

Strategic Planning Needed for Chinese Hotels

Hoteliers in China are optimistic about the future of the Chinese hotel industry but there is still much to be done before China can become the world's top tourist destination, according to the SHTM's Kam Hung. In a recently published research article, Dr Hung identifies the strengths, weaknesses, opportunities and threats associated with the hotel industry from the perspective of Chinese hoteliers. Her findings will provide the government with a better understanding of the issues that need to be tackled so that a strategic plan can be developed to direct future activities and improve performance.

Rapid Growth of the Industry

China is an increasingly popular tourist destination. It is currently the third most visited country in the world, and the World Tourism Organization predicts it will become the most visited by 2020. Unparalleled demand has led to rapid growth in the number of hotels. In 1981, during the early years of economic reform, the country had only 296 hotels. With the emphasis on hotel development in the Fifth Five Year Plan (1981-1985), that number increased dramatically to 300,000 by 2009. Dr Hung acclaims these achievements as "worthy of celebration", but notes that the industry still has a number of shortcomings to overcome.

To develop effectively in China, the hotel industry needs proper planning to "utilize its strengths and opportunities" and "alleviate weaknesses and threats". With that purpose in mind, Dr Hung set out to "help policy makers better understand the hotel industry in China and strategically plan hotel development accordingly". To gain the most compelling insights into how the industry operates she sought the views of not government officials but hoteliers.

The Hotelier Perspective

The first step in strategic planning is to understand the business environment. SWOT analysis is a simple analytic tool that can be used to examine the strengths, weaknesses, opportunities and threats facing an organisation. It is widely used to assess hotels in other parts of the world, but infrequently in China. Dr Hung formed focus groups with 47 hoteliers from 37 hotels in mainland China, asking them to brainstorm the strengths, weaknesses, opportunities and threats they had encountered or were aware of in the Chinese hotel industry.

Six groups were formed, with seven or eight participants in each. The average length of time the participants had worked in the hotel industry was over 11 years, in positions ranging from hotel trainee to president of a hotel corporation. Analysis of the discussions allowed Dr Hung to identify relevant information and classify it into the four SWOT categories, and then compare the contents of the different focus groups to identify the important themes in each category.

Strengths and Opportunities

The hoteliers indicated that the industry's main strength is the "establishment and gradual sophistication" of the Chinese hotel-rating scheme, which provides clear guidance on what hotels should provide for their customers. They also highlighted the increasing profit made by the industry, which is growing faster than the country's gross domestic product in a strong indication of a promising future. Other encouraging signs are the increasing recognition and effort put into improving service quality in China's hotels, and the increasing professionalism of hotel employees.

There are also a number of opportunities for the industry. The hoteliers suggested that demand from the domestic market is increasing, and "improved consumption power, living standards, and longer holidays" mean that Chinese people are travelling more both at home and abroad. The growing tourism industry has attracted "many international brands" to China. Although this has increased the competition for local hotels, some of the hoteliers viewed it as a positive development that would "benefit the overall Chinese hotel industry in the long term".

Weaknesses and Threats

Despite these strengths and opportunities, the hotel industry still needs to address a number of weaknesses and threats. Although service quality has improved, many of the hoteliers expressed concern over the threat from international hotel brands, which are considered to be "more professional, have better management structures, and are more willing to invest in staff training". They also mentioned that many hotels in China have "magnificent architecture" yet they still "lack quality services and commitment from hotel investors". As Dr Hung notes, a

hotel that does not provide excellent service quality is “just an empty shell that cannot be sustained”.

A key element in improving service quality is the recruitment and training of staff. The industry has a high staff turnover, mainly due to “low salaries, lack of support for the hotel profession, and lack of hotel loyalty”. The participants also noted that many hotel employees are from Generation Y, which seems to “possess different traits and work ethics” than the older generation. Although highly educated and goal-oriented, members of Generation Y expect freedom, understanding and respect, and “work to live instead of live to work”, which can make managing them “a difficult task”.

Several universities have introduced tourism and hospitality programmes, but these often “do not seem to correspond to the needs of hotels” according to Dr Hung. More work needs to be done to facilitate close collaboration between educational institutions and hoteliers, first to identify the hoteliers’ needs and then to “tailor the curriculum” to meet those needs.

Government Role

Dr Hung emphasises that the government has “contributed much to the development of hotels in China” through the implementation of regulations, investing in hotels, attractions and infrastructure, and hosting tourism events. The success of the Beijing Olympics in 2008 and the World Expo in Shanghai in 2010 both “highlighted the government’s inevitable role in boosting tourism” and “leveraged the confidence of international travellers regarding hotel services in China”.

Nevertheless, the participants noted some shortcomings, such as poor planning, lack of management skills, heavy taxes and the lack of a clear vision for development. Dr Hung specifically notes that once policy makers understand the strengths, weaknesses opportunities and threats associated with the hotel industry, they should develop a strategic plan to “formulate development strategies, direct its future activities, and improve its performance”.

A Vital Opportunity

Although tourism in China is expected to continue its rapid growth, Dr Hung warns that hoteliers should not “take this opportunity for granted” because there is already fierce competition and increasingly more hotels

are entering the market. She suggests that to compete with international brands, local hotels will need to define their target market, develop clear branding strategies and create a unique place in the market.

The Chinese government also needs to consider the shortcomings identified by the hoteliers. Dr Hung suggests that practitioners in the hospitality field could “join the planning committee to jointly plan and manage hotel development in China”. In the meantime, there is much to be optimistic about. As Dr Hung remarks, “with proper planning and management, China can be a shining star in the tourism and hospitality industry”.

Points to Note

- Hoteliers recognise many strengths and opportunities for China’s hotel industry.
- Hotels are still failing to meet Western standards of service.
- Recruitment and training of staff present a challenge for the industry.
- The central government needs to develop a strategic plan to ensure continued success.

Hung, Kam. (2013) “Understanding China’s Hotel Industry: A SWOT Analysis”. *Journal of China Tourism Research*, Vol. 9, 81-93.