

**Will ‘The Spirit of Discovery’ lead Wharf Hotels to become a
preferred international hotel brand?**

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Abstract

The case presents the background of the Wharf Hotels (WH) and its two brands, namely, Niccolo Hotels and Marco Polo Hotels. This case discusses the various initiatives that Dr. Jennifer Cronin, President of WH, and her Executive Committee have rolled out in marketing, human resources and business development since Dr. Cronin became President. Moreover, the challenges faced by WH and the available opportunities are identified. Based on the information presented in this case, students can assess whether WH has the resources and capability to build sustainable competitive advantages to transform into a preferred international hotel brand among its important stakeholders.

Keywords: growth strategy, hotel branding, hotel development, leadership, stakeholders, talent development

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Statement of teaching objectives

This case is relevant for the final-year students of the Hospitality Strategic Management undergraduate course. Resource-based and value-based theories, as well as stakeholder theories, may explain how companies make strategic decisions. The students will be able to perform internal and external analyses by using appropriate tools to draw conclusions with regard to the competencies and business situation of the company and the implications of these factors to the company’s future strategies. Based on the analyses, the students will be able to recommend possible strategies to transform WH into a preferred international hotel brand by adding great value to its important stakeholders.

Introduction

In preparing her presentation to the company’s Chairman, Dr. Jennifer Cronin, President of Wharf Hotels (WH), called for a brainstorming session with her management team to discuss **‘How to transform WH into a preferred international hotel brand’**. Cronin joined Wharf Hotels as Vice President of Sales and Marketing in 2014 and was appointed President in February 2016. Since her appointment as President, the company had embarked on various initiatives, laying the foundations for the growth of the company.

Cronin asked her team during the executive committee meeting, ‘We have been very successful in launching the new Niccolo brand over the past few years with four hotels and one on the way. What is next for us? **How can we transform WH into a preferred international hotel brand?** I am going to meet with our group’s Chairman and will present him with our 2020 and beyond plan’. Juliette Lim, Vice President of Human Resources said, ‘This is the perfect time to review what we have been accomplishing and how we can sail ahead, like the Discoverers, Niccolo and Marco Polo, whom our brands are named after’. ‘A preferred brand can mean different things to different stakeholders. It is of fundamental importance to identify our core stakeholders and devise appropriate strategies to create value for them. Let’s go back to discuss this with our team and put together a one-page executive summary for the Chairman’, said Cronin.

Background

Marco Polo Hotels Management Limited (MPHML) was established in 1986. MPHML was a hotel management company that managed hotels in Asia. The company was a wholly owned subsidiary of The Wharf (Holdings) Limited (WHL), a local conglomerate founded in 1886 and listed in the Hong Kong Stock Exchange. WHL was one of the 30 constituent stocks from the original Hang Seng Index 50 years ago. The conglomerate was one of the top local blue chips that were most actively traded and widely held (Wharf (Holdings) Limited, 2019). WHL's mission of 'Building for Tomorrow' extended across the five different areas of business for the company: Hong Kong Properties, Mainland China Development Properties, Mainland China Investment Properties, Wharf Hotels and Logistics (see Exhibit 1).

MPHML was rebranded as Wharf Hotels Management Limited in June 2016, with Wharf Hotels (WH) as its trading name. The rebranding aimed to establish a clear brand relationship between WH and its two hotel-operating brands: Niccolo Hotels and Marco Polo Hotels. The company recognised that confusion in the marketplace would result with the new luxury brand Niccolo Hotels being seen as part of Marco Polo Hotels. Therefore, the new brand needed to have its unique identity. As an Asian corporation recognising diverse cultures that celebrated the 'Spirit of Discovery' (i.e. the legendary spirit of travel), exploration and sharing of experiences were embodied in the two brands. The unique identities of the Niccolo and Marco Polo brands allowed WH new development opportunities.

In 2019, WH owned nine and managed eight Niccolo and Marco Polo Hotels in Hong Kong, Mainland China and the Philippines. The total room inventory was 5,474 rooms (see Exhibits 2 and 3). The newest addition, Niccolo Suzhou with 231 rooms, would be opening in 2021. The two brands adopted different strategies to support the company's vision to expand its footprint in the Asia-Pacific (WiT, 2017). In certain markets, the two brands had played alongside the big players and punched above their weight.

The brands

Marco Polo Hotels were upscale full-service hotels when they were first introduced to the market. The Marco Polo brand originated from Marco Polo, the Italian explorer, global traveller, entrepreneur and connoisseur of culture. He travelled from Europe to Asia in 1271–1295 (Peters & Maraini, 2019). Every Marco Polo property was a blend of Asian warmth and Western comfort. Each hotel provided guests with a unique travel experience, which embraced

the local charm and the adventure of travel with the deeply instilled elegance and warmth of the brand culture. The elegant design, impeccable service and modern comfort were the key features of the Marco Polo Hotels, targeting new-age business professionals, experience-seekers, global citizens, families and multi-generational travellers. The key brand message was ‘Explore Discover Experience’.

Niccolo Hotels, WH’s new luxury brand, was created with the launch of the Niccolo in Chengdu, China in 2015. The brand was named after Niccolo Polo, the father of Marco Polo, providing a subtle link between the two brands. Niccolo Hotels’ brand vision of contemporary chic, inspired by luxury fashion and located at the most desirable and highly prized addresses, was the brainchild of the WHL Chairman at the time, Peter Woo. The brand had attracted high-spending customers, including CEOs, entrepreneurs and thought leaders. The Murray Hong Kong, a Niccolo Hotel that opened in January 2016, was WH’s flagship. The hotel was a redevelopment project of The Murray House, an old government office building constructed in 1969 and remodelled as a 336-room luxury hotel. The hotel was a ‘crown jewel’ in the WH’s collection (Gluckman, 2019). The hotel had won multiple awards for groundbreaking and efficient design, service excellence and travellers’ choice. Despite being a relatively new brand and with only four properties in Hong Kong and Mainland China, Niccolo had been successful in brand awareness and actual operating performance. Exhibit 4 shows the Niccolo and Marco Polo brand profiles.

WH’s development team suggested that no hard rule existed in defining a competitor, which might vary depending on numerous factors (e.g. location within the destination, key count, other supporting amenities, and connectivity). The Marco Polo and Niccolo brands competed in the upper upscale and luxury sectors, respectively. Exhibit 5 shows the direct and indirect international and regional hotel brands, whilst Exhibit 6 shows the number of operating and pipeline hotels of the competing regional hotel brands.

Business mix

The majority of WH’s sales revenue came from the Asia-Pacific, in which 60% of the customers were from Mainland China, followed by the Philippines, other Asian countries, Europe and the Americas. Approximately 95% of the hotel customers in Mainland China were domestic. For Hong Kong, over 60% of the customers were from Mainland China. Over half of the customers in the Philippines were locals, followed by customers from the United States.

Over 80% of the business were transient customers. On distribution channels, one-third was from online travel agents (OTA), another one-third was from the DISCOVERY programme and the remaining one-third was from hotel direct and global sales sources. GDS and the brand's website only contributed to 2%.

Loyalty programme

In 2008, WH joined the Global Hotel Alliance (GHA), an alliance of unique four-star and five-star hotels and resorts founded in 2004. GHA had created sustainable growth and efficiencies for its member hotels through mutually beneficial partnerships and collaborations. In 2019, GHA had over 30 unique independent brands with more than 550 hotels in 76 countries. DISCOVERY, GHA's loyalty programme launched in 2009, had over 15.1 million members worldwide, generating US\$1.2 billion room revenue and 6.5 million room nights in 2019. Approximately half of its business was from the Americas.

The ethos of DISCOVERY was 'The best travel experiences come from true immersion in a destination'. Members received Local Experience awards authentic to the location designed by each individual hotel, as well as level-specific benefits (DISCOVERY, 2019). The programme offered over 2,800 local experiences for members to redeem during their hotel stay or as non-resident guests, providing them the most flexibility. A mobile application was available for members to manage their accounts, bookings and member hotels' marketing communications. DISCOVERY provided various marketing opportunities to its member hotels, including multi-language electronic direct marketing and cross-brand marketing on the partners' electronic and social media marketing platforms. A total of 3% of the members were recruited by WH and 60% were recruited from its properties in Mainland China. DISCOVERY members had a higher average daily rate (ADR) than non-members.

Enhancing business performance

WH assessed the priorities for improving business performance and identified the following key areas to maximise returns:

1. Reduce reliance on OTAs and increase brand.com's conversion
2. Product and online reputation
3. Sales culture
4. Environmental brand standards
5. Technology infrastructure

Reduce reliance on OTAs and increase 'brand.com' conversion

Despite the OTAs' importance, their high commissions might cut into the hotels' profitability. To reduce the reliance on OTA, WH offered enticing discounts to customers who had booked directly on its website. Launched in 2019, The 'Best Rate Guarantee' ensured the best rate offered on the brand's website. Customers obtained an additional 10% discount should they find a lower rate on a third-party website. Individual properties had an agreement with the OTAs which stipulated various commission rates. Ensuring rate parity was also challenging because OTAs might offer rates lower than the rates stipulated in the agreement. Hotel groups with a significant size advantage had started to negotiate with OTAs for master contracts with low commissions across the board. OTAs were offering their platforms to major hotel chains to open their branded stores, such as the Marriott Store on Expedia and Hilton on Booking.com (Fox, 2019).

New brand websites with enhanced functionalities were launched to differentiate the Niccolo and Marco Polo brands and to improve the customers' online experience and successful conversion. The website only had English and Chinese versions. Hosting the brand website in China, which was not the case then, would provide a faster and improved online experience for Chinese customers and enable the launch of targeted digital and tactical campaigns to drive for additional direct business.

Product and online reputation

The portfolio of Marco Polo Hotels was aging. WH had plans to revitalise the Marco Polo brand in the coming years. The focus would be on marketing through selected platforms, including social media, aiming at quality publicity and media exposure. Given that the Niccolo brand had been successful since it was launched, continuous investment to strengthen the brand was important, especially with new brand campaigns on digital, social media, print and broadcast platforms, to increase global publicity and media exposure. The adoption of social media for marketing communications was still in its early stage and required time and resources to reach brand championship level.

WH recognised the importance of managing the online reputation of its hotels. Similar to other major hotel brands, the company used a guest intelligence solution, ReviewPro, to assist in managing their guests' experience and online reputation. A high online reputation

index meant that the hotel was exceeding customer expectations. An effectively managed online reputation would enable the hotel to increase their ADR. A one-point increase in the hotel's Global Review Index (GRI) could lead to an increase of up to 1.42% in RevPAR (ReviewPro, 2019). The Niccolo and Marco Polo brands had an increasing GRI in a number of areas. The GRI performance of the two brands was shown in Exhibit 7.

Sales culture

To enhance the total sales, a coach was hired to design a tailor-made two-day Sales Academy programme for the sales team, which emphasised converting sales by understanding the various personality types of the customers. Business intelligence tools for sales analytics were implemented. The customer relationship management platform for corporate bookers was also upgraded to facilitate additional direct bookings. Given that China was a key market, the priority was to increase their resources with an increase in regional headcount. The shortage of sales talent was an issue, particularly in China, where good talent was always in high demand with numerous new hotels opening in major cities.

Environmental brand standards

WH had created core company procurement standards to maintain consistent brand standards across all hotels. Green product sourcing for food and beverage utensils, cleaning chemicals, biodegradable bathroom amenities, biodegradable straws and plastic-free bottled water were implemented. Food and beverage items were sourced from socially responsible corporations and organic farms, whilst all restaurants had pledged to be shark-free. For hotels located in the same region, such as the Philippines and Hong Kong, a new e-procurement system was introduced to improve efficiency and leverage collective purchasing bargaining power. Group contracts and master agreements were negotiated for cleaning chemicals, restaurant chinaware, gym equipment and uniform design and fabrication. Corporate standards for green meetings and events were established. Bottled water was not provided and stationeries were only provided upon request. Disposable items were eliminated from all meetings. In 2019, 13 hotels were EarthCheck certified. WH was working towards an EventCheck programme (V2.0), which aimed to deliver responsible and sustainable events at their properties.

Technology infrastructure

WH believed that technological investment was important in enhancing business decisions and performance, delivering the best customer experience and increasing operational and management efficiency. The digital capabilities of WH required enhancement. The company's IT infrastructure needed a major overhaul, which required time and financial commitments from the management and owners. Unlike major hotel chains, WH did not have any mobile applications. Budget was earmarked for SEO/SEM, metasearch, content marketing and social media to drive business. WH planned to enhance the hotel reservation system and expand the hotel property management system into the cloud. Technology solutions to enhance customer experience, such as smart room service and IoT, machine learning for service improvement, personalisation and recommendation engines, chatbots and mobile check-ins, were considered.

Leadership

Cronin was a leader who always strived for continuous improvement. She pursued her PhD in crisis management at Bond University. Previously, Cronin had managed the rebranding of Dusit International and focused on the growth of intra-regional Asia-Pacific travel for Singapore's luxury hotel market. She believed that a strong leadership team was the key for companies to be successful, especially in challenging times. As she became WH's President, she had built a strong leadership team of seasoned and award-winning professionals with diverse backgrounds and experiences from hospitality and other industries. New Executive Committee members were brought in, including the Vice Presidents of Human Resources and Sales and Marketing, to infuse new blood to the company and to bring in some 'disruptions' (see Exhibit 8).

In 2015, WH crafted their short-term and long-term visions. Continuous improvement and forward-looking had been important values then. In 2019, the corporate office senior management team reviewed what direction was needed to sustain WH's success and growth from 2020 and beyond. WH's purpose, vision, mission and values were redefined by strongly emphasising 'value creation' and 'value enhancement' for all stakeholders (see Exhibit 9).

To achieve successful transformational changes across various levels within WH, establishing a well-defined leadership culture became a critical factor. Cronin believed that The Red Ring Leadership Philosophy (Red Ring), which was introduced by her predecessor in 2013, was an important component in WH's leadership culture and should be further developed.

In 2016, a curriculum was developed to leverage the Red Ring principles (see Exhibit 10). The programme was piloted and modified in March 2017 for top and middle managers and those with strong potential to be leaders before it was launched to all 17 hotels. Over 500 leaders completed the training in two years. Hotel General Managers who completed the training programme were expected to bring what they learned back to their respective hotels and inspire their staff. During the weekly meeting of the department heads at the corporate office, each director would take turns to do an elevator-pitch style presentation, focusing on one competency of the Red Ring and how it was practiced. In a year's time, everyone within WH was living, breathing and talking about the Red Ring (Employer's Federation of Hong Kong, 2018).

The Red Ring reinforced the LIVE BOLD, STAY SHARP leadership model. SHARP represented the five qualities the company expected of their leaders: sustainable, holistic, authentic, relentless and pure. The company focused on the sustainability of the business and the environment. To be holistic, the company adopted 360° views in their business processes. Given the competitive nature of the hotel industry, the company relentlessly identified improvement opportunities and implemented distinguishing elements. With regard to the expected pure quality of leaders, the company held to a high standard of integrity and honesty. Transparency and empathy were also practiced. The 'LIVE BOLD Leadership Development Programme' was created with three distinct tracks: Executive (General Manager, Executive Assistant Manager, Hotel Manager, Resident Manager and Director), Mid-management (Manager, Assistant Director, Assistant Manager and Supervisor) and Young Leaders (operational management trainees and the heart of the house management trainees), which facilitated leadership development and succession planning across the organisation.

The successful implementation of the Red Ring led to the development of a recovery system for addressing guest satisfaction and an operational excellence model for employees to apply the 'zero error zero waste' approach in daily operations. By 2018, 50 projects were proven to improve the operational efficiency and reduce costs across properties. Innovative ideas, such as Red Ring-inspired coffee breaks and high-impact teambuilding activities, became common practices across hotels, thus aligning leaders and employees towards common values and direction.

Talent development and engagement

WH evolved from the iconic legacy of the Marco Polo Hotels to a vibrant, forward-looking brand. Talent acquisition was a top priority. In 2018, WH actively promoted career opportunities on various social media platforms. WH had collaborated with institutions across Hong Kong, Australia, Germany, Switzerland and Vienna on internships/traineeships. The company also participated in an International Recruitment Forum organised by the Swiss Education Group to recruit talents internationally.

To identify the right people, WH adopted Talent Plus®, a technology solution through a customised, scientifically based assessment tool that measured the potential of individuals for particular jobs. All WH human resource teams were certified to use this tool for recruiting supervisory/management roles. This tool extensively enhanced the ability of hiring managers to identify the strengths of candidates and true fit for any positions.

WH recognised the importance of developing their talent. In 2018, new syllabi were designed to build the competencies of property trainers, and various training hubs were organised to certify them with various programmes. More than 150 employees across properties were certified as Departmental Trainers. These trainers were responsible for the delivery of various company-wide training programmes, such as the Niccolo service culture, 'Be Niccolo'. The Marco Polo service culture titled 'The Marco Polo Way', was revamped and delivered to all properties. Furthermore, new technology was adopted to encourage continuous learning via an e-learning platform.

The 2018 Associate Engagement Survey of over 4,000 associates conducted by an external company presented encouraging results, with a 100% completion rate and a record-breaking engagement score of 8.6 out of 10 in general satisfaction and loyalty and 8.4 in overall engagement (Employer's Federation of Hong Kong, 2018). The result was the outcome of the company's efforts in caring for its associates. For example, the company organised an annual event, 'Marco Polo Birthday Week', to celebrate the birthday of the company's namesake. The event was a week-long programme, with activities for the associates, including morning coffee and pastries, ice cream day, juice bar, badminton tournament, treasure hunt, morning yoga and massage day.

The associates' personal attachment to the employer brand was enhanced through a carefully designed on-board experience, daily engagement, empowerment at work and a

rewarding career with development and promotion opportunities. An alumni network was built for associates to join upon separation. To ensure the competitiveness in the company's compensation and benefits, WH introduced innovative benefits, such as those focusing on the wellbeing of the associates and their family members, including flexible working hours to fulfil the demands of an appropriate work–life balance. Compensation and benefit structures were also aligned across various regions to ensure transparency and competitiveness.

WH formalised the Performance Measurement Model in 2018 by making the evaluations of each associate relevant with measurable outcomes and a KPI-driven goal setting mechanism. Personal development goals based on Red Ring competencies were set for all associates. In 2018, the company's appraisal system progressed to map against Red Ring Philosophy and adopted a new label, 'SHARP Performance Management System', driven by the five key pillars of profit, revenue, guests, associates and brand. These goals were measurable, meaningful and progressively challenging for individuals. All salary increments, bonuses and promotions of individuals were based on these achievements. The stringent performance management strategy allowed the company to measure the performance of employees fairly, build their sense of accountability and reward them accordingly.

People brought results to the company. The company believed in 'winning together' and in recognising its high performers. In 2016, WHM started sending entries to the prestigious Hotelier Awards (rebranded as Stelliers Awards in 2019), wherein leaders and associates competed on an international front. WHM made a total of 59 nominations, in which 38 associates successfully reached the finals and 11 won esteemed titles. For all the contributions and innovative efforts in recruitment, learning and development, performance management and leadership which helped transformed the company, the Corporate Human Resources Team was selected as the top HR team in Asia by the Human Resources Director Magazine in June 2018. WH also received the bronze medal for Employer of Choice, bronze for the Human Resources Distinction Award and silver for the Excellence Award in Employer Branding.

As a relatively small regional brand, WH had made huge steps in advancing talent development. All the various human resources and training e-platforms operated independently. An integrated platform would allow various functions to be managed efficiently. The recruitment of young talent was challenging for WH as their footprint was small, whilst the talent willing to join at an operational level was insufficient.

Future developments

Over the past 33 years, the company had not aggressively expanded its portfolio. All hotels that opened after 2014 were Niccolo Hotels, developed and owned by the company, which were located at the high-end International Finance Square Malls. Most of the WH hotels were not located in top-tier gateway cities. The company would continue to pursue growth opportunities but would be very prudent in the selection of appropriate sites. Top-tier cities in China were attractive, but those cities might already be congested with hotels of major international and domestic brands. Should WH move into gateway cities in the future, pitching a Niccolo project would be ideal as its brand awareness were well-established. Identifying reputable partners willing to work with WH, a relatively small regional brand, was challenging. Prospective owners perceived the Marco Polo brand as ‘older’ and ‘uncontemporary’. Prospective owners might not understand the equity of the brand and prefer the Niccolo brand, a luxury brand with strong recognition in China.

Market Outlook

Visitor arrivals

In 2018, 40 destinations in the Asia-Pacific collectively had 688 million international visitors and were predicted to reach 898 million in 2023 (PATA, 2018). Asia would continue to lead the growth with an expected annual average growth rate for foreign visitor arrivals of 6.2%, followed by 4.4% for the Pacific and 3.1% for the Americas between 2018 and 2023. Asia would continue to be the engine of growth for foreign arrivals into the Asia-Pacific, where intra-regional travel flows would increase from 93.8% in 2018 to 94.1% by 2023 (PATA, 2019). In 2018, China’s inbound tourism increased by 1.2% in 2017 with 141.2 million trips, whilst the outbound tourism rose to 14.7% with 149.72 million trips. Shenzhen was ranked top in international tourist arrivals in 2018 (Travel China Guide, 2019) (see Exhibit 11).

The Chinese market

China’s strong economic development over the last decade, which made the country become the second largest economic power (The World Bank, 2019), helped build a growing middle class. This growing middle class segment, especially in China’s first and second-tier cities, generated new travel demand for both domestic and international travel. Infrastructural improvements, including augmenting the mileage of the High Speed Rail and the upgrading of airport facilities, including the construction of new airports, had value-added modern tourism

with higher efficiency. The high-speed rail link between Beijing and Zhangjiakou, Hebei launched in December 2019 was the catalyst for the economic development of the underdeveloped region of Hebei, connecting it to Beijing's tech hub in Haidian and shortening the travel time to 30 minutes (Mok, 2019). In 2019, China had around 235 airports; approximately 450 airports would be required by 2035 to fulfil the increasing passenger numbers and flights and to stimulate future demand for air transportation (Falcus & Wong, 2019). According to the Civil Aviation Administration of China (CAAC), the majority of the new airports would be located in the Yangtze River Delta region, the Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macau Greater Bay Area and the Chongqing and Chengdu city clusters. The construction of new airports in less-developed locations, such as in Western and Northeastern China, would be vital to the development of these areas and to the achievement of a balanced economic development between coastal and inland locations (Falcus & Wong, 2019).

This surge in demand for travel made China the world's largest outbound travel market in terms of trips and expenditures. However, the supply side competition from the hospitality perspective was also keen. Over the next three years, approximately 2,000 new hotel projects would be due for completion in China, providing over 395,000 additional rooms to the market. (Exhibit 13). Building brand loyalty and increasing the wallet share of tourists would be one of the largest challenges to any hospitality operator.

Chinese tourists were looking for more unique experiences, rather than shopping and sightseeing and were staying longer at the destinations. Semi-guided and high-end package tours to long-haul destinations were on the rise. These tourists were no longer looking for Chinese cuisine but were exploring fine dining experiences. By 2020, outbound trips taken by Chinese tourists were expected to reach 160 million. More than 70% of the Chinese tourists travelled with family and friends. They relied on their families and friends on social media for travel inspiration and information. OTA websites, such as Ctrip and Fliggy, were mostly used in the trip planning stage. The Chinese outbound tourists had the highest international expenditures per trip globally. Their outbound travel expenditures were expected to grow from \$277 billion in 2018 to over \$315 billion a year in 2020 (UNWTO, 2019). The proportion of Chinese tourists using mobile payment platforms (Alipay, UnionPay or WeChat Pay) was far greater than those of non-Chinese tourists. A total of 65% of the Chinese tourists used mobile

payment methods during their overseas trips compared with only 11% of their non-Chinese counterparts (Dichter, Chen, Saxon, Yu, & Suo, 2018; Nielsen, 2017; Zhang, 2018).

Hotel room supply in the Asia-Pacific

Despite the slowing economies in the Asia-Pacific region and the uncertain economic climate in China, the total hotel construction pipeline for the region was at an all-time high in 2019. The average size of the projects dropped to 198 rooms per project due to the shift from luxury and upper-upscale projects to upper-upscale and upscale segments (Lodging Econometrics, 2019). Information on pipeline projects and new hotels can be found in Exhibits 12 to 15.

Despite the fact that China's project numbers were more than that of the Asia-Pacific, the recent Sino-US trade war had cast uncertainties on the sustainable growth of the Chinese economy. For the first time in a decade, China's GDP growth, whilst still impressive compared with other economies, dropped below 6.5% (Leung, 2019). Depending on the eventual outcome of the Sino-US trade talks, China domestic economy might be negatively impacted, which would definitely affect the demand for travel.

What's next?

WH embarked on a new growth journey through their two unique brands, i.e. Marco Polo and Niccolo and its property management business. With her newly formed Executive Committee, Cronin had created a new vision, mission and purpose for WH, which provided a strong platform and direction to deliver greater value to all stakeholders. With WH's heavy concentration in China, its future success would link with China's economic development, which was directly affected by the world economy. At the right place and at the right time, WH had enhanced its strategy to fortify its brands, adopted a new sales and revenue management ethos, embraced tech-related marketing programmes and engaged and developed talent. Would these initiatives and developments set WH on the right path to strive for being a preferred international hotel brand?

Connection with theory

This case illustrates how WH has been making strategic decisions to grow and become a leading regional hospitality brand by focusing on delivering great value to their important stakeholders. The company can be viewed from various perspectives: the resources it possesses,

the activities it engages in and the stakeholders it works with. These three facets are interrelated (Becerra, 2009). Ivanova and Ivanov (2015) have proposed a model that incorporates the three theories, i.e. resource-based theory, value chain theory and stakeholder theory.

To come up with recommendations to address the key question, students need to demonstrate their understanding of the strategic management process. This starts from understanding the internal appraisal of the company (resources and capabilities, strengths and weaknesses that may generate its distinctive competence) and the external environment (trends, threats and opportunities); the establishment of strategic direction (reflected in vision and mission of the company); the formulation of specific strategies to take advantage of strengths and opportunities or overcome or neutralise weaknesses and threats; and strategy implementation, which requires the development and execution of implementation plans (Enz, 2010).

After the successful launch of the Niccolo brand and the renaming of the company to WH to reflect its association with the parent company WHL, Cronin and her team started a number of growth initiatives across various functions to build the efficiency and brand consistency. Ansoff (1987) has indicated that organisations can adopt various business-level strategies, which include market penetration, market development, product development, diversification and best value.

The scope of the WH business covers Hong Kong, Mainland China and the Philippines. Students can assess the reasons why hotel companies expand outside their home country. Market entry tactics, such as direct foreign investment by management contract, are reflected in the case. Students can refer to Lam, Ho and Law (2018) on the strategies adopted by Asian hotel companies to grow and remain competitive; Dev, Erramilli and Agarwal (2002) on the determining factors in choosing franchising or management contracts for hotels entering international markets and Dichter et al. (2018) on the characteristics of Chinese travellers.

Conclusion

This case has provided information on WH's history and how it has developed. The addition of the Niccolo brand expanded WH's business scope and enabled the realignment of its purpose, vision and mission in guiding the company to sail in this competitive and challenging landscape. The successful implementation of the Red Ring Leadership Philosophy

as the company's leadership culture and roadmap provided the foundation to the talent and leadership development programme. The concepts were also adopted in developing a recovery system for addressing guest satisfaction and enhancing operational excellence. The executive team was reasonably young. Working seamlessly and delivering the expected results from the agreed strategies would be a challenge for the team.

The fundamental challenge remains if sufficient resources would be able to sustain the planned growth due to the uncertain macroeconomic conditions in China, Hong Kong and other key markets of WH. The commitment of WHL, the parent company, would also be a major factor that could affect WH's growth. As a small regional brand, WH might not have the advantage of the economy of scale and reputation that major international brands might have. However, the introduction of various sales and marketing, branding, human resources and IT initiatives would perhaps allow WH to build its competitive advantages, tap into opportunities and ultimately deliver values to their various stakeholders. How can WH ensure that they are the brand of choice for all stakeholders, hotel developers and owners for new hotel builds?

Students can perform appropriate analyses to draw their conclusions on WH's competencies and business situation. Based on the results of the analyses, students can recommend possible strategies to transform WH into a preferred international hotel brand by adding great value to its stakeholders.

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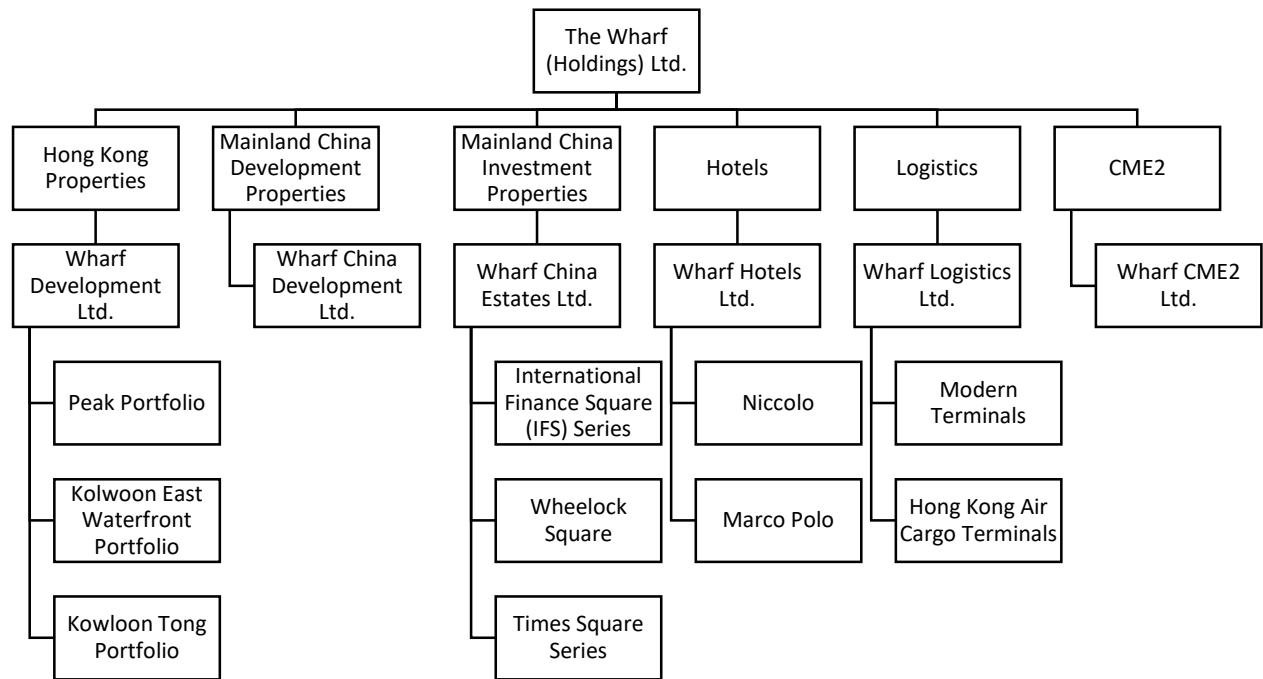
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Exhibit 1: Business Structure of Wharf (Holdings) Ltd.



Source: The Wharf (Holdings) Limited (2019)

Exhibit 2: Management Portfolio of Wharf Hotels

| | Year opened | Total no. of rooms | Suites included | No. of restaurants | No. of lounges |
|-----------------------------------|-------------|--------------------|-----------------|--------------------|----------------|
| Marco Polo Hotels | | | | | |
| <u>Hong Kong</u> | | | | | |
| Gateway Hotel, Hong Kong | 1982 | 400 | 51 | 2 | 0 |
| Marco Polo Hongkong Hotel | 1969 | 655 | 22 | 4 | 1 |
| Prince Hotel | 1984 | 394 | 50 | 1 | 0 |
| <u>China</u> | | | | | |
| Marco Polo Changzhou | 2014 | 327 | 22 | 3 | 1 |
| Marco Polo Jinjiang | 2010 | 277 | 24 | 4 | 1 |
| Marco Polo Lingnan Tiandi, Foshan | 2012 | 390 | 23 | 1 | 2 |
| Marco Polo Parkside Beijing | 2007 | 315 | 22 | 4 | 1 |
| Marco Polo Shenzhen | 2006 | 391 | 35 | 4 | 2 |
| Marco Polo Wuhan | 2008 | 352 | 22 | 2 | 1 |
| Marco Polo Xiamen | 1996 | 300 | 33 | 3 | 1 |
| <u>The Philippines</u> | | | | | |
| Marco Polo Davao | 1998 | 245 | 12 | 3 | 2 |
| Marco Polo Ortigas Manila | 2014 | 316 | 16 | 3 | 2 |
| Marco Polo Plaza Cebu | 2006 | 329 | 20 | 3 | 1 |
| Niccolo Hotels | | | | | |
| <u>Hong Kong</u> | | | | | |
| The Murray Hong Kong | 2016 | 336 | 38 | 4 | 1 |
| <u>China</u> | | | | | |
| Niccolo Changsha | 2018 | 241 | 18 | 1 | 2 |
| Niccolo Chengdu | 2015 | 228 | 11 | 2 | 2 |
| Niccolo Chongqing | 2017 | 251 | 20 | 1 | 2 |

Source: Wharf Hotels



Exhibit 3: Room Inventory

| | No. of rooms | | | |
|-----------------|--------------|---------|-------|---------|
| | Marco Polo | Niccolo | Total | % |
| Hong Kong | 1,449 | 336 | 1,785 | 31.1% |
| Mainland China | 2,352 | 720 | 3,072 | 53.5% |
| The Philippines | 890 | 0 | 890 | 15.5% |
| TOTAL | 4,691 | 1,056 | 5,747 | 100.00% |
| | 81.63% | 18.37% | 100% | |

Source: Wharf Hotels

Exhibit 4: Brand Profile



| |  |  |
|-------------------------|---|--|
| Location | Most desirable, highly prized address | Deluxe hotels in established locations |
| No. of keys | 200–300 keys | 250 keys or above |
| Standard room size | 40 m ² or above | 28 m ² or above |
| Club lounge | All Niccolo guests are VIPs | Continental Club Lounge |
| Food & beverage outlets | Niccolo Kitchen The Niccolo Hotels' signature namesake restaurant, celebrating cuisine from Niccolo's journey from the West to the East. An open kitchen is included. | Café Marco All-day dining venue with an international buffet and a la carte menu. |
| | The Tea Lounge The grand affair of Niccolo Hotels, the central focus of the hotel's entertaining and gathering point of all our guests. | Lobby Lounge Warm welcome in a comfortable and familiar residential setting. |
| | The Bar Live entertainment, bespoke spirits and cocktails, main venue and private niches. | Local discovery / Signature outlet Celebrating the cuisine and culture of the hotel's local community. |
| Meeting facilities | Ballroom, meeting rooms and boardrooms Ceremonial hall with outdoor spaces and a bridal room | Ballroom |
| Recreation facilities | Swimming pool, Spa and Fitness Centre | Fitness Centre, Piccolo Kids Club |

Source: Wharf Hotels



Exhibit 5: International and Regional Hotel Brands Competing with Wharf Hotels in Hotel Development

| | Direct Competitors | Indirect Competitors* |
|-------------------|--|---|
| Niccolo | Shangri-La Park Hyatt St Regis Regent Ritz-Carlton | Edition Waldorf Astoria The House Collective Grand Hyatt Four Seasons Mandarin Oriental Rosewood Capella |
| Marco Polo | Westin Sheraton Hyatt Regency InterContinental Renaissance | Pan Pacific Kerry Marriott Hilton Indigo New World Artyzen Habitat |

Note:

- Edition and Waldorf were brands under larger chains, Marriott and Hilton respectively; were beginning to establish or had a presence in Asian gateway cities.
- The House Collective under Swire Hotels, was a smaller group with lower key count, targeting a similar type of customer.
- Park Hyatt under the larger Hyatt Hotels Corporation had half its portfolio outside of Asia and well-established in International gateway cities.
- Four Seasons, Mandarin, Rosewood and Capella had different brand legacy, product positioning, fit-out costs, etc.

Exhibit 7: Global Review Index Performance

| | | | |
|---|---|---|---|
|  | |  | |
| Increasing GRI | | Increasing GRI | |
| Service | Exceptional service | Service | Guest appreciation of staff service |
| | Attentive service | | Staff service attitude |
| | Staff helpful in finding solutions | | Staff engagement in guest requests |
| Ambience | Design and ambience of hotel | Ambience | Overall hotel environment |
| | | | Restaurant and bar ambience |
| | | | Hotel facilities, i.e. gym, club lounge |
| Establishment | Convenient location | Location | Convenient location |
| | Near public transport | | Near public transport |
| | Availability of taxi | | Availability of taxi |
| Experience | Unique hotel experience | Value | Value of money |
| | High quality amenities and decoration | | Worth to stay |
| | Personalised service | | |
| Cleanliness | Clean and comfortable room | Room | Spacious room |
| | Free of odour | | Everything in working order |
| | | | Comfortable room |
| Decreasing GRI | | Decreasing GRI | |
| Cleanliness | Smoky smell | Room | Noise from other guest rooms |
| Establishment | Elevator direction not clear | Facilities | Aged facilities |
| Experience | Guest membership experience and recognition | Establishment | Old building and aged room |
| Reception | Slow check-out speed | Cleanliness | Mouldy and smoky smell |
| Service | Lack of assistance and problem solution | Service | Long queuing time during check-in/-out |

Source: Wharf Hotels

Exhibit 8: Executive Committee of Wharf Hotels

| | |
|---|--|
| Dr. Jennifer Cronin, President | Cronin joined Wharf Hotels as Vice President of Sales and Marketing in 2014 and was appointed President in February 2016. She was the recipient of the 2016 APAC BMW Corporate Hotelier of the Year Award. She has held senior positions in prestigious international hotel groups including Hyatt International, Ritz Carlton and Dusit International. |
| Mr. Thomas Salg, Vice President, Operations | Salg joined Wharf Hotels as a General Manager for Marco Polo Shenzhen in 2013. In 2016, he was promoted to General Manager of the three hotels in Hong Kong: The Hong Kong Hotel, Gateway and Prince. He was promoted to Vice President Operations in December 2017. Thomas is a certified trainer in Culinary Arts. |
| Ms. Lucinda Chan, Vice President, Finance and Business Development | Chan was a seasoned finance executive with extensive experience in multinational environments. Prior to joining the group in 2013, Chan was the CFO and SVP of Finance of one of the leading multi-national garment manufacturers, where she served for 20 years. |
| Ms. Juliet Lim, Vice President, Human Resources | Prior to joining WH in 2016, Lim had worked with several international hotel groups including Starwood Asia Pacific as Regional Director, Talent Development & Culture, managing 50 properties across the Asia-Pacific. She has over 20 years of experience in talent management, human resource process improvement, brand management and quality assurance. |
| Ms. Sandy Russell, Vice President, Sales and Marketing | Russel joined the WH in 2018. She has over 20 years of experience in the hotel industry. Prior to joining Wharf Hotels, Russel was the Vice President of Commercial Operations Asia-Pacific at Carlson Rezidor Hotel Group in Singapore. She received the President's Most Valuable Player of the Year, Innovation and Top National Sales Achievement awards at the Carlson Rezidor. |

Source: Wharf Hotels

Exhibit 9: Vision and Mission developed for 2015 and 2020

| | |
|---|---|
| <p>2015</p> <p><u>5-Year Vision</u></p> <p>We will become a leading Asia hotel group that creates value in every encounter focusing on sustainable growth and diversification.</p> <p><u>Long Term Vision</u></p> <p>To be bold, sharp and smart hospitality management organization providing fully integrated total solutions.</p> <p><u>Mission</u></p> <p>We are committed to provide a 360-degree integrated hotel management service that creates exceptional value. Our people embody the Marco Polo Spirit to explore, discover, experience and journey beyond.</p> | <p>2020</p> <p><u>Purpose</u></p> <p>To be guardians of our brands To create value and enhance value drivers To delight our stakeholders</p> <p><u>Vision</u></p> <p>To be a leader in exceptional value creation.</p> <p><u>Mission</u></p> <p>To provide an inspiring culture that empowers us to delight our stakeholders with curated experiences, that achieve outstanding success with profitable revenue and sustainable growth.</p> |
|---|---|

Source: Wharf Hotels

Exhibit 10: Red Ring Leadership



Exhibit 11: Top 10 China Inbound Tourism Destinations in 2018

| Order | City | Number of Tourist Arrivals (in million) |
|-------|-----------|---|
| 1 | Shenzhen | 12.07 |
| 2 | Guangzhou | 9.00 |
| 3 | Shanghai | 8.73 |
| 4 | Hangzhou | 4.02 |
| 5 | Beijing | 3.93 |
| 6 | Xiamen | 3.86 |
| 7 | Chongqing | 3.58 |
| 8 | Tianjin | 3.45 |
| 9 | Chengdu | 3.01 |
| 10 | Wuhan | 2.50 |

Source: Travel China Guide (2019)

Exhibit 12: Hotels in the pipeline

| | Asia Pacific (excluding China) | | China | |
|--|-----------------------------------|-----------------|--------------------|-----------------|
| | No. of projects | No. of rooms | No. of projects | No. of rooms |
| Under construction in first half of 2019 | 972 | 225,896 | 2,174 | 407,594 |
| Start construction in next 12 months | 405 | 81,592 | 411 | 84,555 |
| In the early planning stage | 416 | 86,244 | 406 | 100,735 |
| Total in pipeline | 1,793 | 393,732 | 2,991 | 592,884 |
| Year over year +/- | +3% | +7% | +19% | +7% |

Source: Lodging Econometrics (2019)

Exhibit 13: Cities with Largest Number of Construction Pipelines

| Asia Pacific (excluding China) | | | China | | |
|--------------------------------|-----------------|--------------|-----------|-----------------|--------------|
| | No. of projects | No. of rooms | | No. of projects | No. of rooms |
| Jakarta, Indonesia | 88 | 16,112 | Guangzhou | 140 | 27,945 |
| Seoul, S. Korea | 72 | 13,646 | Shanghai | 125 | 23,361 |
| Tokyo, Japan | 58 | 15,724 | Chengdu | 115 | 24,328 |
| Kuala Lumpur, Malaysia | 55 | 14,801 | Wuhan | 91 | 13,249 |
| Kyoto-Osaka-Kobe, Japan | 46 | 11,456 | Suzhou | 88 | 15,54 |

Source: Lodging Econometrics (2019)

Exhibit 14: Top Brands in Construction Pipeline

| Asia Pacific (excluding China) | | | China | | |
|----------------------------------|-----------------|--------------|------------------------------------|-----------------|--------------|
| | No. of projects | No. of rooms | | No. of projects | No. of rooms |
| Ibis (AccorHotels) | 64 | 12,341 | Hampton (Hilton) | 258 | 40,550 |
| Novotel | 46 | 10,930 | DoubleTree (Hilton) | 58 | 16,190 |
| Fairfield (Marriott) | 37 | 5,726 | Holiday Inn Express (IHG) | 172 | 30,820 |
| Courtyard (Marriott) | 36 | 7,669 | Holiday Inn (IHG) | 58 | 16,305 |
| Holiday Inn (IHG) | 62 | 14,237 | Marriott Hotel & Resort (Marriott) | 68 | 21,023 |
| Holiday Inn Express (IHG) | 36 | 7,709 | Courtyard (Marriott) | 37 | 9570 |
| DoubleTree (Hilton) | 30 | 6,090 | 7 Days (JinJiang) | 115 | 9,071 |
| Hilton Hotels & Resorts (Hilton) | 29 | 7,691 | Vienna Hotel (JinJiang) | 30 | 3,900 |
| | | | Ibis (AccorHotels) | 100 | 10,580 |
| | | | Mecure Hotel (Accor Hotels) | 57 | 9,793 |

Source: Lodging Econometrics (2019)

Exhibit 15: New Hotels to be Opened

| | Asia-Pacific (excluding China) | | China | |
|---|---------------------------------------|---------------------|------------------------|---------------------|
| | No. of projects | No. of rooms | No. of projects | No. of rooms |
| New hotels opened in first half of 2019 | 154 | 25,227 | 413 | 62,173 |
| New hotels to be opened at the end of 2019 | 240 | 45,141 | 452 | 69,110 |
| New hotels opened in 2020 | 394 | 80,041 | 786 | 130,614 |
| New hotels opened in 2021 | 326 | 66,989 | 728 | 135,913 |

Source: Lodging Econometrics (2019)