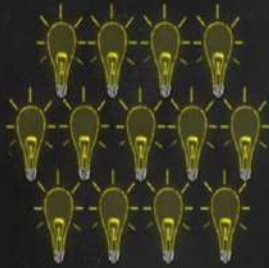




# Strategic Expansion For Ginger Hotels



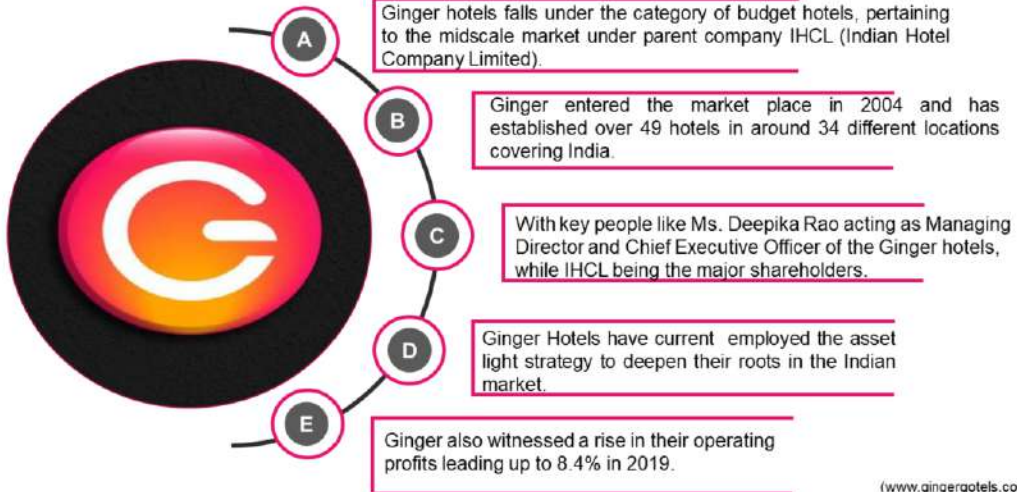
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TH6AH350

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**GINGER**  
An IHCI Brand

# About Ginger Hotels



Ginger hotels operates under Roots Corporations Limited which is a subsidiary to Indian Hotel Company Limited. Ginger in the recent years have decide to imply asset light strategy to create their dominance in the existing market as it is already equipped with 49 hotels and 16 more in pipeline, it is also planning to increase their portfolio to a total 100 hotels across Indian market. Major shareholders in this venture is IHCL and Tata Capitals with 60.2 % and 27.7% respectively. Ginger hotels portrays slow but steady growth with 0.6% increase in their operating profit margins in fiscal year 2019 ([www.icra.in](http://www.icra.in), 2020).

## Setting foot in International market through China



Gaining access to a gigantic consumer base of 1.42 billion.

China's promising and constant growing GDP (Gross Domestic Product)

Opportunities of foreign market and government aided investments.

Tapping into the great pool of resources due to China's free trade policy.

(Baskaran, 2017)

China comprises of a humongous population with population exceeding one billion in around 260 and more cities, thus contributing in providing a huge customer base. China stands second in terms of highest GDP, just behind United States which in 2018 was approximately estimated to be USD 13. 41 Trillion. GDP of china has witnessed growth of more than 10% in last three decades with consistency of atleast 7% growth. Also the expansion of any business globally attracts the possibility of foreign investment and also financial aids and government's investment in foreign companies has become a trend in china after China's declaration of policy of free trade, all leading to propagate business growth ([www.travelchinaguide.com](http://www.travelchinaguide.com), 2020).

## Why China sounds lucrative for hospitality industry?



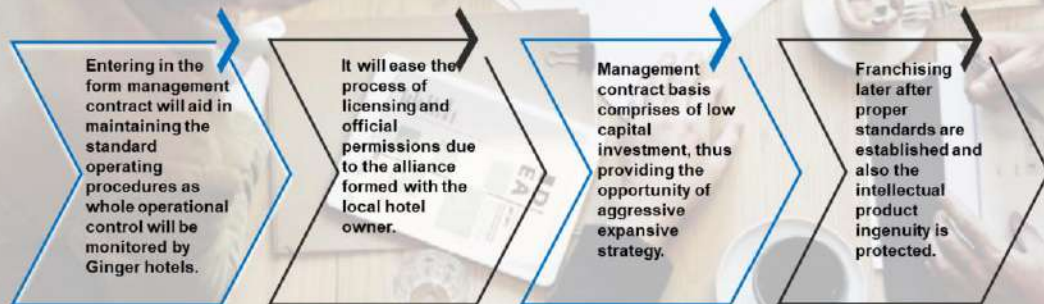
- A** Increasing number of inbound travel.
- B** Steady and speedy growth in hospitality industry.
- C** Giving a competitive edge over the competition.
- D** Increasing number of middle class population.

(Hardingham, 2012)

China's immense growth in the global market is undeniable, which also applies to the hospitality industry. Inbound tourism has been flourishing over the years equating to 143 million trips in 2019 increasing over 1% from the year before, generating revenue exceeding 2% than 2018 amounting to approximately USD 129.6 billion. Total net income of Chinese hospitality industry has grown upto CNY 6.52 trillion from CNY 212.26 billion in the past decade ,even though market has saturated but hospitality industry is expected grow further with its 400 million middle class customer and also giving company a competitive edge by diversifying its portfolio and ensure its sustainability in the market place ([www.asialinkbusiness.com](http://www.asialinkbusiness.com), 2020).

# Expansion Strategies

## 'Management first, Franchise later' Strategy:



(Xiao, 2008)

Management first, franchise later strategy employs the use of management contracts as form of entering market to create differentiable product in the market thus ensuring its image in the market and later on franchising strategy for aggressive expansion over the targeted market. Franchising can also be implied as the entry mode strategy but the lenient obedience of the law puts our distinguished product in jeopardy. Also through management contracts brand image and quality of standards of operation can be easily maintained which can be risky while franchising due to lack of skilled workers in China's hospitality industry (Pine, 2000).



## Market Penetration Strategies

### Accurate Market Positioning:



Ginger hotels should introduce in multiple locations targeting mainly on tier 2 cities.



Localization of the property should be done in a way that it is totally exposed to massive amount of customer



Advertising tools employed should advertise in very particular manner that distinctively defines our product in the market



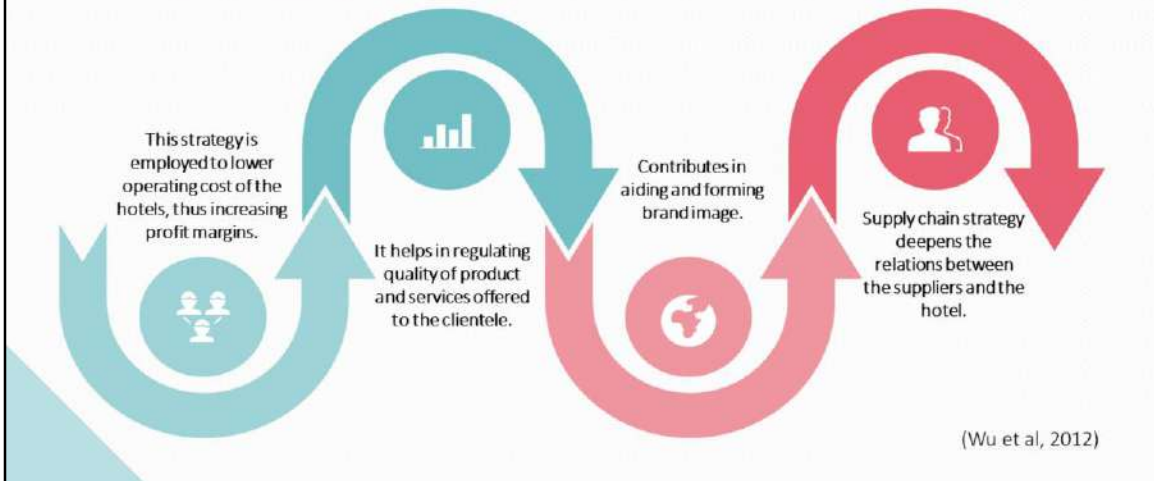
Differentiation product strategy should be used to engage and expand the right prospects

(Zhang, 2012)

China's increasing middle class population with prediction of forming upto 70% of their total population, which cannot afford high end hotels, thus targeting this criteria contributes in forming huge clientele network. Ginger brand's aim is to redefined midscale hotels by giving high end service in their compact utility properties. Due to the unstable position of China's hotel segmentation, give Ginger brand an advantage by defining the segment in the industry through accurate utilization of advertising strategies like mass exposure and distinctive service quality, as China's major economical hotels are owned by state whose image is deteriorated by their service quality (Ali et al, 2016).

## Sustainable Strategies

### Supply Chain Strategy:



Supply chain strategy is established to lower down the operation cost that goes into running the hotels by giving the brand a sustainable advantage among the competitors, by regulating fixed equal cost of operations over all the existing properties. Through this strategy hotels located in the geographical location where the cost of operations is high immune to shutting down in the long run, which converts assets to liability for the brand, posing huge loss. This strategy not only forms robust relations with the suppliers which can be beneficial in the future but also sends a message of standardised service and product among the targeted audience (Ekeledo and Siva, 2004).



## Operational Barriers

- 1 Utilization of traditional Property Management System would not be viable.
- 2 Large turnover rates are displayed in hospitality market of China.
- 3 Due to linguistic barrier, website and advertising medium would not be able to cover expected consumers.
- 4 Brand being unknown to their regional human resources and laws might open window for possible litigation and liability.
- 5 China's workforce fails to be adequate for managerial positions.

(Dogru, 2016)

Property management system should be updated periodical for smooth transition of day to day operations, thus employing an outdated version of property management system would fail to deliver efficient completion of task which would affect success determinants (Ahlstrom et al, 2005). Though China is known for its cheap labour, it fails to deliver professionally equipped staff, the reason being the high turnover rate causing deflection in their training, thus employment of well-equipped human resource department is of utmost importance. Also keeping in mind linguistic factor acting as obstacle in different forms of advertising mediums (Chan and Yeung, 2009).

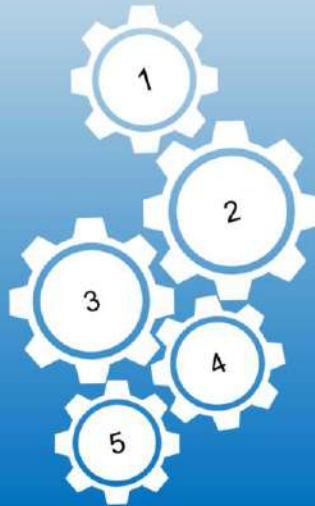


# Overcoming the Operational Hurdles

1. Employing Alibaba property management system for ease of operations.

2. Turnover rates of employees can be brought down by proposing proper incentives methods.

3. Website should be available in both all the languages, also hiring local advertising agency would be a wise step.

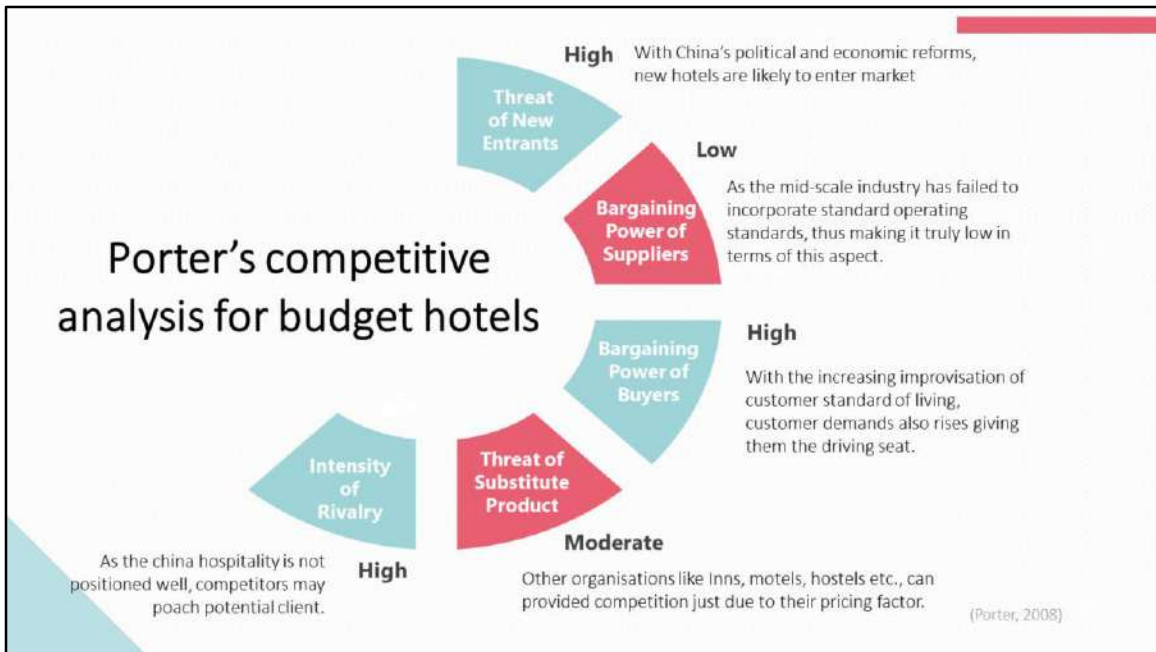


4. Brand should outsource human resource department to the regional consultancy to avoid damages.

5. Intensive Managerial training programmes should be exercised for employees.

(Barner-Rasmussen et al, 2014)

Regional property management system can be utilized like Alibaba property management system can be used in China, as it is loaded with laws and regulations plus with the norms and values suitable. Extensive employee training programmes should be inculcated periodically to maintain the standard procedures and also aiding human resource development and tapping into their maximum potential (Björkman, 2010). To regulate this proper procedure of human resource management, outsourcing presents itself as the most viable option saving brand large amount of time and pressure. Same way local advertising agency should also be outsourced as they know the ins and outs of their market and will be able to deliver the desired results (Bücker, 2014).



A large surge of potential entrants can be recorded due to fact that mid-scale hotels require low investment and period of payback is conveniently short. The supplier's bargaining has been low because it consists of majorly price competitiveness instead standard quality requirement. China's market has said be to be reached its maturity, with it their expectations have also increased, demanding more for a lesser price. China's hospitality market is still focused on cost effectiveness but product differentiation can overcome this threat. Due to China's unbalanced market segmentation, clients may be poached on multiple factors like more exposure, less knowledge of viable options etc. (Pine, 2004)

## Cultural Barriers and Approaches Affecting Consumer Behaviour

Difference in employment law for compensation for working overtime; China has clear classification for compensation for overtime working employees while such distinctive classification is not witnessed in India.



Thus outsourcing human resource would be beneficiary in such situations, also the brand should change their operations due to inflate employee rates and charter a plan to cut down cost in same aspect, as comprising with workforce affect customer behaviour in an adverse manner.



### Barriers

"Guaxni" is extensively trending trait in China meaning practicing on the basis of personal relations, which leads to increased consumer satisfaction due the customer's positive reflection on the practice.



### Approaches

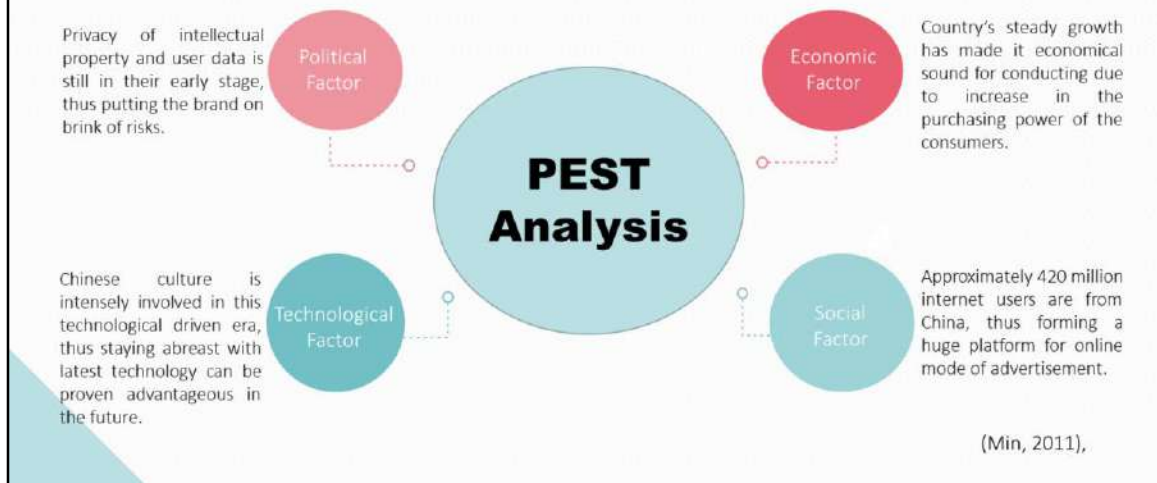
Such practice can be attained appointing local managers through intense training and development programmes to meet hotel's required standards.



(Yang, 2018)

China's overtime has been clearly classified by Chinese government in their employment such as 150% of normal wage should be paid on normal days while 200% of normal wage should be paid on rest days and 300% of normal wage should be paid on public holidays for overtime, while such clear norms for overtime compensation are found missing in Indian law ([www.knowledge.leglobal.org](http://www.knowledge.leglobal.org), 2020). Satisfied employee would give optimal service which will positively impact consumer behaviour, while other form of positively reinforcing it is by same cultural connect between the consumer and staff relations, which can be achieved by placing professionally equipped staff on managerial positions (Li and Liu, 2020).

## External Factor Analysis for Political and Organizational Factor



Investment in protection and privacy of brand's data should be done in significant amount, while forming strong regional alliance to aid in this kind of scenarios. With the increase in economic factor of the country, increase in inflation rate is also witnessed thus leading to higher operational costs (Qin et al., 2019). Loyalty program can be promoted through online website bookings, eventually contributing to more direct bookings and forming a large loyal client base (Subramanian et al., 2016). Employment of service robots or investing in smart fixtures in the room like Alexa based room service or voice control can give an edge over competition in the midscale market and ensure sustainability in future endeavours.

# Conclusion

- This analytic presentation finally concludes by giving strategic market conditions and situations of hospitality sector in respect to China.
- The presentation give the procedure for Ginger hotels to penetrate the targeted market through Management first, Franchise later strategy and sustaining in the market through accurate market positioning and by utilizing supply chain management.
- Brief gist of potential operational challenges and cultural distinction has been discussed and how Ginger hotels can overcome this obstacles through different sources and applications to tackle the current market situation and prosper.
- Lastly, leaving no stones unturned different external factors analysis is carried out to ensure the brand survival and sustainability.
- Thus by overseeing all the potential threats and acting on all potential opportunities available in the targeted market, Ginger Hotels is most likely to prosper and sustain in the foreseeable future



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