

GLOBAL MARKETING REPORT

## EVALUATION OF LEMON TREE IN CHINA

### CONSULTANCY ADVICE FOR EXPANSION

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## EXICUTIVE SUMMARY

The aim of this report is to provide a theoretical and empirical analysis of the lemon tree hotel's expansion into China through market strategies and long-term growth. The research has illustrated the dynamic existence of the lemon tree's expansion by using theory strategic methods that are already available. The application of analytical methods is demonstrated with the help of the SWOT Analysis for expansion, Pestle Analysis for sustainable growth, studies to analyse the china market, and several recommendations are made to the lemon tree hotel to implement and practice them as effectively as possible for expansion. The study conducts extensive secondary research to gather the required data. Analytical approaches would be used to examine hotel development in the international market. This study aimed to demonstrate the importance of strategically integrating these technologies and how they benefit industry's ability to compete in the market. So, using the lemon tree hotel as an example, it might try to explain how different strategic analysis approaches are used and applied.

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## 1. INTRODUCTION

The Lemon Tree Hotels is founded in India. In the mid-priced hotel segment, it is India's largest hotel chain. The report will assess the current state of the budget hotel industry in China and analyse the issues that have arisen in its growth. It will explain the hotel's marketing strategy and use their effective marketing strategy to define acceptable budget growth strategies. It will concentrate on marketing strategy theory to explore real-world issues and active industry cases such as budget hotels, which will serve as a valuable guide for China's budget hotel industry as it develops a new growth.

Lemon Tree Hotel's current Chairman and Managing Director is Mr. Patu Keswani. Lemon Tree established its presence in the hospitality industry with the opening of a 47-room property in 2004. Lemon Tree Hotels is Country's biggest mid-priced hotel brand and the India's third largest hotel company overall (Saxena and Singh, 2020). Lemon Tree Hotels is a high-end and medium-sized hotel brand that operates in the upper, mid-size, and economy categories. It currently operates 8,300 rooms across 52 cities in 84 hotels under its various brands (Lemontreehotel.com, 2020). In 2020 lemon tree was Awarded as a GO-MMT Travellers Choice Award, The FICCI travel & tourism excellence award in 2019 for being the best differently abled friendly hotel, best 3-star hotel, and several other accolades.

These institutions own 79,22,46,464 shares, with Foreign Bodies Corporates holding 15.75 percent of the stock and Promoters Bodies Corporate holding 27.30 percent. Lemon Tree Hotels had a total asset value of Rs.1369.99 crore and a net worth of Rs.790.31 crore (www.lemontreehotel.com, 2020). Lemon tree hotel mid-priced model aggregating to 6.91% of all mid-priced rooms, available across chain affiliated hotels in India. Strong operational efficiency and a focus on domestic visitors are two main factors that contribute to its leadership role. While the development of the mid-scale market and the booming of the Chinese hotel market, showing future opportunities and challenges (Li et al., 2020).

## 2. JUSTIFICATION

Deng Xiaoping's execution of the Open-Door Policy in 1978 laid the ground for decades of unprecedented economic growth in China's history. China's hotel business expanded fast, from 137 hotels in 1978 to 14,237 hotels in 2009. One of the primary drivers of the industry's rapid development has been the development of Lemon Tree hotel companies into China (Men, 2020). Despite these positive results, China's existing leisure travel population exceeds 2 billion individuals. The size of China's market and increasing tourist demand, as well as the country's financial conditions and the effects of mega events like the 2008 Olympic Games in Beijing, Expo 2010 Shanghai, and the 2010 Asian Games in Guangzhou, all influenced investors to invest in the country (Li et al., 2018). Foreign tourism in China has a bright future ahead of it. In a 2010 report conducted by the World Tourism Organization, China was ranked as the fourth most popular international tourism destination, with 133 million visitors. By 2020, China's foreign tourist population reached to 137 million (Men, 2020). The presence of Lemon tree hotel in China will improve business productivity and efficiency by bringing proven management practises into the region.

## 2.1 THE NEED OF EXPANSION INTO INTERNATIONAL MARKET

The timing of a company's entry is a crucial strategic decision that can determine its longevity and success as it expands globally. One important factor affecting this decision is benefit (Lo and Alena, 2018). Just about 3% of the market was owned by foreign investors, Hotel Lemon Tree Increasing the number of customers to increase sales. Most of China's tourism hotels were two and three-star. Five-star and four-star hotels made up only 2% and 7.2 percent of total tourism hotels, respectively. The Lemon Tree Hotel Group offers a diverse range of hotels ranging from mid-market to upscale. In recent years, where the number of rooms grew at a rate of 43% from 2014 to 2018 (Dhir, 2019).

China's domestic hotel firms are small and inexperienced in comparison to abroad multinational hotel companies, and their output lags that of internationally operated operations in many cases. To resolve this and continue to make money, Lemon tree hotel has an aim to reach a market where the saturation period has passed or is still a long way off (Min, et al., 2017). According to (Appendices 1), Lemon tree manage thousands of rooms and showing better position in the current market. As a result, expanding internationally will generate new revenue streams, boost investor returns, and ensure a company's long-term viability.

## 2.2 INFUSE INTO CHINA MARKET

China is also one of the world's most important recipients of foreign direct investment in terms of entry opportunities. In terms of business route expansion, China's superior network has a significant marketing impact on other developing countries. In terms of economic growth and privatisation, China's hospitality industry has been a forerunner. China's domestic tourism industry has grown significantly in the last decade. According to the China National Tourism Administration, China had 4.44 billion domestic travels in 2016, generating RMB3.9 trillion in domestic tourism revenue, compared to 260 million inbound and outbound travels in 2015 (Gao and Xi, 2018).

Due to China's expanding middle-class households with disposable income, weekend getaways and short-stay holiday packages are becoming increasingly popular. As a result, mid-scale hotels have emerged. In China, more than half of our visitors are Chinese. The Chinese are beginning to establish themselves as a major global travel force. They will stick to the hotel brands they are familiar with at home when travelling abroad. Until 2010, China's steady economic growth averaged around 10% per year for the previous three decades (Byrd, 2016). By 2025, China is expected to have 6.1 million hotel rooms.

## 3. STATERGY ACEPTANCE, MODE OF ENTRY

One of the main decisions in international market entry has been discussed: foreign market strategy adaptation. According to a study by (Men et al, 2020), markets with high tourism spending are the best places for the hotel industry to operate efficiently. Franchising can be a highly effective strategy for rapid growth and development in the global market (Schwarzer,

2019). The operating environment of the franchised hotel system in China has been reformed because of government legislation, political regulations, and economic growth. It would be easier for a lemon tree hotel to analyse the situation and obtain the necessary approval for business for business if it combined with the prospects of local business ventures. Customers of budget hotels are 92 percent domestic, with just 8% from other countries. This means that lemon tree hotels in China have a lot of room to develop. According to the survey, 70% of budget hotels were expanding by franchising. (Aliouche and Schlenrich, 2015).

The purpose of the lemon tree is expressed in the brand logo, which is an easy way to communicate without using words. Its relationship with its parent company is also expressed (Grinsven and Das, 2016). The chosen logo will represent the lemon tree's relationship with its parent company, while the brand name will represent a high-end service. Branding will aid in the marketing and advertising of a guarantee so that it is understood and accepted by the public. Customers cannot trust a company or understand why their goods or services would be purchased if it does not have strong branding (Dogru, 2016). Building relationships is the foundation of customer loyalty. It is critical for a new brand to reach out to its target market, and the Pull and Push strategy has proven to be very effective in this regard (Wang et al., 2015). So, creating a tagline with parent name 柠檬树酒店 (Níngméng shù jiǔdiàn) Gives the sign of luxury service of hospitality. When it comes to brand extensions strategy, there are possibilities: hotels that turn their brand into products. According to Popp and Woratschek (2017), Fashion firms, partnerships with hotels to have their items used without sacrificing their brand. This could be advantageous to hotels and “suppliers” of goods. Economy to luxury, each traveller is not served by a single hotel. As a result, each hotel should be able to target a specific demographic of tourists. These individuals have varying requirements, budgets, and expectations.

### 3.1 EXPANSION IN THE INTEREST OF LONG-TERM GROWTH

In the hotel industry's foreign market rivalry, a hotel's name is the intangible asset. It is critical for the hotel and has a direct relationship with the hotel's competitiveness, as well as the hotel's ability to expand sustainably (Fraj et al., 2015). According to waterfall technique (Appendices 3), Lemon tree hotels intend to establish their reputations in first tier cities before moving into second and third tier cities, so diversified growth is the only way for them to increase their degree of internationalization. First, there is the strategy, then there is the operational. In practice, it is very common to see businesses where the marketing department's primary responsibilities are producing catalogues and brochures, planning trade show attendance, and feeding web page content. Through the continuous development of expertise and transfer of concepts, an organization's innovation potential is reflected in its ability to implement new physical goods or services, procedures, and creative marketing techniques (Yfantidou et al., 2019). As a result, hotels with a high potential for innovation will launch more creative marketing campaigns than their rivals. Lemon tree hotel delivery system is a strategic advantage. Lemon tree is a hotel chain that

caters to both individuals and businesses. This gives the hotel an edge over its rivals because it reaches a much larger market and makes the most of it by visiting different places and obtaining different services that better meet the needs of the China customers (Dhir, 2019). Lemon Tree is particularly interested in local supplier collaboration programmes, which means they are attempting to obtain the best available stock for consumers at a fair price.

Marketing strategy focuses on how lemon tree hotel can successfully distinguish itself from its rivals by trying to capitalize on its distinct attributes and provide greater value to consumers in each context (Lemontreehotels.com). The penetration price strategy entails setting a relatively low price for a new product to achieve deeper market penetration in the short term while maintaining a larger market share in the long run (Nair,2019). The Internet can influence aspects of planning across all levels, functions of operations and not only influences strategy development, but also its implementation. In the hotel and tourism industry, marketing innovations, including in the context of innovative marketing, as well as marketing techniques, are used to create relationships with target audiences. The pace at which products can be produced and brought to market has increased because of technological advancements (walheer, et al. 2020). Consumers will be able to become more knowledgeable of new products because of these advancements, going from trial to acceptance more quickly than ever.

#### 4. CULTURAL, POLITICAL AND ORGANIZATIONAL DIFFICULTIES

Customers from various cultural backgrounds are more likely to engage in a variety of different behaviours and intentions. When it comes to evaluating product/service use and the resulting complaining behaviour (Chen and Rahman, 2018). When dissatisfaction arises, culture plays as significant role. With a long history of distinct Chinese culture, understanding and insights into how Mainland Chinese visitors react to or view Hotel service failure events will assist lemon tree hotel in developing more successful service recovery strategies in the future to capture this market (Schütte and Ciarlante, 2016). Customers can now carry their grievances online and make them visible to the whole world thanks to the exponential development of the Internet and the explosion of review pages. In china people are less likely to report on a platform that requires direct personal conflict with the responsible party in a redress seeking situation due to the importance of face issues in Chinese culture. However, it is unclear if online channels can become an alternate channel by which Chinese people can convey their frustration while avoiding direct communication.

China is particularly problematic in terms of political security. The possibility of nationalization of the hotel industry must be considered. China has already experienced this. Concealment, expropriation, currency inconvertibility, and contract repudiation are all possible outcomes. When buying non-for-self-use real estate in China, Document No. 171 allows foreign entities or individuals to create a foreign-invested real estate enterprise (Ma, 2021). The Interim Administrative Metrics for the Monitor of the Incorporation and Adjust of

Multinational Businesses, released by the Ministry of Commerce in 2018, allow the competent commercial authorities to follow a filing system in the company formation process, rather than the prior examination and approval mechanism, for most foreign-funded enterprises. At this time, the Chinese government has not imposed any limitations on the legal forms that foreign investors can use to build or operate hotels. In terms of taxation, domestic enterprises founded by foreign investors as resident enterprises are subject to a 25% enterprise income tax under the Enterprise Income Tax Law (Chen et al. 2018).

When it comes to Organization service quality and corporate productivity, the hotel industry heavily relies on its employees, and this most valuable resource will make all the difference (Qiu et al. 2019). In China, human resource management is still a relatively new subject. Foreign companies attempting to incorporate an HRM scheme in a Chinese subsidiary discover that they must devote time to training managers and supervisors about how to deal with employees. Most local workers are unaccustomed to a formal HR role, so foreign companies can expect this. The iron rice bowl system, as well as cultural characteristics and local context, must all be considered when constructing an HRM system in China. Visitors will have high expectations. As the number of players in the hospitality industry increases, there is a lot of competition both internally and externally, and ever-changing consumer tastes necessitate the need for new services and distribution channels (Warner, 2020). As a result, the hospitality industry must strike a balance between the need for short-term investments and long-term objectives.

## RECOMMENDATION

Beijing, Hong Kong, Guangzhou, and Shanghai are all major international business centres, and their airports were included on the list. Those cities were heavily represented as the locations of many of China's most profitable hotels (Fang et al. 2019). Budget hotels will be in high demand to meet the needs of business travellers as China's GDP grows and the benefits of large-scale infrastructure spending become apparent.

Enhance the overall performance of hotel brand creation Many parties' support will help to speed up the process of localization and improve overall performance (Casidy et al., 2018). For example, hire locals to reduce labour costs, collaborate with the owner to advertise and grow the hotel market, and promote their own brand image. If the local government assists in site selection, investment, design, and taxation, the hotel's brand image and production efficiency will greatly increase.

The hotel might set aside some senior management roles for local employees who are aware of their responsibilities. The localization of talent principle can be fully realized when a local employee serves as chairman or general manager in a foreign-invested hotel in China.

The major limitation to development is that infrastructure does not keep up with economic expansion. Despite the government's repeated assurances, little progress is being made on infrastructure (Chin et al. 2021). So, need to maintain cleanliness, educate people to develop adequate infrastructure to sustain the tourism industry's growth.



## CONCLUSION

International Lemon tree investments in China's budget segment will continue to grow, according to the findings of this report. The short and long-term economic and tourism forecasts are both upbeat and favourable for budget investment. China's current population of 1.4 billion people is living in an era of unprecedented prosperity and global influence. As more effective loyalty initiatives are implemented in China, defining and marketing to specific target guest segments will become increasingly important. Marketing strategy focuses on how lemon tree hotel can successfully distinguish itself from its rivals by trying to capitalize on its distinct attributes and provide greater value to consumers in each context. Hotels have a huge opportunity to benefit as the Chinese hospitality industry expands to meet the needs of both incoming and domestic visitors. When foreign companies try to implement an HRM programme in a Chinese subsidiary, they find that they need to spend time training managers and supervisors on how to deal with employees. A large profit-generating Hotel company of a foreign firm can be created if a successful explanation strategy is implemented with innovative leadership. Some potential threats, as well as potential countermeasures, are discussed in this report.

**WORD COUNT- 2742**

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## Appendices

1.

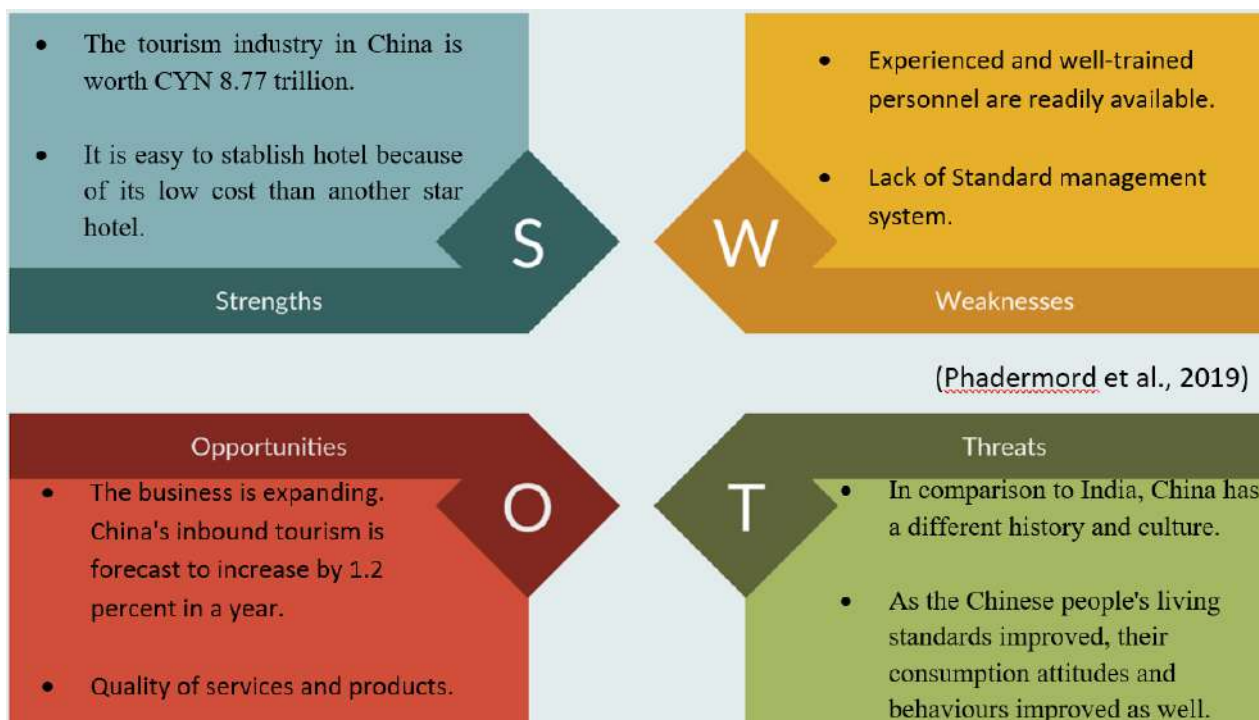
### Performance Highlights – Operational Metrics (Consolidated)



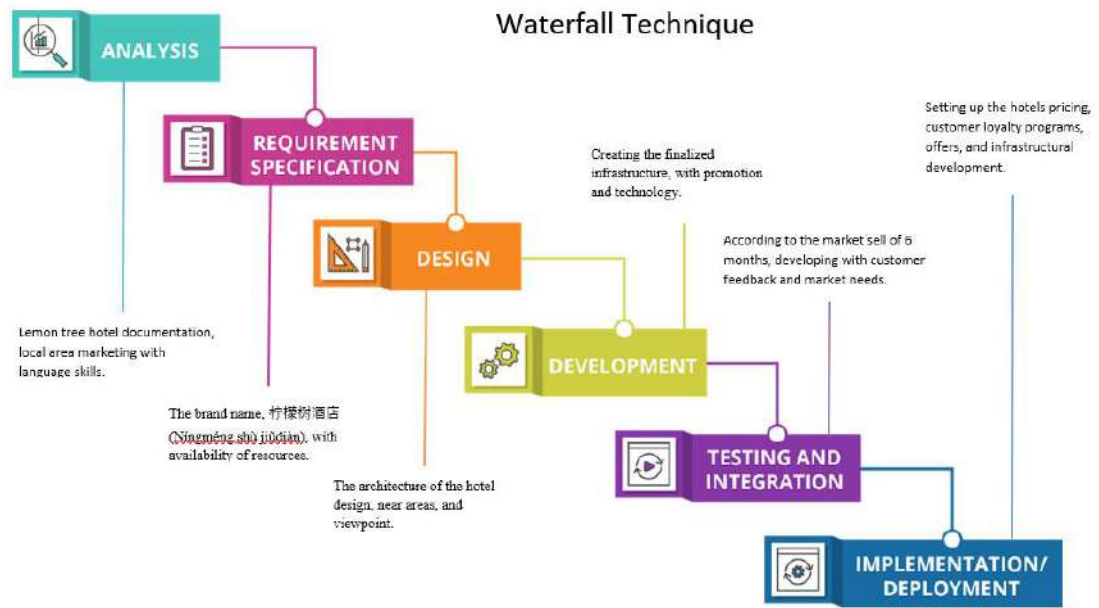
Note:  
 1. ADR, Occupancy and RevPAR are for our owned and leased hotels only.  
 2. The results of this quarter are not indicative of full year's performance due to seasonal nature of the business.

(lemontreehotels.com,2020)

2.



3.



(Zolfani et al., 2019)