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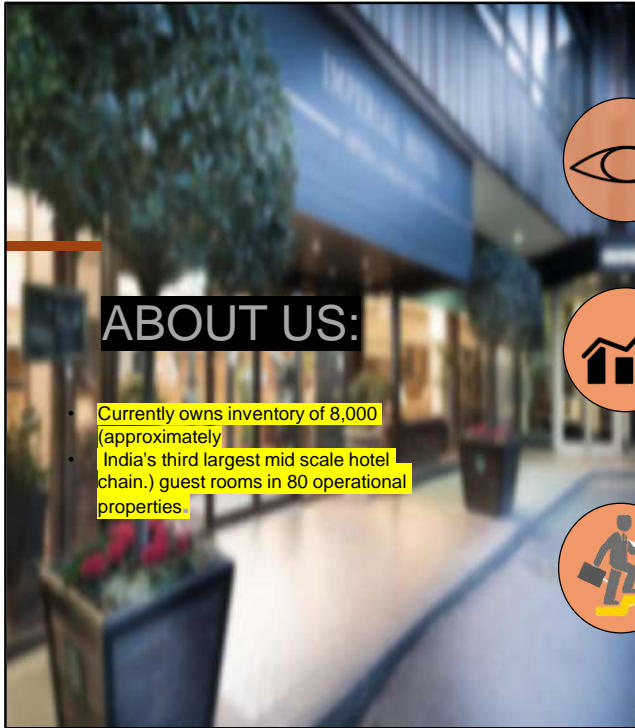


# Consultancy Advice

For global expansion of Lemon Tree Hotels

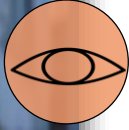


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**ABOUT US:**

- Currently owns inventory of 8,000 (approximately
- India's third largest mid scale hotel chain.) guest rooms in 80 operational properties.

	Ensuring the welfare, prosperity and protection of the human resources which is of the utmost importance.	Establish itself as the largest and finest hotel and resort chain in up-scale, mid-scale and budget sector.
	Launched it's IPO with a valuation of INR 10.4 billion in year 2018 with Per share priced at INR 54-56.	Current market valuation (21 November 2019) stands at INR 11.13 billion, with per shares Worth INR 58.85.
	Lemon Tree hotels looks to cross 10 thousand rooms by 2022 and increasing RevPAR by 4%.	By September 2020, Lemon Tree plans to get it share priced at INR 65

(Mundra, 2019; Breena, 2018)

Lemon Tree marked its presence in the hospitality industry through a 47-room property opened in 2004. The company, founded by Patanjali Keshwani, currently operates hotels under 7 brands targeting all market segments. Aurika Hotels and Resorts operates targeting the upscale market, Lemon Tree Premier and Keys Prima for the upper midscale, Key Select for midscale, and Lemon Tree Hotels, Red Fox by Lemon Tree and Keys Lite targeting the economy market. Lemon Tree shares have given good returns to investors and in a short lifespan has peaked at INR 85.80 on March 8, 2019 (Dhir, 2019).

## The Need of Expansion in International Market



Constantly yielding profit in recent years. Rs 66 million in 2016-17, rs 221 million in 2017-18 and rs 634 million in 2018-19.



Lemon tree will manage 10 thousand guest room in India. Rapid Expansion plan of Marriott International Inc. and Concept Hospitality in India is saturating market .



If the entry is succesful in other foreign country, new IOP could be launched resulting increases in liquid cash flow and valuation.



Better opportunity for growth in new market.

(Dhir, 2019; Zhou, 2019; UNWTO, 2019)

Entry timing is an important strategic decision and plays an important role in determining the survival and success of a firm expanding internationally. Earning profit is one important factor influencing this decision (Lo and Alena, 2018). A prospering sector of economy sees a boost in supply eyeing future demands which is yet not created. This creature saturation of demand for some time. To overcome this and continue to earn profit, a firm should try entering a market where either the saturation phase has passed or is far to come (Min, Kim and Zhan, 2017). Operating in international market, shares gets 'priced out' from a stage of equilibrium. This result in higher cash inflow for the firm (Wafi, Hassan and Mabrouka, 2015).

# Analyze the Suitable Market: CHINA

SWOT analysis is widely and commonly used as a strategy development tool and has proven useful for effective brainstorming.



Study by Zhang et al. (2020) made a claim that the market with high tourism expenditure are the suitable regions for hotels industry to operate with better efficiency. Relating efficiency Zhang and Wu (2004) reflects that, human resource in Chinese tourism industry is weak with respect to other countries. A study by Tavitiyaman et al. (2016) suggested that the high ability of supplies and huge inbound tourism market are the best regions to yield greater profit. This idea is visible in Chinese market where synergistic effect on hotel industry is reflected leading to efficient operations in hotels. Hence entering in market which is growing at a rapid phase and the higher efficiency of hotel operation is suggesting that the decision of entering China market will result fruitful.

For a rapid expansion in global market, franchising can be a highly efficient strategy for growth and development.



With a narrative of attracting new target market in a new country China where the localized services can be provided with Indian texture, a new brand should be introduced.

In China, operating environment of franchised hotel system is reformed by government's law, political regulations and economic growth (Heung et al., 2008).

## STRATEGY AND MODE OF ENTRY

Xióngwēi (it is translated as Majestic in english) Hotels and Resort would be suitable name for a new brand.

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Franchising is licensing option to create combination strategies based upon the franchiser's experience in similar field (Preble and Hoffman, 2006). With combining with the prospects of local business ventures, it would be easier for a lemon tree hotel to analyze the situation and get necessary approval for business for business. Brand logo is a simple way to communicate without using words but the motive if the business is reflected. Also it's relation with the parent company is reflected (Grinsven and Das, 2016). The chosen logo showing the relationship with its parent company and the brand name symbolize the luxury service.



# The Prospective Strategy Approach

There are different approaches of marketing for an established product and a non established method. So using Adaption methods by 雄伟 brand in China market will be helpful.

Using the model of *Pull and Push method* in establishing a new brand in China market would be fecund.

A new brand need it's own identity with highlighting it's known part (Wang, 2010), so creating a tagline with parent name: Gǎnshòu dào Lémón trèe de kuāndài 感受到柠檬树的款待 Feel the Hospitality of Lemon Tree



(Murphy and Wang, 2006)

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In international market, considering the differences, implementing some modification to product, services and marketing with an intent for positive result is known as Adaption Strategy (Murphy and Wang, 2006). Creating a relationship is base of creating customer loyalty. For a new brand it essential to reach out to its target market, with that aspect, Pull and Push strategy is considered very effective (Wang et al., 2015). The least expensive form of advertising but the first step to set up any brand is making it's tagline. A tagline builds the value for years for a brand along with company name and it's logo (Freeman, 2005).

## Identification of Product Diversification

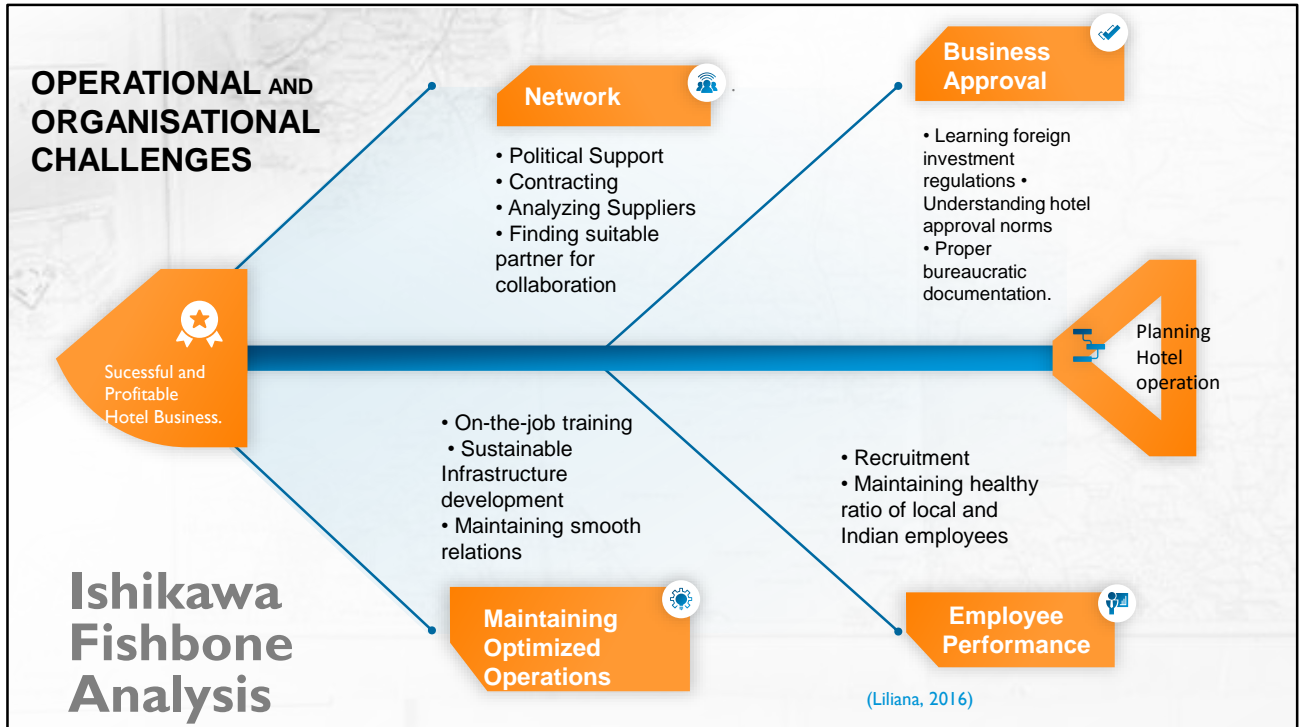
With three product level model, an organization can identify various category of a product and can focus on them as required (Brechan, 2006). The following is the model analysis of Xióngwèi hotels and resorts:



Loyalty Program - Attaining customer loyalty for frequent revisits is important criteria for hotels to yield profit for its lifespan (Xie and Chen, 2013).

Property Management System - PMS is used to store accurate data and allow quick check-in/check-out and bill generation process.

Suppliers- From suppliers of raw food to outsourcing of staff, suppliers are a powerful tool but can be changed if they are not able to meet quality standards.



The framework developed by Ishikawa, in the shape of Fishbone is very effective tool when it comes to analyze the operational cause and effect of a product to be designed. It is also known as cause-and-effect diagram analysis (Luca et al., 2017). In the slide, concept of proposed model by Ishikawa is used to determine the possible obstacles in the way from planning to implementing operations of the new brand of Lemon Tree hotels in China. Taking four key parameters, Network (important to establish a long lasting relation in the market), Business approval (each steps to start a business operation need a proper approval from a local government authority), Employee performance (in a service extensive industry, a proper and guided staff is required for enhancing the performance) and Maintaining optimised operations (once a proper cycle is created which is performing well, the process must be continued and monitored



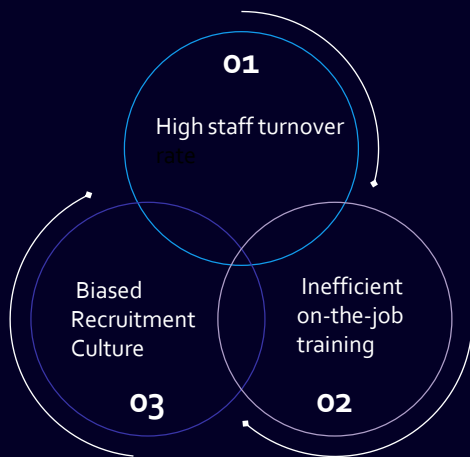


Entrepreneurial ties are important factor when it comes to do business in foreign land. With China's political structure, promising state of foreign investment and sustainable practice with local adaption can lead to long term business ties (Hsu et al., 2012).

NEI benchmarking is based upon energy consumed in a guest floor per unit. The basic unit is considered to be a guest room. For any hotel to get licensed in Mainland China should follow the standards mentioned under GB/T14380-2003 (Chan, 2012).

HACCP norms have shown it's effectiveness as a tool to maintain safety and quality of with. Along with that, the guidelines are made such, so that the staff working in kitchen should be safe from all the possible hazards. In China, though there are many hotels but the understanding of HACCP is less which should be inculcated to the hotel staff (Zhu, 2014).

## Challenges and possible approach: Human Capital



**01**

A good salary structure should be implemented. Possibly one month of extra salary can be offered after the completion of 3 years of work

**02**

Higher position in Human resources department would be given to experienced Indian professional with a local highly skilled deputy.

**03**

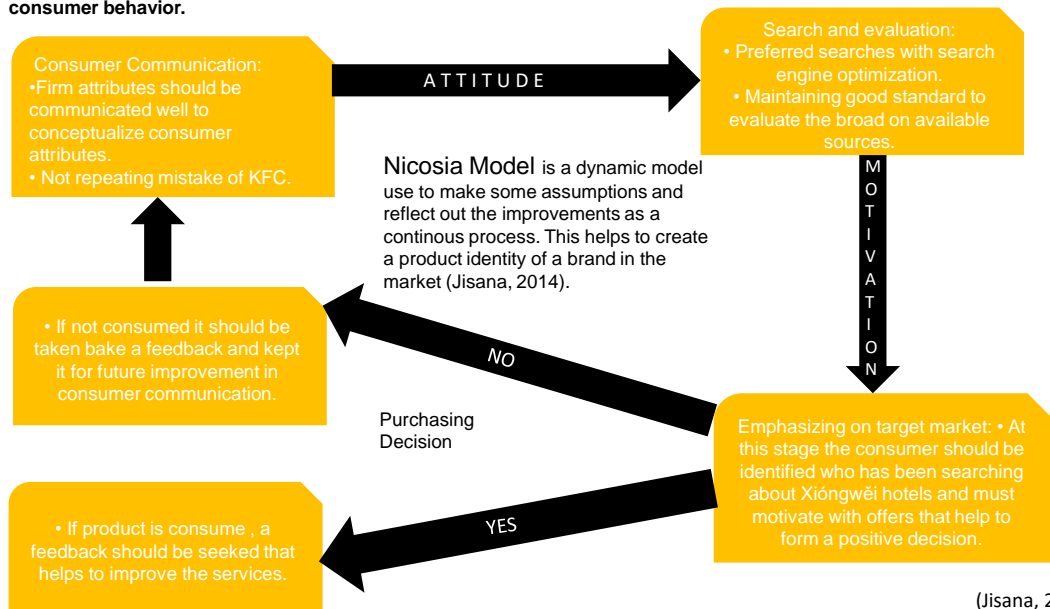
Employees should be recruited based upon a criteria of finding a balance between personality with proper service skills.

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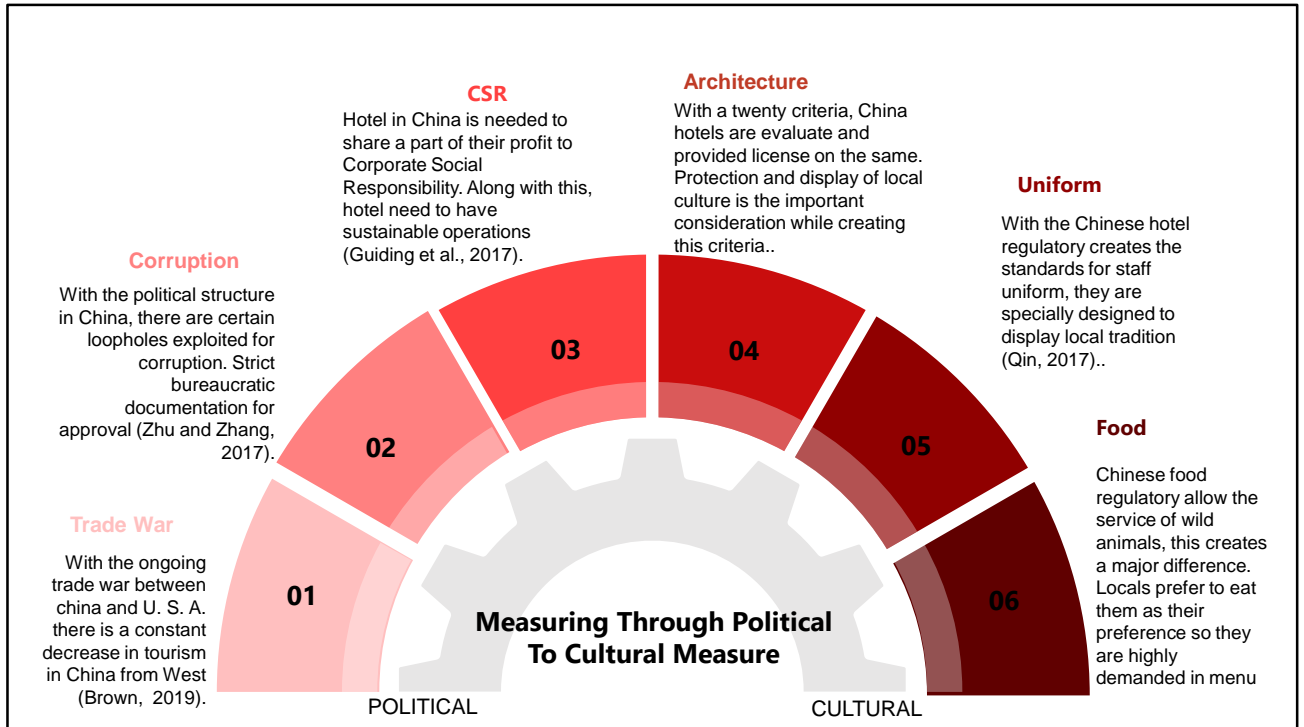
High turnover rate in staff is seen in Chinese Hotel Industry. People in china either want to shift to different brand or leaves out the industry out of its fundamentals (Zhang and Wu, 2014).Hotels in China have faced issues in getting experienced hospitality human resources professional, that have impacted to the level of on-the-job training structure in a negative manner (Zhang et al., 2012). Recruitment culture in Hotels of China tends to select candidates based only upon personality of the individual rather then the service capabilities. This had hampered the quality of service from the staff (Ferreira and Alon, 2018).

## Modelling Consumer Behaviour

Consumers are considered as the King of market.  
Decisions on marketing are taken on the basis of the consumer behavior.

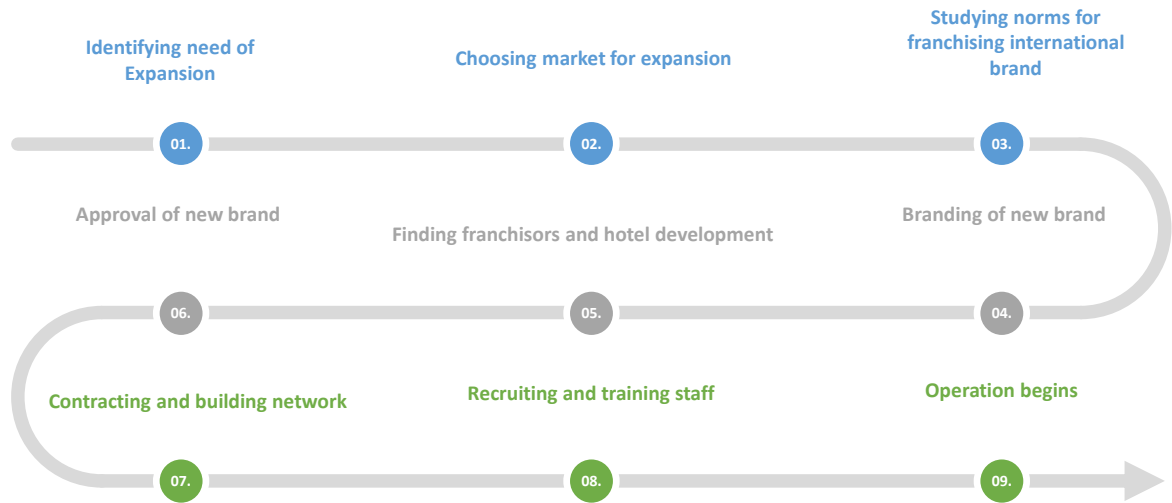


This model conveys the point of attempt to convey the product to consumers and also assuming different meanings that can be taken out in the public. Not repeating the mistakes made by other international brands in China occurred due to language barrier. For example Tagline of KFC 'Finger Lickin' Good' was translated as 'Eat Your Fingers Off' in China (Nunes et al., 2010). Following the advertisement, the consumer explore the alternative and then choose his liking according to the services offered. Following this, consumer get motivated toward the product and then think about consumption. This is time the consumer should be targated with special customized marketing. This results to purchasing decision. The last phase of this cycle is Feedback



The meter gives an evaluation and comparative measure of some of the points important with respect to hotel functioning but regulated by political and cultural situation of the local area. With the ratings it is shown that the extreme left value is least impacted by culture and mostly influenced by political scenario. And visa versa for right value. The in between values increases in culture and decreases in political control from left to right.

## Key Highlights



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The above timelines suggests the model that is identified for expansion of Lemon Tree Hotels in China with development of a new brand Xióngwěi Hotels and resort. Various theoretical models of global marketing and strategy formation are used to predict possible obsticls and identify the solutions. Considering the past experience of some brands entering China market is also been considered so that, such mistakes should not be repeated.

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