

Dusit
INTERNATIONAL



an international marketing strategy analysis

Group 5

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Introduction

Dusit Thani International, one of the first Thai hotel groups with more than 60 years of experience, has become internationally known for Thai artistry and its graciousness. The company aims to create a heaven on earth that enhances the customer's unique experience that enlivens individual spirit. The company has recently expanded to international territories such as the Philippines, Dubai and Egypt. International marketing demands for a different and more complex strategy than pure domestic marketing does, for there are a lot more competitors, uncertainties and cultural disparities, just to name some obstacles. The aim of this paper is to identify Dusit's current position and strategy in the international market place, show its problems and opportunities and then give recommendations based on the theory of international marketing strategy. We first give an overview of the company and show its current financial performance, its brand and products, its organizational structure as well as the company's culture and values. We then analyze the hotel industry and Dusit's competitors. These sections are followed by an overview of international marketing strategy theory. We then analyze Dusit's current and past strategy, state its problems and opportunities and show currently implemented strategies aiming to tack these problems and opportunities. The last section shows our recommendations, based on the 7 Ps, in detail.

Executive Summary

This text shows that Dusit is a very unique 5-star hotel in the classic luxury market. It has more hotels in its home market (Thailand) than its competitors but its international diversification is still in the very beginning. It faces a fierce competition from all over the world, which have much more assets and financial power than Dusit does. Nevertheless, Dusit is confident to be successful in this market through its unique brand image and high quality service. It is planning to increase the total number of international branches from the current five to 50.

The main areas of problems are first the fierce competition and second the economic downturn. All its competitors offer excellent service and facilities. Furthermore they already have an established hotel network, customer base and partners. The economic downturn led frozen projects and delayed investments but can also seen as an opportunity since low interest rates and decreased property prices could turn out to be beneficial in the retrospective. Also its unique image as a Thai hotel as well as the very positive and unique image of Thai hospitality gives Dusit a highly differentiated and desired brand association.

Many of our recommendations aim to further strengthen Dusit's image of Thai hospitality and improve its service quality. We also try to eliminate cultural problems by standardizing Dusit's service while leaving enough room to tailor the service to each customer's wishes. We also stress out the importance of e-services and suggest redesigning its homepage to make it accessible by all customers around the globe. Last, Dusit's customer relationship management needs to be fully renovated in order to give incentive to all its customers and rewarding frequent purchases.

Company Overview

Background

Thanpuying Chanut Piyaoui established *Dusit International* in 1949. The company's vision is "to be one of the best hospitality in the world, with Thai accent." With the company's unique portfolio of luxury hotels building upon Thai culture and tradition to create a personalized welcome and comfortable atmosphere for all customers, *Dusit International* is known as one of the most luxurious hotels in Thailand.

The company has four main distinctive areas of business including hotels, office buildings, hotel management and other businesses. Currently *Dusit Public Co., Ltd.* operates both hotels and other services related to its business under four different companies as table 1 shows.

Company	Nature of Operation
Dusit Thani Plc.	<ul style="list-style-type: none"> Operate 3 hotels (Dusit Thani Bangkok, Dusit Thani Pattaya and Dusit Thani Hua Hin) Manage 3 hotels in Thailand and 3 hotels overseas
Dusit Hotel and Resorts Co., Ltd.	<ul style="list-style-type: none"> Owns and operate 1 hotel (dusitD2Chianf Mai)
Philippine Hoteliers, Inc.	<ul style="list-style-type: none"> Operate 1 hotel in Philippines (Dusit Thani Manila)
Royal Princess Plc.	<ul style="list-style-type: none"> Owns and operate 4 hotels (Royal Princess Larn Luang, Royal Princess Chiang Mai, Dusit Princess Sinakarin and Dusit Princess Korat) Manage 1 hotel under brand "Royal Princess and 3 franchise hotels

Table 1: Overview of Dusit's companies

The company's other businesses consist of spa business, car rental service, training business and education business. In 2005 the company co-ordinate with *Le Cordon Bleu Helvetis Sari*, a French style culinary school, to establish the best sensational cooking institution in South East Asia.

International Expansion

The company took the first step towards international expansion in 1995 where it acquired the hotel *Nikko Manila* in the Philippines. As shown in exhibit 1, *Dusit International* is eager to earn the term international by continuously expanding to other countries. In 2001, Dubai was the second foreign country where *Dusit* set foot on and where it has built and is currently building new hotels and apartments. Recently, the company opened another branch in Cairo, Egypt. Until 2010, there will be as many as eleven non-Thai *Dusit* branches worldwide.

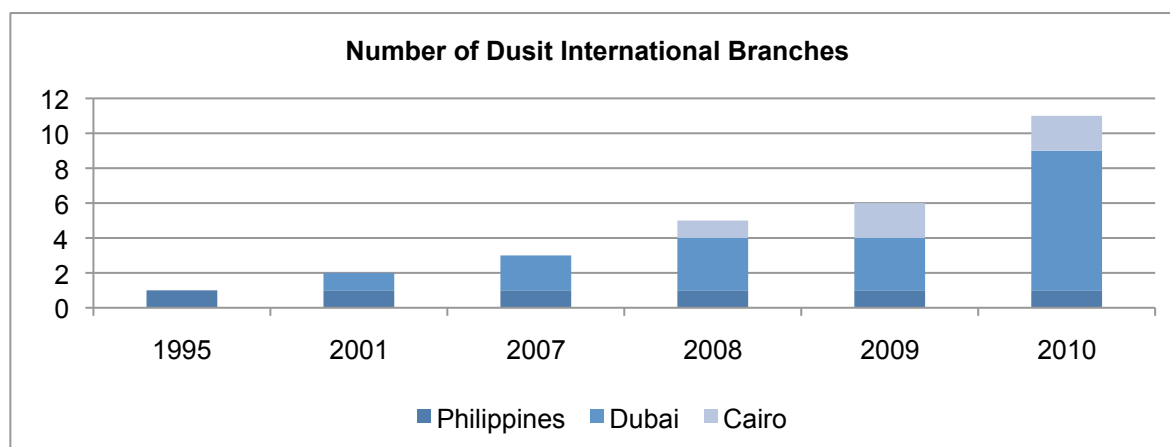


Exhibit 1: Dusit's international expansion¹

Performance, Brands, Products and Structure

Financial Performance

Dusit's financial report (see exhibit xx) shows an increase of their assets, which is due to their international expansion. Their revenues are also increasing steadily but their net profit is decreasing reaching a low in 2007 of 112 million baht. The gross profit stagnated at about 500 million baht between 2005 and 2007 in spite of investment and expansion. Thus the reasons for the lower net profit are twofold:

- Higher assets mean higher tax payments on assets. Because higher revenues did not offset these higher payments, net income decreased.

¹ (2007). Hotels. Retrieved November 10, 2008, from Dusit.com Web site: <http://www.dusit.com/hotels.html>

- Investment requires creditors thus the company's liabilities increase by roughly 600 million baht between 2005 and 2007. This can also be seen from the higher leverage shown in exhibit 2. Higher revenues did not offset interest payments to these creditors, therefore net income decreased.

Regarding the company's financial stability and risk one might take a look at the leverage (see exhibit 2). The leverage is the ratio of debt over equity and is a measure of a company's risk. The number is increasing steadily, since the company finances its investments mostly by increasing their debt, rather than increasing its equity. This is because it needs to maintain a high enough return on equity to keep the company attractive enough. The leverage exceeded 60% in 2007. Since hotel business is a highly asset intensive industry, we might compare the leverage of *Dusit International* (60%) to *General Electric's* leverage, which is above 400%². We are thus able to conclude that *Dusit's* leverage is still at a low level, given the capital intensity of the hotel industry, and that the company's risk profile is still low to medium. There is still a lot of room for increasing leverage, which will happen, if the company is continuing to finance its rapidly increasing investments through debt.

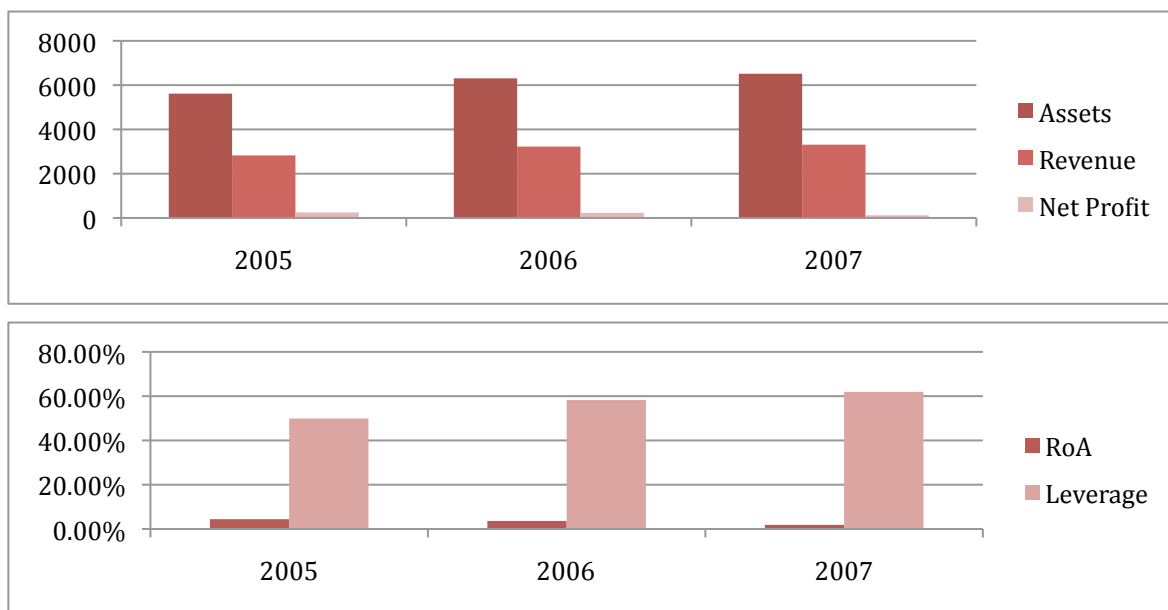




Exhibit 2: Dusit International's financial statement. All numbers in million baht.³

Brands & Products

Under the name of *Dusit International*, there are five different brands, summarized on table 2. Currently, only *Dusit Thani* and *Dusit Residence* are available outside Thailand.

Brands of Dusit International	
	Dusit Thani , this brand's objective is to manage and operate 5-star hotels.
	Dusit Princess , is a 4-star hotel brand.

² (2008). GE: Balance sheet for GEN ELECTRIC CO. Retrieved November 8, 2008, from Yahoo.com Web site: <http://finance.yahoo.com/q/bs?s=GE&annual>

³ (2007). Annual Report 2007. Retrieved November 5, 2008, from Dusit.com Web site: http://file.dusit.com/ebiz/Annual_Report2007/AnnualReport_Dusit07.htm




  	<p>dusitD2 hotels, a new generation of Dusit's hospitality, offers a contemporary Thai interior with a modern touch.</p> <p>Dusit Devarana is a private service hotel brand tailored to the customer's wants and needs.</p> <p>Dusit Residence is an exclusive residence brand with club level facilities and at Dusit International's 5-star service level.</p>
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Table 2: Brands of Dusit International

All brands except for the residences show the description "hotels & resorts". All these accommodation offerings have an assorted product selection in common. First, they all offer basic rooms such as superior and deluxe rooms. Depending on the hotel, the supply of rooms ranges up to a *Majesty Suite* (Dusit Thani), a *D'suite* (D2) or a *Club Tribeca* (Dusit Princess). The residences offer between one and three bedrooms either on a standard or executive level.

Dusit Thani	THB 7900-22100
Dusit Princess	THB 5600-8400
Dusit D2	THB 8000-22000

Table 3: Dusit hotels & resorts price ranges⁴

All hotels and the residences excluding *Dusit Princess* offer a Spa. A *Devarana* spa is included in *Dusit Thani* and *D2* hotels and resorts. All hotels offer all standard facilities and services for their hotel category. *Dusit Thani* Bangkok for example offers even a gift shop, a golf driving range and eleven different restaurants. A fitness center and a swimming pool are included in all their hotels. Price ranges for *Dusit International* hotels and resorts are displayed in table 3.

In addition to accommodation, *Dusit International* offers various corporate specials, such as special advance purchase rates and spa or golf experience packages. All hotels and resorts have large conference rooms in order to satisfy corporate customers. Recent promotions also target for romantic couples are rich tourists, such as the *Dusit Thani* Bangkok Explorer promotion, which offers dinner, spa and sightseeing in one package⁵.

Organizational Structure

Dusit International divided its management structure into 4 different main departments which include: hotel management, property management, education and office department; as show in the exhibit 3. The marketing department is directly operating under the hotel management department division.

⁴ (2007). Luxury hotels and resorts. Retrieved November 18, 2008, from Dusit.com Web site: <http://www.dusit.com>

⁵ (2007). Dusit Thani Bangkok explorer. Retrieved November 12, 2008, from Dusit.com Web site: http://www.dusit.com/en/hotels/thailand/bangkok/dusit_thani/specials/dusit_thani_bangkok_explorer.html

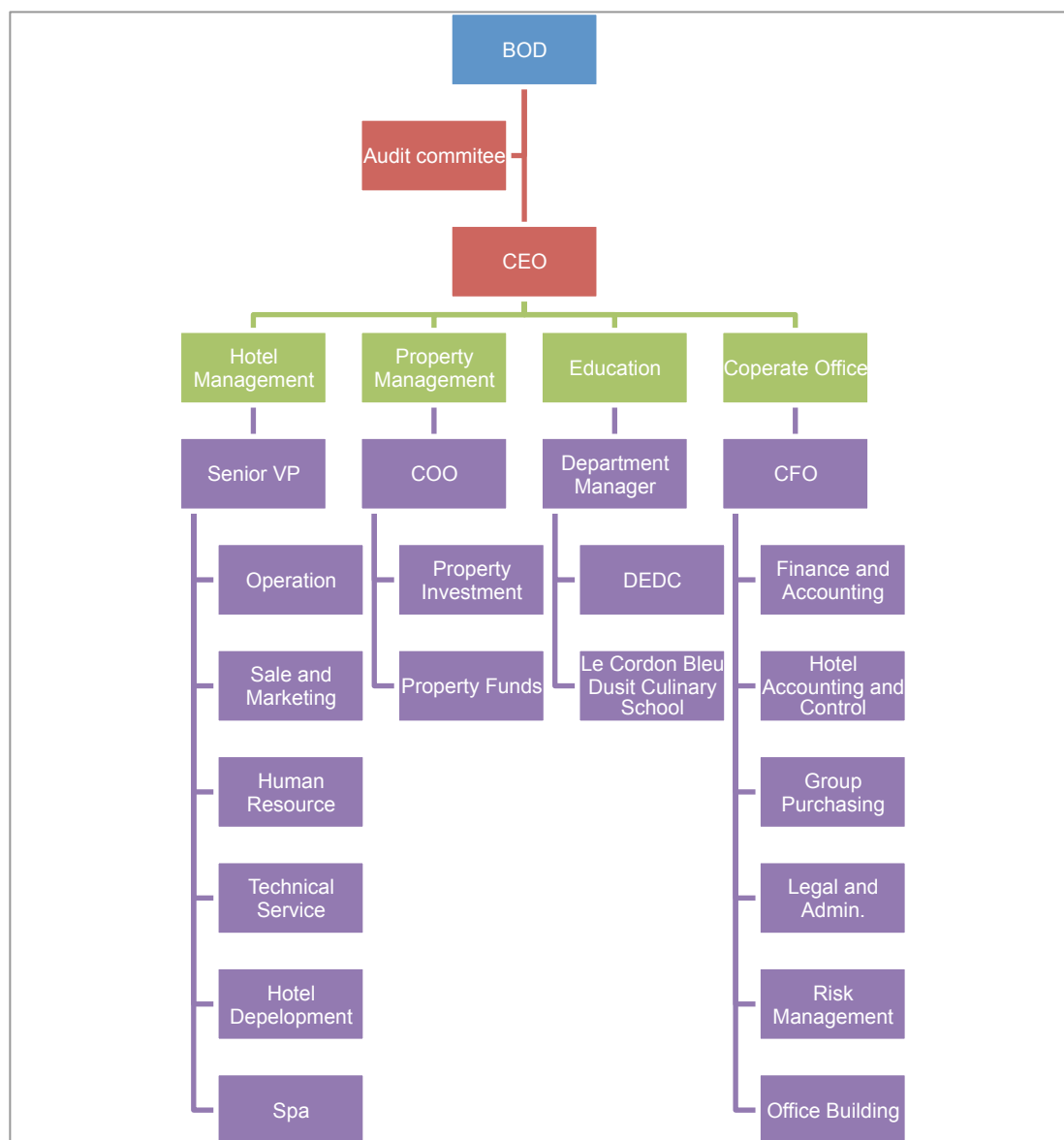


Exhibit 3: Dusit's organizational structure⁶

Company Culture and Values

With 50 years of experience in the hotel business, *Dusit Thani* hotels have held its soul of being the "Heaven on Earth" according to its name. Lady *Chanut Piyaoui*, the founder of *Dusit Thani* Hotel, has continuously emphasized and utilized the beauty of the Thai culture as an advantage for creating unique experience for guests. No matter where in the world *Dusit Thani* hotel chains are located, they implement the most important Thai culture called "Wai" and "Siam Smile" to impress their guests. Moreover, the hotel stands for the purpose of:

- Being bold and doing great things
- Creating things that have never existed before
- Pursuing perfection
- Always being true to who we are

⁶ (2007). Annual Report 2007. Retrieved November 5, 2008, from Dusit.com Web site: http://file.dusit.com/ebiz/Annual_Report2007/AnnualReport_Dusit07.htm

- These are the differences that separate Dusit from the rest.

To successfully implement these essences worldwide, *Dusit Thani* circulates “Dusit Daily News” to every single department in its chain during the morning brief session so that every staff can read and share *Dusit Daily News*. *Dusit Daily News* also contains **Our Brand Credo**, which reminds staff the way “Dusit People” work such as “By continually striving to redefine industry standards”; **The Dusit Value**, which emphasizes the value Dusit Thani has carried such as “We celebrate those with positive ambition who search ways to transform not just do the same”; **Today’s Thought**, which gives good philosophy about way of life such as “So of cheerfulness, or a good temper, the more it is spent, the more it remains; **Thai Talk**, which shares employees knowledge about Thai culture such as Thai food, Thai Clothes, or Thai Dance; **Essence of Works**, which tells staff about good tips for working. Moreover, it also includes **Achievements**, which informs staff about achievements the hotel has such as lists of property that reach monthly goal or monthly customer satisfaction survey. The objective of **Achievements** is to encourage staff to keep working hard. Lastly, their morning brief will end with “**Dusit Service Quality**”, which reminds Dusit staff to maintain their service quality.

In addition to requiring its employees to attend daily morning brief, the hotel also asks its top-level executive to join the morning brief on a weekly basis in order to inform employees about activities the company is planning to do so that everyone will know which direction the company is heading into. Furthermore, the hotel encourages its staff to keep “Brand Credo” pamphlet in their billfold in order that they can remind themselves of their credo every time when they open their billfold.

Finally, *Dusit Thani* has never discriminated its employees according to position, education, gender, age, or race. Every month, the company conducts birthday party for employees who have birthday in that month. Those who attend birthday party include housekeepers, officers, department managers, top-level executives, and the company CEO. Monthly birthday party is an example to show people about *Dusit Thani’s* warm and cordial atmosphere, which is rarely seen, in big companies.

Hotel Industry in Thailand

Structure

A classification of hotel industry can be based on many criteria. It can be categorized based on a distinguishing feature or service provided by the hotel such as *Conference hotels*, *Resort hotel*, *All-Suite hotel*, *Guesthouse*, and *Youth hostels*. However, the most common classification of hotel industry is through the use of five-star rating systems with higher star indicating more luxury.

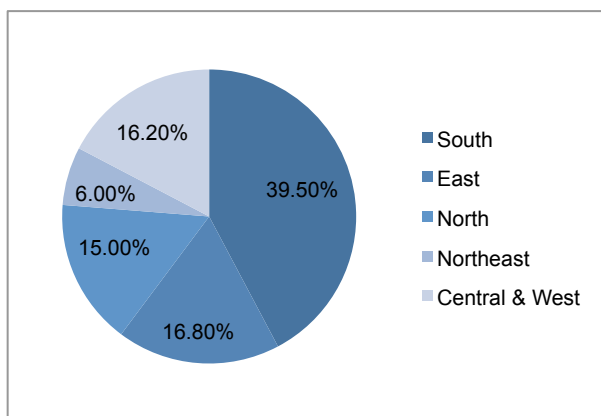
The hotels in **One-Star rating** are likely to be small and independently owned, with a family atmosphere. Services are provided by the owner of the hotel or by their family members on an informal way. The range of facilities and meals may be fairly simple and limited. The standard of maintenance, comfort, and cleanliness is only at an acceptable level. For **Two-Star rating**, the size of hotels is in a range of small to medium and it offers more extensive facilities than at the one star level. Reception and other staff are more professional than at the one star level, and offer a wider range of services, including food and drink. For **Three-Star rating**, the hotel is bigger and offers considerably greater quality and range of facilities than at the lower star classifications. All bedrooms will have fully en suite bath and offer a good standard of comfort and equipment, such as direct dial telephone, hair dryer. Certain amount of room services can be expected. **Four-Star Hotels** will include a degree of luxury as well as quality of decoration and equipment in every part of hotel. The sizes of bedrooms are larger than at the lower star levels, well designed, and fully furnishing. There are many staffs to provide 24-hour room service, dry-cleaning and laundry. For the best-rating hotels which have **Five-Star rating**, everything that the hotel provides is the best compared to international standards. Interior design should be impressive with its quality and attention to detail, comfort and elegance. Services are formal, well supervised, and it should be able to meet the guests’ needs. The restaurant will offer the premium dishes that meet the highest international standards. Staffs are knowledgeable, and helpful that they can be able to help the customers in every aspect.⁷

⁷ (2008). WikiAnswers - What are the hotel classifications. Retrieved November 3, 2008, from [wiki.answers.com](http://wiki.answers.com/Q/What_are_the_hotel_classification) Web site: http://wiki.answers.com/Q/What_are_the_hotel_classification

Dusit International hotels can be classified as five-star rating hotel. In order for them to be successful, the hotel must have key competitive success factors. First of all, it must have a good brand reputation among its hotel chain. The good brand reputation of hotel may be derived from a good customer services. If the hotel can provide an excellent customer service, this will increase the customer satisfaction and customer loyalty to the hotel itself. So the customers will be more likely to come back next time. Location is another key competitive success factor that the hotel should take it into consideration. If the hotel wants to expand its branches internationally, they have to consider where they want to locate their hotel. In general, successful international hotel will be located in the high traffic area in a big city near tourist attraction places where people have high purchasing power.

Growth

The number of foreign tourists started to increase during 2005-2006, few years after the period of Tsunami disaster in 2003. It had been estimated by private sector that the number of foreign tourist would reach 12.5 million persons at the end of 2006 and it was estimated to grow even further. In 2006, there were approximately 4,800 hotels located all over Thailand with approximately 285,000 guest rooms.



The Southern region was the most popular tourist destination with 39.5%, followed by an Eastern coast area with 16.8%, Central& Western area 16.2%, Northern region 15%, and Northeastern provinces with only 6%. An interesting fact is that even though hotels in Bangkok alone shared only 6.8%, it gains the highest revenue in the tourism industry with the annual income of over Baht 330.0 billion per year. Exhibit 4 shows the percentages for each tourism region in Thailand out of total number of tourists visiting Thailand.⁸

Exhibit 4: Thailand tourist destinations (2006)

Competition

Dusit hotels face a fierce local and international competition (see table 4). This analysis will be kept brief and is focused on the core competitors. An analysis of all service competitors would increase the length of this section a lot while adding just little value to the paper. To qualify as a core competitor a company needs to

- be a hotel group offering several hotels located internationally, because *Dusit* is called *Dusit International*, which reflects that Dusit is regarding themselves as a international service provider. So local hotels do not belong to the core competitors but are rather secondary service competitors.
- offer standard rooms in Bangkok ranging from THB 5000 to 10000 in order to be regarded as a classic luxury hotel and thus belonging to the core competitors.

Hotel Group	Hotels Worldwide	Hotels in Thailand	Price
Dusit International	28	17	THB 7700
Four Seasons Hotels & Resorts	82	3	THB 8500
Shangri-La	88	3	THB 6400
Sheraton Hotel & Resorts	>200	4	THB 8450

⁸ Ratanavirakul, K (2008). SME entrepreneurship finance in hotel industry in Thailand. Retrieved November 8, 2008, from Thai hotel and hospitality management association Web site: http://www.thma.org/th/index.php?option=com_content&task=view&id=46&Itemid=36

Summit Hotel & Resorts	115	2	THB 7700
Banyan Tree Hotels & Resorts	42	3	THB 6600
InterContinental Hotel & Resorts	>200	2	THB 6800
Conrad Hotels & Resorts	26	3	THB 6000
Hyatt	>200	4	THB 6400
Marriott	>200	15	THB 4500
Sofitel Luxury Hotels	161	8	THB 4100

Remarks: The hotel counts include the hotels currently being built. The price is for a standard room in Bangkok per night (excluding taxes). All numbers are taken from the company's websites.

Table 4: Dusit's competitors

From this list it is obvious that *Dusit* faces a fierce competition mainly from abroad. The only other hotel with Thai origin is *Banyan Tree* with slightly more hotels worldwide yet a lot less in Thailand. There are some huge hotel groups such as *Sheraton*, which itself belongs to *Starwood Hotels* that has over 900 hotels worldwide. Table 5 gives a short summary.

Competitive Advantages	Competitive Disadvantages
<ul style="list-style-type: none"> Relatively small group → preventing brand dilution Thai origin → making use of Thai's image of hospitality and service excellence The strongest brand (the most hotels) in Thailand → Secure revenues since Thai tourism is still growing⁹ 	<ul style="list-style-type: none"> Customers who only stay at the same hotel will not find Dusit in every major city → Cannot capture some potential customers Less financial power in terms of marketing expenditures than huge hotel groups.¹⁰

Table 5: Dusit's competitive advantages and disadvantages

International Marketing Strategy Analysis

This section analyses issues of international marketing applied to *Dusit International*. The goal is to synthesize both theory of international marketing and the current strategy and position of *Dusit International*.

The Global Marketplace

A company usually starts as a purely domestic company and then, as it is the case with *Dusit*, sometimes goes international. There are several degrees of globalization (see exhibit 5).

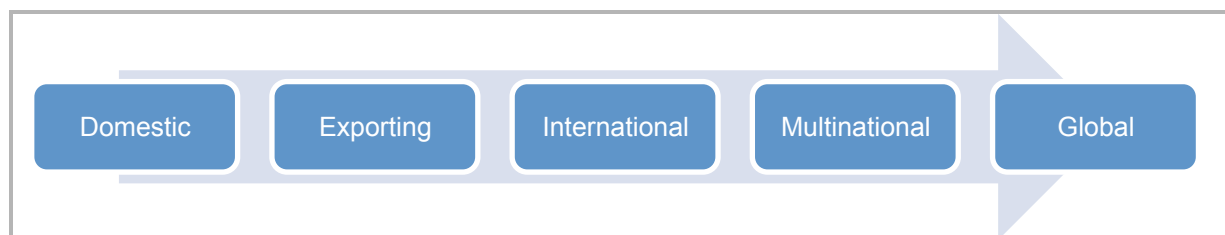


Exhibit 5: Degrees of a company's globalization¹¹

Dusit is currently in the international stage. This can be seen from the fact that it has 17 branches in Thailand but only five abroad and that it concentrates on a few specific markets (e.g. Dubai, Cairo,

⁹ (2008). Hotel. Retrieved November 7, 2008, from Thailand tourism review Web site: <http://www.bangkokpost.com/tourismreview2007/21.html>

¹⁰ (2007). Annual Report 2007. Retrieved November 5, 2008, from Dusit.com Web site: http://file.dusit.com/ebiz/Annual_Report2007/AnnualReport_Dusit07.htm

¹¹ Perner, L (2007). International marketing. Retrieved November 18, 2008, from consumerpsychologist.com Web site: http://www.consumerpsychologist.com/international_marketing.html

Philippines). International means that the company enters some attractive countries sequentially but only little learning and marketing efforts are shared among the different countries. The home market (Thailand) is still their major market and major source of revenues. In the multinational stage, certain standardization among regions allow for some efficiencies. Lastly, in the global stage a company no longer concentrates on its home market more than on other markets. Will Dusit move up from the international stage to the next level? Yes, it will. Dusit mentions that it is planning to build around 50 new branches during the coming 5-6 years outside of Thailand¹². Thus, the Thai market will become smaller than the international market. *Dusit* will need to increase efficiencies by standardizing among regions (e.g. Middle East) in order to compete with its rivals.

Dusit faces a fierce competition in international markets from companies that are much bigger than *Dusit*. Those companies (e.g. *Hyatt* or *Four Seasons*) have a high brand awareness internationally and the regularly advertise in international newspapers (*Four Seasons* had an advertising in *The Economist* over several weeks). *Dusit's* main problem is that travelers like to stay with the same hotel group everywhere in the world, since they usually are able to accumulate bonus points and the hotel has already all their data in their customer management system. Because *Dusit* does not have a lot of branches compared to the bigger rivals, it is still considered as a niche market hotel. But one of their goal is, as mentioned above, to expand a lot in order to be able to compete with these bigger hotel chains.

Cultural Influences

When expanding to international territories one many obstacle companies face are cultural differences. The problem is that culture itself is hard to grab and nebulous. People from different cultures might feel uncomfortable when being together. On the other hand one cannot generalize individualistic behavior of one culture. Since *Dusit* is expanding to countries with quite different cultures than the Thai culture, they strongly need to consider these obstacles and how to deal with them. Based on a survey by *Gert Hofstede* there are five dimensions of cultural differences¹³:

- **Power Distance Index:** Acceptance of unequal power distribution by less powerful members of society.
- **Individualism:** The extent to which people are supposed to look after themselves.
- **Masculinity:** Refers to the distribution of roles in a society.
- **Uncertainty Avoidance Index:** Deals with the tolerance of uncertainty and ambiguity.
- **Long-Term Orientation:** How important long-term values (thrift and perseverance) are in comparison to short-term values (respect and tradition)

We will now give a short overview of these values for Thailand, the countries where *Dusit* has already expanded to and the countries where *Dusit* is currently planning to expand to.

	Thailand	Arab World	Philippines	China
PDI	64	80	90	80
IDV	20	38	28	20
MAS	34	62	60	50
UAI	64	68	40	35
LTO	51	n/a	15	118

Table 6: Hofstede scores of selected countries

As we can read from table 6, there are differences and similarities among the four cultural regions. Individualism seems to be low for all those countries, suggesting that all these regions are merely society/family oriented. Common

sense suggests that is true, compared to Europe or North America. The power distance index is also quite high for all analyzed countries. Even though Thailand has the lowest value, we don't consider slight higher values to be a problem when expanding internationally. Thailand is a very feminist country, compared to the Arabian culture. Thus, the company will face difficulties, such as that Arabian men might consider female staff as less worth than Thai men would consider them. Another difference can be derived from different values in the uncertainty avoidance index, where China's value are very low compared to Thai's value. That suggests that Chinese people are less willing to deal with uncertainty and like to know hard facts. Last, Chinese people are extremely long-term

¹² (2007). Annual Report 2007. Retrieved November 5, 2008, from Dusit.com Web site: http://file.dusit.com/ebiz/Annual_Report2007/AnnualReport_Dusit07.htm

¹³ Hofstede, G (2003). Geert Hofstede cultural dimensions. Retrieved November 19, 2008, from geert-hofstede.com Web site: <http://www.geert-hofstede.com/>

oriented compared to Thais or especially Philippines. These differences might result in a conflict. It is thus very important that Dusit communicates these differences to its staff and train them on these differences. Otherwise it will be very hard to expand internationally, since the service quality of a company is measured in local values. The company thus needs to meet local standards, which are based on local cultural values.

Entry Strategy

Before entering new markets a company needs to analyze the specific markets in order to identify its potential. After determining its potential, the market needs to be segmented, the segments to be targeted and the company needs to position itself in the market according to its target. On an international level it is useful to see a country as a whole as one segment. This big picture approach is useful because, as shown in the last paragraph, countries usually share a common culture but are different from other countries' cultures. It thus makes sense to treat one country as one target segment. This intermarket process contrasts to the intramarket process, where each country is analyzed and segmented¹⁴. The benefit of the intermarket approach is that learning can be shared across countries. For example, product lifecycles often lag between countries so that the information gathered in the faster country can be used and applied for the lagging one. Also advertising in this process benefits from economies of scale since the same international campaign is used for several countries and costs can thus be shared. So Dusit is clearly going the intermarket way since it would not make sense to segment each country for itself, since Dusit offers only a few hotels in each region. But how should Dusit position itself? Surely, a global corporate image should be shared across all segments but it also should customize itself to local tastes since these tastes vary a lot.

When entering markets, there are several strategies available. Franchising for example offers little investment risk but has the drawback that the company is probably funding a potential competitor. Management contracts on the other hand allow the company to operate an existing facility. Here you need to have the knowledge how to operate under a different cultural environment. The third strategy is a direct entry, where the firm builds everything from scratch. In this case the firm has the highest financial exposure but also the greatest profit opportunities.

Marketing, Promotion and Pricing Issues

There are several goals a company might pursue when launching a promotion campaign. Awareness refers to how many people know about the company. If nobody knows that there is a Dusit in Dubai, how could they decide to go there? The second goal is trial, which means that a promotion campaign should get people to at least try the service once. Attitude toward the service can be changed through promotion. Last, temporary sales increases can also be achieved through promotions. In emerging markets, the first two goals will be more successful while in saturated markets such as Japan, the U.S. and Western Europe the latter objectives might be more useful.

There are several important constraints to be considered when planning a global communications strategy. The first are language barriers, since not only the language needs to be translated but also its meaning. Cultural barriers, as mentioned above, will also make advertising difficult, since some phrases or situations normal in one culture will be unacceptable in another. Also, local attitudes toward advertising might jeopardize a promotion campaign since people just don't like advertising. Furthermore, a country's media infrastructure might limit the possibilities of distributing ones advertisements. Last, regulations may also set barriers to the content of ones posters and commercials.

An important question is to what degree should the provided service and the corresponding advertising be standardized among the target markets. Economies of scale are surely a positive effect of standardization, followed by a consistent image, the usage of creative talents across markets and by the ability to transplant good ideas from one market to another. Negative aspects include cultural differences, different regulations and different product life cycles.

How should your service be priced? A price should optimally equal customer's reference prices. The higher the purchase frequency of a particular item, the more accurate is the customer's reference price for that item. Dusit's service is unlikely to be purchased on a frequent basis by the same

¹⁴ Perner, L (2007). International marketing. Retrieved November 18, 2008, from consumerpsychologist.com Web site: http://www.consumerpsychologist.com/international_marketing.html

customer. But a customer can compare Dusit's prices to its competitor's and thus get a good feeling of what the real price should be. When the same service is sold in different market, price-setting strategies are different from purely domestic selling. First, customers can easily check the price in another country and if differences show up, it may raise questions of different service quality among those locations. On the other hand, people living in different countries have an unequal purchasing power. Also the service costs among countries are different so it may thus be considered as unfair, if prices were the same around the world. Since the hotel market is so dense, it would not be a bad approach to price one's service in the region of its competitors (those who offer equal services).

Past and Present Strategy

Target Market

The target market of Dusit International can be categorized into 2 main groups based on the length of stay. The first market, long haul customers, generally consists of tourists from all around the world who come to travel in the countries that our hotels are located at, and want to experience the uniqueness of Thai hospitality. The second market, short haul customers, basically consists of a group of local and international business people who come to the city for a business purpose, and would like to stay in a luxurious hotel that has an excellent customer service with a sense of Thai hospitality for a short period of time.

Marketing

The company still continues to use its current marketing policy in order to increase efficiency and effectively respond to every customer demands, as well as to expand the customer base and increase the market share while maintaining the good relationship with the present customer base. The company has done marketing efforts in many fields such as hotel direct sales, cross selling promotions among the hotel chain, centralized sales through its central reservation system enabling the company to gather the entire customer database from many departments into one database. This will enable the central sales and marketing team to utilize this information to analyze and create sales promotion to serve the customer needs. Moreover, the company has developed an online room reservation system for all hotel chains since the online distribution channel is gaining more popularity among clients. The company created its online sales and reservations through the website *www.dusit.com* in English and also in Japanese version since Japan is a key market for all hotels. In 2007, for *Dusit International*, *www.dusit.com* has become one of the most significant selling channels.

In addition, since the hotel network is still not covering a worldwide area compared to other international hotel chains, the company has used an extensive sales strategy (RSO or regional sales office) that include both local and overseas sales representatives. The company has installed the key account management system, providing access to all marketing and worldwide sales representatives, in order to book sales and reserve rooms in a faster manner. Besides, the company became a member of *Asian Hotels Alliance* (AHA) in 2002 and later joined the *Global Hotels Alliance* (GHA) in 2007 in order to increase sales networks and channels to be wider and far-reaching. *GHA* included more than 150 luxurious hotels and resorts from 39 countries worldwide and each of this alliance is the leading hotel in its region. Furthermore, member of *GHA* also cooperate with international airlines to conduct joint sales and promotional campaign so that the tourists who use airline service may have a chance to use accommodation facilities provided by member of hotels worldwide.

In February 2007, "Dusit International" has signed an agreement with *Micros Fidelio Singapore PTE* to provide *OPERA Central Systems Solution* that made *Dusit International* the first company using this technology in Thailand. By the plan of utilizing this system at the end of 2008, *Dusit International* will be able to provide the customers with prompt and precise information.

Advertisement and Public Relations

In 2007, *Dusit International* has done a re-branding process to create the new trademark that would redefine the company's brand standard in order to be more competitive in the market and to better serve the customers needs to reach ultimate satisfaction level. This will create values added to the company's image and reputation.

The concept of “the Truly Contemporary Thai” with excellent service that goes beyond customer’s expectation will be applied with all of the advertisement and public relation activities throughout the year of 2008.

Pricing Strategies

The company pricing strategies can be categorized as follows:

1. **Price Offered to Oversea Travel Agency:** An important factor in price setting is the total number of rooms to which each travel agency can generate. In general, payment agreement will be made in term of US dollars, Euro, or Yen.
2. **Price through Online Reservation:** The tourists can make reservation directly via Dusit website, GHA, or other business alliances.
3. **Corporate Price:** The company has made pricing agreement with the companies sending their businessman to work in Thailand.
4. **Special Packages during Off Season:** This strategy will be applied to both domestic and foreign tourists in order to generate sales during low season.
5. **Promotional Price Made in Association with Government and Private Sectors:** The company has joined with more airline business runners, apart from the existing Thai Airways, Cathay Pacific Airways, and Japan Airlines in order to enhance sales volume as well as to capture the potential market.

Problem and Opportunity Statement

There are several problems *Dusit International* is currently facing. These problems included a large number of competitors in the market, the economic downturn, political turmoil in Thailand and the pace of the company’s expansion plan. The stated problem bother occur from the inside and outside of the company and all should be taken into consideration.

There is an increasing amount of competitor in the market as stated in the industry analysis part. Moreover, the price, quality of both the product and service in the industry are very competitive. Apart from the rivals in hotel business, the serviced apartment, timeshares services and private hospitals are the critical competitors as well.

Secondly, the economic downturn in mostly every country in the world was affecting the tourist industry as a whole, where people wanted to travel less and safe their money for a better use. This decreased the demand for resorts and hotels reservation not only in Thailand but also around the globe. Having affecting from this, *Dusit* freeze its employment and delay investment in many projects both in and out of Thailand. In addition, the political turmoil in Bangkok and the south of Thailand made foreign tourist unsecure about coming to Thailand. Some of them even change to other destination instead.

Dusit International is anticipated to expand its operation to 50 hotels in the next five years from currently 19 existing hotels. The company started to expand internationally only a few years ago. By having is fast pace of expansion with limited knowledge and experience in different values and culture in different country can create a major problem to the company.

Beside the problem the company currently facing, there are also several opportunities for *Dusit International* to take into consideration. They include the lower cost of investment, the perception of Thai hospitality and expansion opportunity. A mention earlier that the economic downturn can be a threat to the company; however, it can also be a big opportunity for the company in term of investment opportunity. Many different countries around the world are encouraging investment in their countries by reducing their interest rate. These reflect the lower cost for investment especially in term of the cost for property development.

Furthermore, the concept of Thai hospitality is a legendary across the globe, which is one of the main marketing points for the *Thai Tourism Authority*. Thai people are known for their generosity in way they react and treat people. With this feature, *Dusit Thani* is able to use it as a set of unique service characteristic as well as able to use the gift of heaven to create heaven on earth; as the company motto stated.

In order for *Dusit Thani* to truly become an international luxury 5-star hotel chain, the company needs to consider expanding to other country beside the Middle East and Southeast Asia. There are still open opportunities for the company in other parts of the world, but the question needed to be answer is where and in what pace should the company move?

Problem Solving Strategy

Recently, *Dusit* is facing many challenges such as political unrest in Thailand and world economy slowdown. The company launches its global expansion strategy aiming at making *Dusit International* hotels & resorts become a global hotel chain to tackle recent problems.

Dusit plans to have 50 hotels operating worldwide within the next five years. The company management thinks that the recent world economy downturn will push the interest rates down, making it a golden opportunity for the firm to gain access to cheap loans, which will then be used for its business expansion project. The firm will expand globally by using *Dusit International*, a local hotel management firm, to penetrate into China, India, Japan, and Australia, as well as in Middle East and Europe. Among these global markets, *Dusit* considers China to be its main target market because of its strong economic growth, vast interesting tourist attractions, and growing tourism industry.

First of all, a strong economic growth in China will offer high business potential for *Dusit*. Despite the global economic slowdown, the IMF has recently forecasted that Chinese GDP growth in 2009 will be at 9.3% and at 10% in 2013¹⁵. This shows that China's economy will be in a very good condition although Chinese GDP growth will be lower than 10% compared to the last 5 years.

Furthermore, China not only has many historic sites such as the Forbidden City, the Great Wall, and the Mausoleum of the First Qin Emperor, but it also has many important business centers such as Beijing, Shanghai, and Guangzhou. Additionally, in China live many minorities; therefore, there are various types of music, dance, customs, and delicious cuisines offered to visitors to enjoy. These tourist attractions can attract both leisure and business travelers.

Another reason why *Dusit* is focusing on China is because of the growing numbers of domestic and inbound tourists. The number of domestic tourists in 2007 was 1.610 billion jumping from 1.394 billion in 2006; on the other hand, the number of foreign visitors increased from 124 million in 2006 to 131.87 million in 2007¹⁶. The continuous increase in the number of tourists travelling to China, together with improving tourism facilities and services will help China to become an important tourist destination in Asia and to become the world's number one tourist destination by 2020¹⁷.

Currently, *Dusit International* could sign its first hotel management contract in China and expects the property to be opened by 2010. The firm also has some deals under negotiation and also wants to manage more than five hotels in such areas as Beijing, Shanghai, Hangzhou, and Guangzhou by 2011.

Recommendations

After analyzing company information and perform some researches, the consulting team believed that the most important question *Dusit International* needed to focus is: **How can *Dusit International* standout from its competitors in the global stage?**

The rationale behind the statement can be divided into three different parts. First, it is somewhat necessary for the company to state and promote its position to both the competitors and the

¹⁵ (2008). Global economic forecast. Retrieved November 19, 2008, from International monetary fund Web site: <http://www.imf.org/external/pubs/ft/weo/2008/02/pdf/text.pdf>

¹⁶ (2008). China tourism statistics. Retrieved November 21, 2008, from China tourism Web site: <http://www.chinatour.com/data/data.htm>

¹⁷ 2000). Summary of tourism in China. Retrieved November 21, 2008, from Asia info Web site: <http://www.asianinfo.org/asianinfo/china/pro-tourism.htm>

customers in order to become one of the best hotels in the world. Moreover, it is very important for the company to see its potential and enhance it in the right way to support the organization itself. Second, due to the high level of competitors in the market, *Dusit International* needs to find a way to compete with the top-notch international hotel chains like *Ritz Carlton* or *Peninsula*, which are well established in the global market. Third, by being able to differentiate itself from other competitors in the industry, *Dusit International* will be able to get one step closer to the company vision as being the best hotel.

Currently, the company has tried to accomplish this statement in several ways, but one of the most important plans is to expand to different countries. As mentioned before, the company is trying to operate 50 hotels in the next five years. The idea of this international expansion was a good starting point in a global perspective; however, the rate and the location of the expansion still need to be reconsidered. The following sections include a detailed description of our recommendations for *Dusit* over the next five to ten years.

Product

In order for *Dusit International* to gain more market share internationally, they should contract with travel agencies or airlines to form packaged product offerings. However, the travel agency and airline that *Dusit* is going to contract with should share the same values and positioning. For example, *Dusit International* would make a contract with *Thai Airways* to form a special package since both parties share the same positioning of luxury and Thai hospitality. The package that *Dusit* offers will provide convenience to travelers because when they book the airplane ticket with *Thai Airways*, they can just choose this special package that offers both airline tickets and the accommodation at a *Dusit* hotel along with it. This package will be beneficial to both *Thai Airways* and *Dusit International*.

Price

According to the pricing issue in the earlier section, *Dusit International* is going to charge each country with a different price due to a difference of people's purchasing power in each country and the cost of customer service provided in each country. In addition, *Dusit* is going to set a new pricing strategy by using a computerized hotel occupancy rate. If there are a large number of occupied rooms or if many last minute bookers are expected, the price charged per room will be close or even equal to the published rate. In contrast, the price being charged per room will be low if there are a small number of occupied rooms or if not many last minute bookers are expected.

Place

For the place or location strategy, it can be divided into three different phases regarding the time of implementation. In phase one, the time of implementation is around 1 to 3 years. The countries that *Dusit International* should expand to during this phase are China, Japan and India. The reason why the company should penetrate into those countries is that their cultural and environmental setting is quite similar to that where *Dusit* is currently operating. Phase two includes countries in Europe and Australia. In Europe the market is highly saturated and each country has its own culture. Thus we don't think *Dusit* will be successful establishing a Thai hotel in for example the Swiss Alps, since people would go there to enjoy the Swiss hospitality. The same goes for other regions. *Dusit* should thus focus on the big cities in order to build up a hotel network around the world, so travelers can choose *Dusit* in all major cities, e.g. London or Paris. In Europe we would thus target merely short-haul customers. In Australia on the other hand we could also focus on long-haul tourists since the country still offers uncovered areas for resorts. This second phase will start at the end of the third year to the sixth year. Last, phase three includes the operation in cities of the United States. By penetrating into a big and diverse country like the US, the company needs to have knowledge about global hotel industry and enough financial power first. Therefore, this last phase can be implemented from the fifth year onward.

Promotion

In order to compete in the global stage, increasing awareness that the company exists in the market is a crucial thing to do. So far, *Dusit* doesn't do their best in creating awareness. By putting advertisements in world-class magazines such as *Times*, *Financial Times* or *The Economist* will present *Dusit* in an international view and also reach directly to its target market. Another way is to go on international trade shows such as *The International Hotel/Motel & Restaurant Show* at New York. This is one way to reach the target market since the attendees are all directly related to the leisure industry.

The current loyalty program does not seem to satisfy our guest since it provides too low privileges to members. We thus come up with a new loyalty program where every guest who stays at *Dusit*, no matter how long and regardless of the brand, they will get a point from every currency spent to collect in order to redeem a free offer, e.g. free accommodation or dining. In order to prevent current members from becoming dissatisfied with losing privileges over normal guests, we offer them a certain amount of initial points on their account. This loyalty program does not need any application by our guests and they will receive their points no matter how they book our services. This will distinguish our hotel from our competition, which sometimes require you to bring your member card or only allow you to book through their own booking system. We thus want to lock our guests in and prevent them from switching to other brands, since so they would “lose” their previously accumulated points. It will also be a plus when our guests need to choose between our in-house 5-star restaurant or a neighboring one since they will receive points when choosing the in-house one. The same goes for other services, e.g. the spa.

People

In the service industry it is the people who create distinctiveness. With the core concept to deliver Thai hospitality there is no one who will understand Thai culture better than Thai people themselves. Sending Thai people to international branches only in top positions might not be enough since the service providers would be local people who would still carry their own culture. Therefore, *Dusit* should send Thai people to work abroad in order to share Thai culture to colleagues. Since this is also a good opportunity to create jobs for Thai people, *Dusit* can choose to send current staff, which has shown good performance, to work abroad since they are professionals in performing their job. That would also be a way to reward staff that does his or her job well by giving him or her an opportunity to work abroad. Our staff would then be trained for the specific cultural aspects in order to ensure smooth services in all our branches.

Process

Thai hospitality is the heart of service philosophy at *Dusit* since it is founded. With the commitment to deliver an experience that enlivens the individual spirit no matter what the journey is. *Dusit* has strongly held the unique way in which it welcomes its guests for more than 50 years. They welcome their guest with a “*wai*” which is a sign that delivers our warm welcome as a good host. “*Siam smile*” is also a traditional Thai signature of cheerfulness and sincerity. Moreover, it is the Thai way of welcoming to cheer a guest with refreshing beverages when they arrive and are tired from a long travel to our place. And before their guests go to bed, *Dusit* wants to make sure that they’ll have a very good night by preparing the bed for them to sleep and compliment them with late-night cookies or chocolate and orchids on their pillows. This uniqueness has shown an intention to deliver the best to every guest that had never existed in any international hotel chain before. We want to ensure that this unique service delivery process is extended to all our international branches. If we just adopt our process to local processes we cannot distinguish ourselves from our competition since the market is highly saturated. We need to base our point of difference on the good perception of Thai hospitality, slightly adapted to local tastes. With the described service process we ensure that *Dusit* is perceived as a unique hotel and highly appreciated across our markets.

Physical Evidence

A very important aspect of services is its physical evidence because this is the only tangible element judged by the customer. First of all, we want to improve the homepage since nowadays a company’s homepage is often the first touch point with its customers. Now they only offer an English and a Japanese version of its website. But when expanding internationally, they need to adapt their homepage to the different cultures and languages. It is not expensive to translate a homepage once it is fully developed. Second, *Dusit* should dress its staff in a unique and standard way. According to the people section above, we want to implement a *modern Thai fusion* style, which means the combination of traditional Thai style and modern dressing habits. This, because on the one hand we can communicate our unique Thai hospitality but on the other hand we don’t look old-fashioned but very modern and innovative. We thus can maintain a service standard by showing through physical evidence that all our employees around the world provide the same service quality.