
resorts,
residential
expansion.

t * New properties
distribution and
channels. residence
(Ownership clubs
s, worldwide.
alliances,
fractional
ownerships
and
mergers.)

The above ansoff's matrix represents the possible global expansion planning for Four Seasons hotels.

Porter's five forces:

Threat of new entry:

The threat of new entry is base on market barriers, economies of scale, current market position and number of competitors. The consistent high brand standards and extraordinary service delivery might be the barrier for <https://assignbuster.com/four-seasons-hotels-and-resorts/>

new entrance. The strategic pricing and promotions planning may have strengthened the market position for Four Seasons Hotels.

Buyer's power:

Is basically the impact buyer have on producing the industry. The buyer sets the prices when there is only one buyer and number of producers. Buyers are powerful when there are few buyers with significant market share. On the other hand buyers are weak when buyers are fragmented i. e. buyers don't have any influence on product and price.

Supplier's power:

The raw material which require for producing significant product like labour, components and other supplies are supplied by suppliers. Supplier can sell the raw material at higher price to capture industries profit.

Threat of substitution:

To the industry a threat of substitutes exists when product demand change due to change of price for substitute product. Due to availability of substitutes demand become more elastic and consumers get more substitutes available.

Competitive rivalry:

It is important to know your competitors and their capability. If you have number of competitors with same service and facilities as you offer then the company is having less power. To be in market and improve the market share you should provide unique services which no one provides which helps to give the competitive edge to an organisation.

The above study of Ansoff's matrix and Porter's five forces respectively helps to identify the market position and market value for the company. It helps to highlight the strengths and weaknesses of company in order to do future move. The above theory may have helped four seasons in their expansion plans.

The core business strategy of Four Seasons was to enhance its industry position and overall profitability of company by constant international expansion that benefits the strengths of core operations management and the value of its brand name, which helped Four Seasons to obtain new management contracts, real estate deals worldwide. It also helped to gain fractional ownerships and strategic alliances with some hotel companies. The acquisition of 100% ownership of Regent International hotels including its management contracts and trademarks was big move for Four Seasons. The strategic relationships with some investors like Prince of Saudi Arabia helped to expand company at global level.

Four Seasons principal business was luxury hotels, resorts later on they moved to residence clubs and branded residence projects. The Four Seasons properties were generally located centrally in commercial and financial districts of world's leading cities. The worldwide reputation for quality, service and innovation in the luxury segment of the business made it easy to expand Four Seasons internationally.

Respond to industrial downturn:

Four Seasons faced economic downturn in 2001-2003. To a large extent the level of success will depend on companies marketing efforts and capabilities.

To recover from the economic downturn Four Seasons must have had some plan in place like forming some marketing strategies, designing campaigns and planning some business expenditures. The success will also depend on timing of company's efforts. It is important for any business is whether the company is in position to surge when the economy will start booming again.

Value chain:

Value chain can define as a successive stage during which value is created when producing distributing and servicing a product. It assists in creating and sustaining superior performance. Value chain is use for adding competitive strengths for organisation and to evaluate what value every activity adds to company's product and services.

A well structured value chain always adds value and competitive edge to the company. An objective for this value chain is to offer the customer a level of value that accelerates the cost of operations so therefore in result in profit margin which assist in shrinking economical conditions. The company's margin of profit depends on the effectiveness of activities related to value chain.

The value chain model can be useful term to define core competencies of the firms:

- Cost advantage: better understanding of costs and market position firm can reconfigure the assign cost for value chain in order to make it more effective.
- Differentiation: concentrating on those activities related to core competencies in order to perform better than the existed competitors.

The activities can be policies and decisions, interrelations, training and development opportunities, location, integration and service and product delivery by concentrating on the superior performance of these activities will drive the value of the firm and it will help to maintain its position even in industrial downturn.

The income which Four Seasons was getting from ownership operations was significantly lower than the management. Due to economic crisis entire hospitality industry was struggling, the overall travel and tourism industry was weak due to September 2001 attack on US. Survival of fittest was applicable, if the company's core values, operations and product are stronger than competitors the chances were more to survive. The overall revenue was dropped for Four Seasons but Four Seasons was able to sustain its leadership position in revenue per available room and gross operating margin. The room rate for Four Seasons per room was consistently 25% higher than its local competitor, though economy was shrinking the company never compromise on their room rates and their service standards. The exceptional quality and service of Four Seasons hotels gives competitive edge to the company and helped Four Seasons to survive economic crisis. Four Seasons founder Isadore Sharp was adding 5-7 properties to the company in spite of unfavourable economic conditions and was expecting strong rebound in earnings once the geopolitical issues stabilize and economy boom. Forming strategic alliances and mergers may have used as a growth vehicles. Acquisitions, strategic alliance and mergers were the options to consider for the international expansions instead of new developments, franchising and management contracts. In that period the traditional

industries were declining it resulted in needs for job in hospitality sector. Hospitality industry became economic growth generating industry in the same period which result in investment in hospitality related real deals increase significantly. While considering the globalisation of hospitality industry it is necessary to consider the impact of politics and government on the industry.

The strategic business decision by senior management and founder Isadore Sharp and consistent exceptional service and world class amenities in all the properties operated under Four Seasons brand helped them to maintain its competitive position in the market.

Stakeholder's expectations:

As we have seen Four Seasons is well established chain of hotels with more than 63 hotels and resorts worldwide. The size of business indicates the number of stakeholders they have.

A person, group or organisation that has direct or indirect stake in an organisation because it can affect or be affected by organisation's actions, objectives and policies is known as stakeholder. For Four Seasons following can be the key stakeholders.

Stakeholders for Four Seasons:

- Employee
- Customers
- Suppliers
- Environment
- Community

- Property owners
- Authority (government)

It is important to do stakeholder management to fulfil expectations of stakeholders. There are two major elements of stakeholder management:

Stakeholder analysis: it is a technique to identify key people who can or can be affected by project.

Stakeholder planning: to building support from company's side that helps in success.

As part of stakeholder analysis it is important to identify who are the stakeholders for your company. After identifying stakeholders the next step is to prioritise the stakeholders for your company as potential stakeholders. It is also important to study the stakeholders in order to understand their interest and expectations from the company. Four Seasons four pillar business strategy is a best example to satisfy stakeholder's expectations.

Employee:

The Golden Rule one of the Four Pillar's business strategy is "Treating others as you would like to be treated". This strategy aims for the employee satisfaction as they understand guest satisfaction is dependent on employee satisfaction. The golden rule was based on the basic human value of mutual respect. As Four Seasons believe their greatest assets and key to their success is their people. It is not possible to satisfy their guest all alone it is a united effort of teams. They have their own business module to satisfy their employees. Proper organisational structure makes departmental and intradepartmental communication more effective. Staff's problems and

difficulties are considered at higher level. Equal opportunity and well designed training and development opportunities are available in all The Four Seasons properties. The Four seasons founder visits each property and listens to staff problems and suggestions and he ensure that employees having full autonomy. These people management skills motivate and satisfy employee needs.

Training and development programme for Four Seasons helps employees to attain desired standards and skills and also to immerse them in company's culture. Career growth is given highest priority in order to retain and development of their employees. The various programme and growth opportunities are designed and implemented to enhance the skills and performance of their employees.

The well planned Human Resource strategies, healthy working conditions, proper communication system, benefits, perks and packages with all management efforts to motivate their staffs helps in retaining their employees. Job enrichment programme considering employees expectations is the main policy for The Four Seasons.

Customers:

Customer satisfaction is a necessity for any organisation to be successful. The third pillar of Four Pillar business strategy explain us about uncompromised customer service demonstrates their success is depends on customer service. As Four Seasons is luxury brand the services and amenities offered by the brand are high standards. To satisfy Customer Company needs to meet all their expectations. As Four Seasons service and

brand image gives competitive edge to the company guests has certain expectations about their decor ambience and service quality, as brand defines consistent service quality worldwide guests will expect the same in return.

To satisfy your clientele it is necessary to prioritise the clientele according to market share. As Four Seasons target clientele is business, corporate and leisure travellers they have to analyse their needs and wants and then they can try and fulfil them. Company needs to maintain the same level of service that they provide when they first earned the business as their customer base grown. The consistent uncompromised customer service and product delivery of Four Seasons helps to win trust of their customers. Being prompt and round the clock service delivery from skilled staff is an added advantage for the Four Seasons.

Excellent communication when you communicate with your customer by providing tangible information about the service and product demonstrates that the company value their customers. Going extra mile and constantly innovating new approaches to feel their business and leisure travellers at home away from home attitude in all the Four Seasons properties worldwide.

Well planned guest satisfaction survey and considering small details of customer advised on high priority to make service more productive and efficient. Monitoring the provided service by mystery shoppers and continuous consideration for enhancing service and product quality for Four Seasons make them meet the customer expectations all the time.

Suppliers:

There are number of suppliers for hospitality industry and it is necessary to consider their expectations to secure long term relationships.

Supplier's expectations can be met by:

- Understanding each other's needs and wants.
- Continuous improvement in processes.
- Providing time frame needed for work to be done.
- Offering competitive cost along with both pre-purchase and post-purchase support.
- Enhancing medium of communications and providing trust and support needed in business operations.

The sizes of Four Seasons indicate the amount of suppliers they have to deal with for their products. For effective and smooth operations it is necessary to have long term relationships with the suppliers, if the organisation fails to meet supplier's expectations they have to face an additional cost of changing suppliers. It is always beneficial in business to work on mutual understanding of both the company and suppliers.

Environment and community:

At Four Seasons, corporate values are much more than a programme or a policy -they define who we are and inform the decisions we make. The company strive to have positive and everlasting influence on community in which they operate, people who they employ and serve worldwide.

Four Seasons helps to involve their guests and employee in common objective to saving and protecting the planet. Four Seasons business

practices are sustainable that helps to conserve environment, natural resources that reduces impact on environment. Apart from this The Four Seasons have recycling plants where they recycle glass and papers.

By having assertive economic impact Four Seasons is committed to being responsible towards the community in which they operate. They offer innovative training and mentoring programmes for young people and celebrate a diverse culture with people who are in need. Four Seasons annually raises significant funds and awareness for cancer research whose main aim is to eradicate cancer from the world.

Property owners and Authority (Government):

To operate in smooth business environment a brand needs to consider expectations of property owners, the local government and legal procedures. Four Seasons size indicates the legal formality it needs to deal with government of every country in which it operates.

Recommendations to Four Seasons:

The long term objective for Four Seasons is to become a “ World’s best Global Hotel Company”. The Four Seasons director of worldwide operations Wolf Hengst says “ Down cycles actually provides us with opportunities for accelerated growth to strengthened product and to grow in new markets.” The main aim for Four Seasons is to expand globally, but in current economic conditions it is a challenge to buy or to develop new properties. When distributing product overseas it is important to get right distribution model i. e. to distribute your product worldwide through correct distribution channel.

Distribution model:

- Franchising and licensing the product:

It is an effective low cost growth medium for luxurious branded and service product. Once the business is established licensing and franchising can minimise the risk related to failure and is demands low cost as compare to buying and developing new properties.

- Forming an alliance:

Forming Strategic alliance with similar type of business can be a successful way to expand easily. It also improves access to capital, facilities, technologies and expertise by improving cash flow. It helps to strengthen the relationships with key suppliers and customers. It involves low cost and much easier if it has been done on correct level.

Marketing strategies:

To increase the market share or to keep existing market share it is necessary to develop marketing strategies. It is important to build international awareness for Four Seasons brand to develop local market potential. The objective for marketing strategy can be to attract the group of corporate business travellers and leisure travellers as these are their target customers. This can be achieving by organizing training and development opportunities for the local and global sales force.

Enhance technology:

Due to increase in competition it's important to keep your business up-to-date with latest technologies and advancement. Research and development opportunities and latest technologies always provide a competitive edge for the business.

Financial objectives:

Practicing following financial objectives can be beneficial to achieve success in the business

- To maintain policy of tax efficiency.
- To analyse prudent risk profiles for investments.
- To invest in new innovations and technology.
- By maintaining low cost of capital.

Risk management:

Risk = Threats X Vulnerabilities X Impact.

The reduction of any one of above factor will result in significant reduction in Risk.

Risk Management is a core part of any organisations strategic management. It is about addressing or identifying risk related to the business processes and assessing its overall impact on the business and making correct decision about assessment. Risk management is an ongoing process it increases with increase in the business. For successful business it is necessary to carry out risk management at every stage of the process before making any big move.

Eco friendly:

Four Seasons already have strong commitments to the environment in which it operates. The company already possessing recycling plants and green policies, they can try building new properties as environmentally friendly as possible which will help them to enhance their brand equity.

Conclusion:

Four Seasons Hotels and Resorts has spent almost 50 year enhancing their brand culture and reputation based on respect. The culture, Global strategy and brand value are integral part of their success worldwide. As Four Seasons says“ The best is yet to come.” They still have many opportunities to grow but due to unstable economic and global political conditions risk is also related to it.

The focus of company is to invest in new management agreement and to enhance current management contracts, it is possible when the economic position will stable. Their belief is to achieve fair and reasonable profit to ensure prosperity of the company, and to maintain long term relationship with their customers, employees, shareholders and hotel owners.

To make its way through tough and challenging conditions Four Seasons culture and brand value will remain as a competitive edge for the company.

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