MEMO

<u>QUESTION 1/ VRAAG 1</u>: **[10]**

Choose the one best answer from each of the various options presented to you. Only write down the option that you have chosen / *Kies die een beste antwoord van elk van die verskeie opsies aangebied. Skryf slegs die opsie neer wat jy gekies het*

1(9). In crafting a company's strategy,

A) management's biggest challenge is how closely to mimic the strategies of successful companies in the industry.
B) managers have comparatively little freedom in choosing the hows of strategy.
C) managers are wise not to decide on concrete courses of action in order to preserve maximum strategic flexibility.
D) managers need to come up with some distinctive "aha" element to the strategy that draws in customers and produces a competitive edge over rivals.
E) managers are well-advised to be risk-averse and develop a "conservative" strategy—"dare-to-be-different" strategies rarely are successful.

Answer: D Page: 6 Learning Objective: 1 Difficulty: Medium Taxonomy: Comprehension
AACSB: Value Creation

(2) 31. In choosing among strategy alternatives, company managers

A) should recognize that they are duty-bound to make as much money for shareholders as possible and that any and all strategic actions that are legal are entirely permissible and defensible in pursuit of this duty.
B) have no compelling duty to craft a strategy whose elements are considered ethical—their only real duty is to craft a strategy that is calculated to yield a sustainable competitive advantage.
C) are well-advised to go beyond merely keeping a company's strategic actions within the bounds of what is legal and consider whether the various pieces of the company's strategy are compatible with ethical standards of "right" and "wrong" and duty—what a company should and should not do.
D) should take the position that any strategy that is legal can be defended as appropriate and well within the company's right to pursue—any notion that managers should have a moral conscience in making strategic choices is totally inappropriate in business situations.
E) should recognize that outsiders have no right to pressure a company to observe so-called moral and ethical standards—there is no validity to the notion that a company's strategy should pass any so-called test of moral scrutiny.

Answer: C Page: 13 Learning Objective: 1 Difficulty: Medium Taxonomy: Comprehension
AACSB: Ethics/Legal Responsibilities

(3) 42. The difference between a company's strategy and a company's business model is that

A) a company's strategy is management's game plan for achieving strategic objectives while its business model is management's game plan for achieving financial objectives.
B) the strategy concerns how to compete successfully and the business model concerns how to operate efficiently.
C) a company's strategy is management's game plan for realizing the strategic vision whereas a company's business model is the game plan for accomplishing the business purpose or mission.

D) strategy relates broadly to a company's competitive moves and business approaches (which may or may not lead to profitability) while its business model relates to whether the revenues and costs flowing from the strategy demonstrate that the business is viable from the standpoint of being able to earn satisfactory profits and returns on investment.
E) a company's strategy concerns how to please customers while its business model concerns how to please shareholders.

Answer: D Page: 14 Learning Objective: 4 Difficulty: Hard Taxonomy: Comprehension AACSB: Value Creation

4. (72). Which of the following is most integral to the responsibility of top executives to ensure a company has a sound, cohesive strategic plan?
A) Requiring operating excellence as the company's primary core value.
B) Delegating the responsibility of setting objectives and formulating the details of strategy to key midlevel and frontline managers
C) Gathering information about what key rivals are doing and then developing a strategic plan based on this data
D) Effectively communicating the company's vision, objectives, and key strategy components to key personnel and exercising due diligence in reviewing lower-level strategies for consistency and support of higher-level strategies
E) Addressing conflicts among midlevel and frontline managers in their development of the company's vision, mission, objectives, and key strategy components

Answer: D Page: 45 Learning Objective: 7 Difficulty: Medium Taxonomy: Comprehension
AACSB: Value Creation

5. 85. Which one of the following is *not* among the chief duties/responsibilities of a company's board of directors insofar as the strategy-making, strategy-executing process is concerned?
A) Hiring and firing senior-level executives and working with the company's chief strategic planning officer to improve the company's strategy when performance comes up short of expectations
B) Being inquiring critics and exercising strong oversight over the company's direction, strategy, and business approaches
C) Evaluating the caliber of senior executives' strategy-making/strategy-executing skills
D) Instituting a compensation plan for top executives that rewards them for actions and results that serve stakeholders' interests, most especially those of shareholders
E) Overseeing the company's financial accounting and financial reporting practices

Answer: A Page: 49-50 Learning Objective: 8 Difficulty: Medium Taxonomy: Comprehension
AACSB: Value Creation

6. 3. Which of the following is *not* a major question to ask in thinking strategically about industry and competitive conditions in a given industry?
A) How many companies in the industry have good track records for revenue growth and profitability?
B) What strategic moves are rivals likely to make next?
C) What are the key factors for future competitive success?
D) Does the outlook for the industry present the company with sufficiently attractive prospects for profitability?
E) What forces are driving changes in the industry, and what impact will these changes have on competitive intensity and industry profitability?

Answer: A Page: 58 Learning Objective: 1 Difficulty: Medium Taxonomy: Comprehension
AACSB: Domestic/Global Economic Environments

7. (81). Which one of the following pairs of variables is ***least*** likely to be useful in drawing a strategic group map?
A) Geographic coverage and degree of vertical integration
B) Brand name reputation and distribution channel emphasis
C) Product quality and product line breadth
D) Level of profitability and size of market share
E) Price/quality range and whether the company's product appeals to many or few types of buyers

Answer: D Page: 87 Learning Objective: 1 Difficulty: Medium Taxonomy: Comprehension
AACSB: Value Creation

8. (74). To build a competitive advantage by out-managing rivals in performing value chain activities, a company must
A) position itself in the industry's more favorably situated strategic group.
B) develop resources strengths that will enable it to pursue the industry's most attractive opportunities.
C) develop core competencies and maybe a distinctive competence that rivals don't have or can't quite match and that are instrumental in helping it deliver attractive value to customers or else be more cost efficient in how it performs value chain activities such that it has a low-cost advantage.
D) outsource most all of its value chain activities to world-class vendors and suppliers.
E) eliminate its resource weaknesses.

Answer: C Page: 126 Learning Objective: 2 Difficulty: Medium Taxonomy: Comprehension
AACSB: Value Creation

9. (36). Perceived value and signaling value are often an important part of a successful differentiation strategy because
A) of the diversity of buyer needs and preferences.
B) buyers seldom will pay for value they don't perceive, no matter how real the value of the differentiating extras may be.
C) most buyers are heavily influenced by clever ads that signal value.
D) differentiation is all about smoke and mirrors.
E) there are no other ways to differentiate a commodity product.

Answer: B Page: 152 Learning Objective: 4 Difficulty: Hard Taxonomy: Comprehension
AACSB: Value Creation

10. 18. Merger and acquisition strategies
A) are nearly always a superior strategic alternative to forming alliances or partnerships with these same companies.
B) may offer considerable cost-saving opportunities and can also be beneficial in helping a company try to invent a new industry.
C) are a particularly effective way of pursuing a blue ocean strategy and outsourcing strategies.
D) seldom are a superior strategic alternative to forming alliances with these same companies because of the financial drain of using the company's cash resources to accomplish the merger or acquisition.
E) are one of the best ways for helping a company strongly differentiate its product offering and use a

differentiation strategy to strengthen its market position.

Answer: B Page: 171-172 Learning Objective: 2 Difficulty: Medium Taxonomy: Comprehension AACSB: Value Creation

11. (35). Commonly encountered market conditions that must be considered when choosing among strategic options include:
A) Rapidly growing markets.
B) Mature, slow-growth markets.
C) Stagnant or declining industries.
D) Fragmented markets comprised of a large number of relatively small sellers.
E) All of the above.

Answer: E Page: 181 Learning Objective: 5 Difficulty: Medium Taxonomy: Comprehension AACSB: Value Creation

QUESTION 2/ VRAAG 2: **[ ]**

Answer strictly according to the numbering sequence / *Beantwoord die vrae streng volgens die numeringsvolgorde-*

1. What are the key change drivers in Accor's macro-environment and what impact are they likely to have on the firm? Construct clearly a macro-environmental analysis (14)

Factors?	Changes/drivers?	Implications (likely impact)

2. What does an analysis of Accor's competitors reveal about the key relationships in the industry? (10)
3. Which organizations have the greatest bargaining power in the hotel industry supply chain? (6)
4. Think about the resources (assets) and capabilities (skills) that Accor possesses. What do you think are Accor's key strengths and significant weaknesses? (12)
5. (a) Which of the generic strategies most closely fit the competitive approach that Accor is taking?. Discuss Accor's strategy and important strategy elements? / *Watter van die generiese strategieë is mees tiperend van Accor?. Bespreek Accor se strategie en die strategie-elemente daaraan verbonde* (10). (b). What type of competitive advantage is Accor trying to achieve? / *Watter tipe mededingende voordeel wil Accor behaal?* (5)
6. How well is the strategy(ies) performing?(Perform applicable financial ratio analysis based on the information in the exhibit). Justify by illustrating the formulas and calculations clearly / *Evalueer Accor*

se strategie(ë)- op grond van finansiële prestasie(s) soos wat uit die toeaslike finansiëlle verhoudings uit die tabel bereken kan word. Toon duidelik die formule en berekenings (10)

7. *"We find that a surprisingly large number underestimate the increasing momentum of digitization, the behavioral changes and technology driving it, and, perhaps most of all, the scale of the disruption bearing down on them. Many companies are still locked into strategy-development processes that churn along on annual cycles. Only 8 percent of companies we surveyed recently said their current business model would remain economically viable if their industry keeps digitizing at its current course and speed. How can this be, at a moment when virtually every company in the world is worried about its digital future*?" Explain the major reasons *why* so many digital strategies are failing? (10)
8. Based on your case analysis, what recommendations would you make to upper management (C-suite) going forward about the Accor strategy? Justify! / Op grond van jou gevallestudie-analise, watter aanbevelings sal jy maak aan die HUB (en die res van die sogenaamde "C-suite" aangaande Accor se strategie? Motiveer! (10)

1. What are the key change drivers in Accor's macro-environment and what impact are they likely to have on the firm? (10-20) What forces are driving change in the movie rental industry? Briefly explain your identified forces (10) / *Verduidelik watter kragte in die fliekhuurindustrie verandering dryf*
2. What does an analysis of Accor's competitors reveal about the key relationships in the industry? / / *Maak 'n-analise in 'n diagram om te bepaal hoe sterk die mededingende kragte in die industrie is* (10-20)
3. Which organizations have the greatest bargaining power in the hotel industry supply chain?
4. Think about the resources (assets) and capabilities (skills) that Accor possesses. What do you think are Accor's key strengths and significant weaknesses?

5. Which of the generic strategies most closely fit the competitive approach that Netflix is taking?. Discuss Netflix's strategy and important strategy elements? / *Watter van die generiese strategieë is mees tiperend van Netflix?. Bespreek Netflix se strategie en die strategie-elemente daaraan verbonde* (10). (5b). What type of competitive advantage is Netflix trying to achieve? / *Watter tipe mededingende voordeel wil Netflix behaal?* (5)
6. How well is the strategy (ies) performing? What is your appraisal of Netflix's operating and financial performance based on the data in case Exhibits 2, 3, and 4? / *Evalueer Netflix se bedryfs- en finansiële prestasie(s) wat op die Tentoonstellings 2, 3 en 4 in die gevallestudie beskikbaar is. Gee ook aandag aan die volgende opdragte in hierdie verband-* (6a).What positives and (6b) negatives do you see in Netflix's performance? (focus also on the assorted expense ratio's as % of revenues in table format) (6c) Use the financial ratios (focus on the profit ratios; cash / liquidity; current ratio in table format) as a

guide in doing the calculations needed to arrive at an analysis-based answer to your assessment of the Netflix financial performance. (15)

7. *We find that a surprisingly large number underestimate the increasing momentum of digitization, the behavioral changes and technology driving it, and, perhaps most of all, the scale of the disruption bearing down on them. Many companies are still locked into strategy-development processes that churn along on annual cycles. Only 8 percent of companies we surveyed recently said their current business model would remain economically viable if their industry keeps digitizing at its current course and speed. How can this be, at a moment when virtually every company in the world is worried about its digital future? In other words,* why *are so many digital strategies failing? (10)*

   Conclusion - than they are to face the new realities of digital competition head-on: "I need to develop a strategy to become number one, and I need to get there very quickly by creating enormous value to customers, redefining my role in an ecosystem, and offering new business-value propositions while driving significant improvement in my existing business."

8. What recommendations would you make to CEO Reed Hastings about the Netflix strategy? / Watter aanbevelings sal jy maak aan die HUB Reed Hastings aangaande Netflix se strategie? (10)

iv. Evaluate Accor's response to the drivers of change; whole class activity. **(~15 minutes)**

1. How strong are the competitive forces in the movie rental marketplace? Do a five-forces diagrammatic analysis to support your answer. ? / *Doen 'n vyf mededingende kragte-analise in 'n diagram om te bepaal hoe sterk die mededingende kragte in die fliekhuur-mark is* (20)
2. (a). What forces are driving change in the movie rental industry? Briefly explain your identified forces (10) / *Verduidelik watter kragte in die fliekhuurindustrie verandering dryf* 2(b). Are the combined impacts of these driving forces likely to be favourable or unfourable in term of their effects on competitive intensity and future industry profitability? / *Evalueer ook of die gesamentlike impak van hierdie kragte gunstig of ongunstig inspeel op die intensiteit van mededinging en die winsvooruitsigte* (5)
3. (a) What does your strategic group map of this industry look like? (*Use Distribution Channels on the vertical axis and Product Offerings on the horizontal axis / Gebruik Verspreidingskanale as die vertikale as en die Breedte van Produkaanbiedings op die horisontale as van jou Strategiese Groepskaart*) (5) (3b) How attractively is Netflix positioned on the map? Why? (5) / *Hoe aantreklik is Netflix geposisioneer op die Kaart? Hoekom?*
4. (a) Which of the generic strategies most closely fit the competitive approach that Netflix is taking?. Discuss Netflix's strategy and important strategy elements? / *Watter van die generiese strategieë is mees tiperend van Netflix?. Bespreek Netflix se strategie en die strategie-elemente daaraan verbonde* (10).   (5b). What type of competitive advantage is Netflix trying to achieve? / *Watter tipe mededingende voordeel wil Netflix behaal?* (5)
5. What is your appraisal of Netflix's operating and financial performance based on the data in case Exhibits 2, 3, and 4? / *Evalueer Netflix se bedryfs- en finansiële prestasie(s) wat op die Tentoonstellings 2, 3 en 4 in die gevallestudie beskikbaar is. Gee ook aandag aan die volgende opdragte in hierdie verband-* (6a).What positives and (6b) negatives do you see in Netflix's performance? (focus also on the assorted expense ratio's as % of revenues in table format) (6c) Use the financial ratios (focus on the profit ratios; cash / liquidity; current ratio in table format) as a guide in doing the calculations needed to arrive at an analysis-based answer to your assessment of the Netflix financial performance. (15)
6. How does Netflix's competitive strenght compare against that of Blockbuster and Netflix's assorted rival VOD providers?. Draft a weighted competitive strength assessment table as the mehodology presented to support your answer - does Netflix have a sustainable over Blockbuster? Why of why not? */ Stel 'n geweegde mededingende sterkte matriks in tabelvorm op om Netflix se mededingende situasie te kan evalueer – Het Netflix 'n volhoubare voordeel oor Blockbuster in hierdie verband? Motiveer kortliks*   (15)
7. What recommendations would you make to CEO Reed Hastings about the Netflix strategy? / Watter aanbevelings sal jy maak aan die HUB Reed Hastings aangaande Netflix se strategie?   (10)

OVERVIEW

This case is designed to be used as an integrative exercise and provide an opportunity for students and instructors to explore a wide range of strategic issues through the lens of a global hotel operator. The case has been used for a summative assessment with master's students and as an in-class exercise on an MBA programme, as well as providing a discussion stimulant with final year undergraduates. The case can be used as a stand-alone or to prompt further research activity into the sector. It has been designed to provide sufficient data for internal and external analysis and to evaluate the strategy Accor has been following as well as assessing the company's future choices. The case is best used to support an exploration of corporate and international strategy patterns of activity and future options, although there is scope to consider business level sources of competitive advantage in terms of position and resources, as well as implementation issues, to a lesser extent. There is also scope to discuss the firm's response to the entry of disruptive innovators to the hotel industry – such as Airbnb.

The industry itself is rapidly consolidating and the leading firms, including Accor, are growing rapidly as a result of mergers and acquisitions. There are also other common approaches with the top strategic group in the industry, including the **'asset light' approach where hotels are no longer owned by the firm but leased from firms specializing in property ownership.** Leading players such as Marriott, IHG and Accor appear to be shifting towards the luxury end of the market (e.g. Marriott's acquisition of Starwood and Accor's acquisition of Fairmont) or moving into the more focused boutique sector (e.g. IHG's acquisition of Kimpton Hotels).

This case is designed to be used as an integrative exercise and provide an opportunity for students and instructors to explore a wide range of strategic issues through the lens of a global hotel operator. The case has been used for a summative assessment with master's students and as an in-class exercise on an MBA programme, as well as providing a discussion stimulant with final year undergraduates. The case can be used as a stand-alone or to prompt further research activity into the sector. It has been designed to provide sufficient data for internal and external analysis and to evaluate the strategy Accor has been following as well as assessing the company's future choices. The case is best used to support an exploration of corporate and international strategy patterns of activity and future options, although there is scope to consider business level sources of competitive advantage in terms of position and resources, as well as implementation issues, to a lesser extent. There is also scope to discuss the firm's response to the entry of disruptive innovators to the hotel industry – such as Airbnb.

THE INDUSTRY ITSELF IS RAPIDLY CONSOLIDATING AND THE LEADING FIRMS, INCLUDING ACCOR, ARE GROWING RAPIDLY AS A RESULT OF MERGERS AND ACQUISITIONS. THERE ARE ALSO OTHER COMMON APPROACHES WITH THE TOP STRATEGIC GROUP IN THE INDUSTRY, INCLUDING THE 'ASSET LIGHT' APPROACH WHERE HOTELS ARE NO LONGER OWNED BY THE FIRM BUT LEASED FROM FIRMS SPECIALIZING IN PROPERTY OWNERSHIP. **LEADING PLAYERS SUCH AS MARRIOTT, IHG AND ACCOR APPEAR TO BE SHIFTING TOWARDS THE LUXURY END OF THE MARKET (E.G. MARRIOTT'S ACQUISITION OF STARWOOD AND ACCOR'S ACQUISITION OF FAIRMONT) OR MOVING INTO THE MORE FOCUSED BOUTIQUE SECTOR (E.G. IHG'S ACQUISITION OF KIMPTON HOTELS).**

The case provides a good vehicle for looking at how incumbent organizations in an industry respond to **disruptive entrants** to their market and also try to strengthen their position with regard to established rivals. Accor's strategy is intended to keep it in touch with its **strategic group** – the other global, multi-brand hotel chains – but also to position it to counter the threats posed by substitutes/new entrants to the market, such as Airbnb.

Learning Outcomes:

At the end of the workshop/seminar, students should be able to:

1) Identify key issues and threats facing an organization from within and outside its industry
2) Apply scenario planning tools to an organization's macro-environment
3) Evaluate an organization's response to drivers of change in its environment
4) Discuss the options an organization has for responding to disruptive innovators from outside its industry
5) Propose a coherent direction for an organization to combat disruptive innovation.

More directly, the case can be used for any of the following activities:

i. Identifying **change drivers**; paired activity followed by whole class discussion. **(~25 minutes)**
   - Ask members of the class to share their macro-environmental analysis with the person next to them. Linking this to the seven components of the organization's **macro-environment** in Chapter 3 can provide a useful framework with which to identify the various factors that have the potential to drive change in the global hotel industry, but you can also add industry forces if these are deemed relevant. Allow about 10 minutes for this discussion, and then ask the pairs to share two of their change drivers with the rest of the class and compile a list on a flipchart/white board. It is likely that after three or four pairs have contributed that there will be a lot of repetition – once this occurs, move on to the next exercise. The table in the answer to question 1 below is a useful source against which to gauge what the class produces.

ii. Evaluate the future of the hotel industry; small group activity. **(~60 minutes)**
   - Ask the members of the class to look at the list of change drivers and work in small groups (of between 5 and 7) to decide the level of predictability and the impact each driver will have on Accor or the other hotel chains in Accor's strategic group. Using an **impact/predictability matrix** is one way to achieve this quickly (see Burt et al. 2006: 36(3): 50–76 for the source article that covers the framework).

     Once each group has identified the two least predictable and highest impact drivers, they should then be asked to apply the Two Axes framework to the case in order to develop scenarios – pointing the class to Illustration Capsule 3.2 in the textbook will show them a worked example from a different industry (i.e. fashion), which should help them to see how the scenarios are developed. The groups should use the two change drivers they identified using the impact/predictability matrix as their uncertainties from which to develop the extremes needed for the axes. The combination of extremes is then used to create four possible future scenarios. Ask the groups to develop brief narratives for each of the scenarios – again, Illustration Capsule 3.2 can help here – but to provide a more detailed commentary for one of the scenarios. The scenarios should be a narrative about what the hotel industry will look like in 5–10 years' time.

iii. Present the scenarios the students have developed; whole class activity. **(~25 minutes)**

- Invite each of the groups to present their scenarios with a focus on one of these, limiting each to 5 minutes to allow the other groups to ask questions. This can also be an opportunity to give feedback on the process so far (e.g. Have the groups applied the frameworks successfully? Have they come up with creative names for the scenarios? Do the narratives draw effectively on the environmental analysis? etc.)

v. Evaluate Accor's response to the drivers of change; whole class activity. **(~15 minutes)**

- Ask the class to identify changes that Accor has made to its strategy in response to changes in the external environment. Some of the changes will be fairly obvious – such as the moves into Asia-Pacific to exploit the growing market in this region – while others can be harder to diagnose. The asset light strategy is about releasing funds from the declining markets to allow for investment in new products and new geographic regions, for example. The new brands the firm has developed are in line with its innovative culture though are specifically responding to different stimuli in the environment. For example, onefinestay is a response to the sharing economy but is aimed at the top end of the market, rendering it consistent with the firm's move into more luxury hotels through the recent acquisition of the Fairmont group. It is possible that onefinestay might be competing with Airbnb in certain circumstances, but it is more likely that Accor is taking the idea and adapting it to its own strategy. Another example is the JO&JOE brand, which tries to find a product combination that will appeal to millennials.

vi. Determine which of Accor's responses are the most robust; small group activity. **(~25 minutes)**

- Ask the groups to apply the scenarios they developed to the strategies/responses Accor has developed, with a view to seeing which will give the firm an advantage in most of the possible future situations the groups have outlined. One effective way to do this is to use a matrix with the scenarios listed on the x-axis and the responses listed on the y-axis. Students can use a variety of evaluation methods here, but simple scoring out of 10 for each response against each scenario (e.g. onefinestay might be scored 4/10 for scenario A, 8/10 for scenario B, etc.) or a traffic light system for each (i.e. red, amber or green) will suffice.

vii. Focus on Airbnb; whole class activity. **(~15 minutes)**

- Ask the group to think about other responses that Accor could make to the entry of **sharing economy** disrupters, such as Airbnb, to the hotel market. The coverage of offensive and defensive strategies along with timing of strategic moves in Chapter 6 should provide a useful framework for the class to use in generating ideas for this exercise. For example, as an offensive strategy Accor could consider adopting and improving on the good ideas of other companies (which is what onefinestay looks like in this context) or they could look to close off niches open to the disruptive competitors as a defensive strategy, to prevent them gaining a significant foothold in the market, an example of which could be JO&JOE.

viii. Keeping consistency with the main strategy of the organization; small group activity. **(~15 minutes)**

- As a final activity for the session ask the class to discuss the options they generated in terms of how they would fit with the existing strategy Accor is following. There is always a danger that responses to new entrants can create a consistency problem for the firm, so students need to consider examples like the failure of incumbent airlines launching low-cost brands in the face of South West Airlines and Ryanair because their business model was not geared to a no-frills approach and it potentially diluted their high-quality high-price **value proposition**.

ASSIGNMENT QUESTIONS

9. What are the key change drivers in Accor's macro-environment and what impact are they likely to have on the firm?

Answer: The current trends section in the case will provide you with sufficient content to construct a macro-environmental analysis, but some of the key points might include:

Factor	Changes/Drivers	Implications
Political/Legal/ Regulatory	Mainly general factors affecting business as a whole – or specific to local conditions (e.g. change in regime in China or the need to have a local partner to trade in certain regions, etc.)	Global firms need to be sensitive to local conditions and regulations – especially in markets that might produce significant growth.
General Economic Conditions	The sector was affected by the credit crunch – especially in the US and Europe – but continued strong growth in emerging markets such as Asia has kept global growth at a reasonable level overall. There is evidence that the global downturn has made some consumer segments more price sensitive.	Hotel groups aspiring to compete on a global basis need to occupy several positions in the market with offerings that capture demand at the luxury end of the market as well as offering economy and even no-frills brands. Geographic expansion into emerging markets will be necessary to capitalize on the rapid growth in these regions and to balance the regions where growth is slower or non-existent.
Socio-Cultural	Consumers continue to value brands in this sector (accounting for 70 per cent of the sector), but are also demanding as standard new amenities such as spas, health and beauty treatments, and gym facilities. There is also strong demand for contemporary design – partly driven by interior design TV programmes – which is reflective of a trend in favour of modernity. Additionally, there has been substantial growth in the demand for products and services that enhance 'well-being'. The sharing economy is also something that could be covered here. Younger consumers appear much more willing to share everything from cars (e.g. Zipcar) and rides (e.g. Uber Pool) to meals (e.g. Vizeat) and rooms – hence the rise of firms such as Airbnb.	Hotel interiors and features must be continually refreshed in order to attract a wide range of customers. The staff profile of hotels will need to be managed to include specialists in order to offer the additional services guests demand. In terms of new entrants to the market, it isn't clear yet how widespread services such as those offered by AirbnB and others will become: will consumers and businesses increasingly opt for this approach or will it be a fad?
Technological	The growth of digital and mobile technology is transforming a wide range of elements in the industry – from online booking and web aggregators to consumer-driven ratings sites and social media. Consumers are also demanding as standard a wide range of features such as Wi-Fi. Other back office systems such as procurement and HR are also being affected by changes in technology, again mainly through the Internet. Will the Internet of Things (IoT) have a significant effect on hotel operations? For example, remote control of room functions beyond just TV and air conditioning? The Internet has also been a driving force that has helped sharing economy companies such as Airbnb to grow.	Investment in technology is critical to maintain competitive parity, but the speed of change means that advantage gained through use of new technology is only likely to be temporary.
Natural Environment/ Environmental	Increasing concern expressed by consumers is driving environmental changes in many hotel chains, with the CSR agenda becoming something that is a threshold activity for the major hotel chains rather than an effective differentiator. ISO 14001 and LEED certification are common.	Global hotel operators need to embed CSR into their core operations and effectively communicate the outputs from these initiatives to stakeholders.
Demographic	Growing populations in emerging economies and growing middle classes with aspirations in BRIC/VISTA economies.	Likely growth in demand for mid-market and luxury hotels in emerging economies.
Global Forces	The opening up of a global market in Asia is one aspect to cover here – but the possible impact of 'Brexit' and the Trump administration's attitude to companies from outside the US is also another factor to look into.	Various.

10. What does an analysis of Accor's competitors reveal about the key relationships in the industry?

Answer: As a global industry there are potentially many competitors, so this can complicate analyses using the 5-forces framework. Starting with the firms in the same strategic group as Accor is probably the best option to try and produce a manageable set of data: Hilton, IHG and Marriott have the closest strategies to Accor as they have multi-brand portfolios which cover a wide range of industry positions – from economy offerings to high-end luxury hotels and long-stay executive apartments. Globally, the industry is not very concentrated but has become more so with Marriott's acquisition of Starwood, Accor buying Fairmont and the various IHG acquisitions in the boutique hotel sector. However, different regions have different characteristics and while competitive intensity is high in mature markets, such as the US and Europe, with static or even declining numbers of customers, in other regions, such as BRIC countries where there are growing numbers of guests due to the emerging middle class and wealthy elites, the competitive rivalry is less high – despite the emergence of local competitors – though this has the potential to make the industry highly unpredictable. The fact that the top players globally have very similar brand portfolios suggests that rivalry in this group might be higher than in other parts of the industry.

Globally the industry structure is best described as monopolistic competition.

Barriers to entry are low for some parts of the industry – B&B providers only need a spare bedroom for example. However, to operate as a global player requires much more in the way of resources and competencies. All the top players rely on brands as a barrier to entry and operate loyalty schemes to further lock customers in. Where businesses are buying the accommodation there is likely to be a stronger network effect than with consumers. Originally, owning a large amount of real-estate could prove a significant barrier to entry, but the emergence of the 'asset light' or franchised approaches to the business – especially in mid-market and economy brands – means there is much less need to tie capital up in bricks and mortar so entry is easier – though relationships with the property owner and/or franchisees provide a new though different barrier to new entrants seeking to compete globally. In some markets the growing demand and perception that high profits can be made could also be seen as reducing barriers to entry in the minds of would-be entrants – China, India and other emerging economies are likely to act as a magnet for new entrants.

There have always been a wide range of substitutes – from youth hostels and backpacker lodgings to campsites and caravans. Businesses have sometimes decided that buying their own flats and apartments for staff is a cheaper option – especially where property prices are rising rapidly so resale is an attractive extra. The Internet has also produced a range of substitutes such as peer-to-peer room rentals (e.g. Airbnb) – though it is not clear to what extent this is affecting firms such as Accor. Overall the threat of substitutes is relatively low.

11. Which organizations have the greatest bargaining power in the hotel industry supply chain?

Answer: Most suppliers have relatively low levels of power as the hotel chains are significant buyers of everything from fresh food to sheets. The industry players with the most significant power are probably the property owners – the location and character of some properties are unique, especially in the case of luxury hotels in specific locations, for example, former Chateaux or in a city centre or exclusive resort.

Buyers have more power in part because of the level of choice but also because there is more information they can draw on before making purchase decisions. Price comparisons are easier through aggregators' websites, and peer reviews on sites such as TripAdvisor are exposing the best and worst in the business to a much wider audience. However, it is difficult to generalize and good analysis of buyers will consider the relative power of different segments (b2b vs b2c), and markets – where there is a decline and overcapacity, such as Europe and the US, buyer power is likely to be higher than in fast growing regions where supply may not be keeping pace with demand. The fact that the big players are all moving to these markets and reducing capacity in Europe and the US is clear evidence that these are attractive.

The position of intermediaries is also something that good analysis of the competitive environment will take into account. Dynamic analysis will almost certainly consider the impact of some key drivers, such as Technology, on the competitive forces in the global industry. The emergence of powerful new intermediaries in the form of online travel agents has changed the state of the industry – with some hotel chains trying to by-pass this element of the value chain by going direct to customers.

There is also scope for additions to the industry analysis in the form of complementors – the range of alliances Accor and its competitors service is growing, and while many of these are from the supply chain, others involve complementary products and services. Examples might include airlines, operators of excursions, business services, taxi firms, etc.

12. Think about the resources (assets) and capabilities (skills) that Accor possesses. What do you think are Accor's key strengths and significant weaknesses?

Answer: Understanding the threshold resources and capabilities or qualifiers is relatively straightforward, but more distinctive and advantage-conferring resources are more difficult to determine – especially when there is a high degree of similarity between the major players' strategies.

Types of Resources:

Below are examples of the key resources covered in the case study. Further research into Accor will reveal additional details on each of the categories; for example, the incentive systems are not covered in the case but can be found through the firm's website.

Tangible	
Physical resources	Land and real estate, attractive and profitable locations for hotels in city centres, airports, exclusive resorts, etc.
Financial resources	Improved prospects for attracting investors with a more focused business since the divestment of Edenred and other leisure businesses.
Technological assets	Experimentation with digital concierge and other technologies.
Organizational resources	Structure of the organization: flexibility and lack of hierarchy, with staff encouraged to move between functions and locations.
Intangible	
Human assets and intellectual capital	Talented, well-trained and empowered staff, and a corporate university, Academie Accor.
Brand, image and reputational assets	Strong portfolio of brands covering most industry positions.
Relationships	Good range of strategic alliances.
Organizational culture and incentive systems	Strong CSR element but also strong culture.

Capabilities:

Examples of some of the capabilities covered in the case study include:

Derived from resources:

- Ability to create and maintain a strong corporate culture
- Knowledge of how to create successful and valued hospitality brands

Functional:

- Real estate management
- Operations management
- Marketing management

Cross Functional:

- Identifying, acquiring and integrating other companies into the Accor portfolio
- Portfolio management – ability to identify and dispose of underperforming hotels
- Dynamic culture – the organization has reinvented itself on several occasions, the most recent being in 2010.

Distinctive Competences:

Applying the VRIO framework and considering dynamic capabilities in addition will produce a much tighter list – especially if the top four firms globally are used as comparators. While most of the resources and capabilities above can be considered valuable and many rare in the industry as a whole, it is clear that most of Accor's assets are possible to imitate and many are substituted by equivalents controlled by their competitors (e.g. a strong portfolio of brands). The organization's culture is probably one of the few distinctive assets it possesses.

Case: Reinventing Accor

Alex Janes, University of Exeter

In October 2016, Accor CEO, Sebastien Bazin announced the launch of his company's latest hospitality brand. Jo&Joe was designed to blend hostel, hotel and private rental formats in a new type of accommodation aimed at millennials. This was part of the French hotel chain's aggressive strategy to counter the potential threats from digital players such as Airbnb and HomeAway. It was also the latest in a series of changes to the firm's portfolio of hospitality brands.

Company Background

The Accor Group was created in 1983 and brought together the various hotel brands that Paul Dubrule and Gerard Pelisson had developed or acquired since starting the Novotel hotel chain in the 1960s. The two entrepreneurs, neither of whom had a background in hospitality, opened their first Novotel in 1967 adjacent to Lille airport. Their formula for success was very different from the established strategies followed by hotels in the 1960s and 1970s. Novotel took the idea of the standardized hotel concept, popular in the USA, and transported it to Europe. It introduced a range of innovations for its three-star hotels, such as a bathroom for every guest room, telex facilities, direct-dial telephones in guest bedrooms, and outdoor amenities such as swimming pools, children's play areas and free car parking, all of which quickly became standard in the new breed of out-of-town hotels. The hotel chain also treated its staff very differently – with much less hierarchy and job specialization, employees were encouraged to move location and learn a range of functions to maximize flexibility. The group created its own corporate university in 1985: the Academie Accor.

Pelisson and Dubrule expanded their business by building new hotels and then acquiring other chains. During the 1970s Novotel was growing by an average of one hotel per month. The company began its international growth in 1973 with its first hotel outside France in Warsaw, Poland. In 1974 the firm launched a new two-star hotel brand with the first Ibis hotel, which opened in Bordeaux. This was followed in 1975 by the acquisition of rival three-star operator, Mercure. 1980 saw the firm make its most dramatic acquisition yet, with the purchase of four-star deluxe hotel chain, Sofitel. It now had nearly 200 hotels in 22 countries.

The group then expanded into related businesses. In 1982, the acquisition of Jacques Borel International took it into the catering and food services sector with the Ticket Restaurant concept. By the time the Accor group was formally created in 1983, it had 440 hotels, 1,500 restaurants and 35,000 employees in 45 countries. The group’s growth continued throughout the rest of the 1980s and 1990s. Accor entered the budget end of the market in 1985 with the creation of Formule 1, a one-star motel brand, and in 1990 it acquired the Motel6 chain, which gave it a larger presence in the USA. The firm also expanded in Asia with developments in China and Thailand. The early 1990s were a tough time for the group in the aftermath of the First Gulf War and the subsequent reduction in travel. However, Accor proved it was capable of reinventing itself and in 1993 completed a comprehensive overhaul of the Novotel brand and its business model, which had become rather tired and much imitated. It also launched a new economy brand of hotel, Etap, in 1991 in response to the tough economic conditions.

In 2001, Accor started to move into a wider range of businesses with the acquisition of Employee Advisory Resource Ltd in the UK, which specialized in employee assistance programmes. The following year it acquired Davidson Trahaire, Australia’s leading human resources (HR) consulting firm. The services business had grown from the pre-paid ticket restaurants part of the business and, in 2005, it launched services in Mexico and later India. This part of Accor’s business continued to expand with the acquisition of a controlling stake in Motivano in 2008, an employee benefits firm in the UK, and Quasar, which offered similar programmes in Germany. In 2009 Accor further consolidated its position as a provider of pre-pay services through a joint venture with MasterCard to offer services throughout Europe.

Meanwhile the firm’s hotel and leisure business was also showing significant growth. Accor created a long-stay hotel brand aimed at executive customers, Suite Novotel, in 1999. This provided 30 square-metre suites in city-centre locations for more flexible accommodation with lounge and catering facilities as well as meeting spaces. Accor continued to refresh and expand its existing brands, installing WiFi into both its economy and luxury ranges from 2003, and renaming its Formule 1 brand hotelF1 in 2008. It opened its first Ibis hotel in China in 2003 and continued to expand rapidly in Asia. The group also opened a series of Ibis and Formule 1 hotels in Brazil from 2008 onwards. Accor also launched a new business hotel brand, Pullman, and a new chain of individual economy hotels, All Seasons, in 2007. Its non-standardized offering was also extended to the upscale sector of the industry with the launch of MGallery hotels in 2008. Accor had even made a move into casinos and gambling with the creation of Groupe Lucien Barrière as a joint venture with Colony Capital in 2004.

The group divested hotels that were not performing, and also sold them to property firms and investment companies to release the capital in the asset. Some of the hotels sold were leased back. Accor released €518 million in 2007 with the sale of 57 hotels in France and Switzerland to a consortium of real estate investment companies. This release of capital could support the two brands launched that year. In 2009 Accor sold 158 of its hotelF1 properties in France for €272 million. The capital generated by sales of real estate and divestment of underperforming hotels also supported the firm’s expansion in new faster-growing markets such as China, India and Brazil. In 2009 the group opened more luxury hotels under its Sofitel brand in China.

Demerger

The rapid growth of the services and hotel businesses coupled with a poor performance in 2009, which saw the hospitality operations record a net loss of €262 million, prompted Gilles Pelisson, group Chairman and CEO, to start the process of demerging the two elements of the business. The board of directors and other stakeholders finally agreed the separation of the services and hotel businesses in February 2010, with the actual demerger taking place in June. The firm’s rationale for the split centred on the view that the businesses now operated in very different business environments, and needed very different resources and skills to excel in their contrasting environments. Each business was also very capital intensive and, as separate entities, they would be better placed to attract a larger number of investors. The demerger left the majority of the group's €1.6 billion consolidated debt with the new hotel company, Accor SA, with Edenred, the renamed services company taking on €0.4 billion and Accor €1.2 billion. The hotel business had a substantially larger tangible asset base against which to offset debt. Both firms would be able to increase their level of equity funds by appealing to investors with different goals. There would be no capital ties between the firms. The demerger was also sold to stakeholders on the basis of its impact on partnerships and strategic alliances. Each of the new firms would be free to pursue different partners without the baggage of the other's business model or capital structure limitations.

Denis Hennequin became chief executive officer (CEO) of the Accor Group in December 2010, with the vision to make the firm one of the world's top-three leading hotel groups by 2015. The stage was now set for a new strategy to take the hotel group forward over the next five years.

Hennequin's Strategy

Since its separation from the services business, Accor SA had followed an ambitious expansion strategy, focusing mainly on emerging markets in the Asia-Pacific region. In October 2011, the firm announced6 plans to add more than 200 hotels to its existing portfolio of 450 by 2014. The expansion would focus mainly on China, India and Indonesia, with some more limited growth in Australia and Vietnam. Accor's strategy was to seek to increase its level of activity in fast-growing emerging-country economies outside Europe. Within Europe, where the company remained the largest player in the market, expansion would be in the economy segment of the industry. Europe still accounted for more than 70 per cent of the group's revenue in 2010.

Like most of its competitors, Accor needed to find funds to pay for its expansion into faster-growth segments and regions. The decision to focus on hotels following the demerger led to the sale of some of the group's related businesses, such as casinos and catering. Accor sold its rail catering business, Compagnie des Wagon-lits, in 2010 and its 49 per cent stake in casino group Lucien Barrière in March 2011. Its gourmet dining brand, Lenôtre, was sold for €75 million the same year. However, most of the capital for expansion was raised by the sale and leaseback of the group's owned hotel properties in Europe and North America. One of the key aims of Accor's strategy under Denis Hennequin was to reduce its proportion of owned hotels and those on fixed leases from 60 per cent to between 20 and 30 per cent of the total. Again, this was becoming a common trend in the industry as firms sought to avoid taking on a high burden of debt, through what was becoming known as an 'asset light' approach. Rather than owning hotels, firms would use franchise contracts or manage the hotel under contract to the owners, or rent the property through a variable lease. Accor felt that this approach to managing its existing portfolio and developing new hotels through franchise agreements and management contracts would allow it to grow rapidly and take advantage of the new markets in emerging economies. Accor's expansion in Australia and New Zealand in 2011 was facilitated mainly through the purchase of hotel management firm, Mirvac, rather than the acquisition or development of hotel real estate.

Hennequin also recognized that the effective management of Accor's portfolio of brands would be critical to the firm's success. The group covered a wide range of segments with its 14 hotel brands. Much of its strength lay in its economy and no-frills brands such as Ibis, hotelF1 and Motel 6. The firm's roots were in the mid-market brands, such as Novotel and Mercure, but it also had the capabilities to manage and create upscale brands such as Pullman and MGallery, and succeed with luxury establishments such as its Sofitel chain. Accor's brands combined regional offerings (Motel 6 was specific to the USA) with global hotels such as Ibis. The firm also covered the extended-stay segment with an economy brand in the USA, Studio 6, and Suite Novotel internationally.

However, it was the economy brands that were the best performers in the firm's portfolio
P517

Another aspect of Accor's strategy was its focus on sustainable initiatives. The group's Earth
P517

The Global Hotel Industry

History

Offering hospitality and accommodation to travellers for payment dates back to antiquity and there are many examples of spas, inns and taverns in the Greek and Roman worlds as well as outside Europe. In fact, the oldest hotel in the world is the Hōshi Ryokan in Komatsu, Japan, which has been run by the same family for 46 generations and dates back to 717. However, the growth of the global industry is a much more recent phenomenon. Most hotels were, and still are, individual enterprises or family-run businesses centring on a single location. It was in the 19th century that large-scale hotels were constructed in Europe as railways replaced the stagecoach as the dominant form of transport. A further boom in hotel construction occurred in the 1920s, particularly in North America, but the real genesis of the global industry began in the 1950s and 1960s when franchising and branded chain hotels allowed rapid expansion and the development of operationally effective standardized offerings at a national and international level.

The 1970s marked the start of another key phase in the global industry, driven by Middle Eastern states and their oil revenues, the growth of mass tourism, and the opening up of China and other Asian countries. This led to a 1980s boom as hotels were built in increasing numbers next to airports, and in a wide range of new resort destinations, catering for both tourists on vacation and commercial audiences as the conference trade grew and business became more globalized. The 1980s also marked the start of the consolidation of the industry through a series of high-profile mergers and acquisitions. If the 1980s were the boom, then the 1990s were the bust. The First Gulf War in 1991 created uncertainly in world travel markets and led to a decline in revenues for many hotel-based businesses. The decade also saw the beginning of a greater emphasis on environmental issues for the industry, as well as a range of new strategies and business models. Some hotel operators ceased to own their hotels and moved to a management company role, leasing or renting their premises, others invested heavily in customer loyalty schemes and brand extensions to cater for a wider range of tastes and wallets. Technology also had a profound effect through the introduction of the Internet, electronic reservation systems and a range of computerized systems, from stock ordering to point-of-sale facilities in restaurants and bars.

In the last 10 years, many of these trends accelerated as the industry became more competitive and technology more pervasive. The advent of Web 2.0 has meant that consumers have far more access to information about hotels, from prices to reviews, and a stronger voice in the marketplace. Guests expect to be able to use their laptops in their rooms, have access to a range of satellite channels on the TV, access a wide choice of dining styles, from fast food to à la carte, keep fit in the in-house gym, or indulge in a range of beauty and wellness therapies. Like other travel sector companies, hotel firms have also found that there are many advantages in partnerships both within the industry and with a wide range of other organizations.

Current Trends

Globally, the hotel sector was valued at between $500 billion and $520 billion in 2014. There was agreement that the sector had bounced back from the recession after it contracted by some 2.8 per cent worldwide in 2009. Growth of between 4 and 5 per cent CAGR (Compound Annual Growth Rate) was being forecast for the period 2015–19. Commentators were predicting that most of this growth would come from the Asia-Pacific market, which had been increasing at more than 7 per cent, as opposed to Europe, where growth was less than 1 per cent in 2010. The leisure part of the hotel industry was still dominant in 2015, accounting for more than three-quarters of the market value, with business making up the remainder. Europe and Asia-Pacific were the most valuable element of the global market, making up 40 per cent and 31 per cent of the total value of the industry in 2013. The Americas accounted for 20 per cent of the global industry's value with the remainder of the market (7 per cent) in the Middle East and Africa.

Brands continued to be an important element in the global hotel industry and, after the 2009 dip, many of the biggest chains began upgrading and refreshing their different lines. The US market was particularly sensitive to this sort of activity due to the fact that, there, 70 per cent of hotels were branded chain outlets. Rebranding in the hotel sector meant far more than just a new advertising campaign; refreshing a hotel brand often involved new interior design schemes for lobbies, communal and dining areas, as well as guest rooms. New furniture was often part of the package and new amenities in the hotel itself, from gym and fitness facilities, to spa and health and beauty treatments. The staffing profile in hotels may also be altered as a result. Page 519In some cases rebranding also resulted in the disposal of hotel properties that no longer had a good fit with the new brand and development of properties in new locations.

This made this element of strategy implementation one of the most expensive for firms in the industry. From 2010 onwards most of the key players were moving away from a traditional look and feel – even in their no-frills offerings – to a minimalist, contemporary atmosphere.

Despite the investment in brands and the growth of loyalty schemes, such as Hilton’s HHonours and InterContinental Hotel Group’s Priority Club Rewards, it cost consumers very little to switch providers and this led to an increasingly competitive marketplace. Few of the major players competed on price alone, despite the fact that many consumers were price-sensitive in the light of the global downturn. As part of their branding, hotel chains also adopted a highly segmented approach to marketing their ranges of hotels. Innovation also played a key role in attracting and retaining customers, and many of the hotel firms were focused on extending their offer and reducing costs in all but the premium sector of the market. There was a significant tension between hotels and the growing number of intermediaries, such as online travel agencies (OTAs) and aggregation websites, which aimed to generate income by helping customers to book hotels easily and cheaply. Lastminute.com and Expedia.com were early exponents of this approach but other firms, such as Hotels.com, Kayak.com and Trivago.com, were making competition in the field much fiercer. Many of the large hotel groups had started using their loyalty schemes alongside advertising campaigns to try to get customers to book direct – in some cases offering better rates than the intermediary websites. However, a proportion of rooms were still filled through these sites, so the large players could not afford to ignore them.

In terms of geographic expansion, most of the main hotel chains were focusing on Asia-Pacific as their main growth market. North America and Europe were considered mature markets where growth was difficult to achieve without potential retaliation from other incumbents, although there was some scope for consolidation in Europe as most hotels remained independently owned. The top players in the global industry all had plans to significantly increase their penetration of the Indian and Chinese markets. Starwood had dramatically increased its number of hotels in China from 2010 onward as had Marriott. However, most hotel firms had focused on the larger cities in each country, and this meant that real estate prices and local taxes have risen in response to demand/opportunity in cities such as Mumbai and Shanghai. Second- and third-tier destinations, such as Huangshan and

Wuzhen, were becoming increasingly popular because demand was still outstripping supply and there is significant potential for growth. However, Chinese guests tended to be rather frugal with spending on lodging, preferring to use their budgets for shopping and other activities.

Spas have long provided destinations for travellers interested in improving their health, and social changes to people's attitudes towards health and fitness provided a new lease of life for this style of hotel and destination. Investment in facilities to cater for the growing interest in wellness had taken place in a wide range of hotels. This included indoor and outdoor exercise facilities, and spaces for a range of therapies, from the use of special muds and minerals to traditional geo-thermal and sea water-based cures. Hilton launched the first of 80 planned in-house spas in October 2010. Globally, the largest growth in this sector was predicted for India, Vietnam and the Philippines. Hotels were also increasingly developing holistic packages to include food, room features and wellness classes. As consumers became more interested in how and where their food was produced, and demanded more healthy options such as anti-energy or relaxation drinks, hotels had to respond. Westin Hotels announced a $30 million investment in promoting and delivering well-being throughout its chain of hotels in 2011–12.

Consumers' environmental concerns were also driving change in the hotel industry, with a number of the main players using ISO14001 or LEED (Leadership in Energy and Environmental Design) certification as the basis for improving their sustainability. Hotel firms had then found that the changes they made improved operational effectiveness. InterContinental Hotel Group (IHG) found that its Green Engage programme not only gained it LEED certification in January 2011, but also produced 20 per cent savings due to reduced energy use in its premises. Hilton's LightStay system, launched in 2010, produced similar savings in energy and water use, which helped to reduce operating costs. Extensive rebranding activities had enabled firms such as Marriott and Starwood to change menus and make use of low-energy lighting, green bedding and beauty/personal care products.

The Internet and a range of other technologies have had a profound effect on the global hotel industry. The rise of online booking websites such as Lastminute.com, Expedia.com and

TripAdvisor.co.uk, which also carry reviews, meant customers had access to much more information about hotels and the deals they could offer. However, this also made social media an increasingly important tool for marketing. The major chains now had access to much more information about their customers, and could make use of advocates with large followings on Facebook or Twitter to help spread positive messages about their hotels and resorts. Marriott ran this sort of campaign for its SpringHill Suites chain by offering a variety of incentives to guests willing to enthuse their friends about the hotel.

The Internet was also producing potentially direct threats to the hotel industry in the form of peer-to-peer lodging sites, such as Airbnb and HomeAway. While the private rented sector and holiday lets had long been indirect rivals for the hotel industry, the economic crisis and the convenience of booking via the Internet had seen this sector grow at more than double the rate of hotel bookings.

The hotel industry had always been a capital-intensive one because of the amount of equipment and furniture needed to run a full-service establishment and the cost of the real estate in the first place. Increasing reliance on and need for technology had increased this in the last few years. Hotels now had a whole range of procurement and reservation systems, databases and associated networks, plus a whole host of expert suppliers that provided these products and services. In 2011 several hotel chains were experimenting with digital concierges, especially in mid-market and economy hotels. Further changes were being seen – for example, the growth in the use of mobile technology for everything from booking and checking in to providing special maps and even, like IHG, allowing guests to use their smartphones in place of room keys.

Key Players in the Global Hotel Industry

Marriott Corporation entered the hotel business a decade before Accor and, by 2015, was the leading global hotel company. It had flagship J.W. Marriott and Ritz-Carlton hotels with deluxe accommodation for business travellers and holidaymakers; its Courtyard by Marriott and SpringHill Suites brands catered to business travellers looking for moderately priced lodgings; and the Marriott Residence Inns and TownePlace Suites were designed as a ‘home away from home’ for travellers staying five nights or more. The company operated in 88 countries and had more than 4,500 hotels in 2015, using both an owned and a franchised business model. Marriott also operated more than 2,000 rental houses and condominiums for corporates. The corporation recorded revenues of $14 billion for the financial year ending December 2015 and employed 127,500 staff. The firm had launched its first economy brand in 2015, Moxy, and was intent on targeting millennials more effectively so had changed its offer to incorporate mobile apps, and the use of social media platform, Snapchat. The company had developed partnerships with Netflix and Universal Music – as well as developing its own content studio to make short films for consumption in its hotels.

Perhaps the most significant development in 2015 was Marriott’s takeover of the Starwood Group. Its brands included Sheraton, Le Meridien, Westin, St Regis, Element and Aloft. About half of the firm’s hotels were franchised, and the rest managed on behalf of property owners or owned outright by Starwood. The company had been a relatively late entrant to a number of emerging markets, such as India and China. It opened its first hotel in Russia in 2011. Starwood was founded in 1969 and incorporated in 1980. While its growth had been very strong in 2010/11 at 16 per cent, by 2014 this had fallen to 4 per cent which led to the departure of its CEO, Frits van Paasschen in 2015. Starwood’s brands were mainly high-end and this was cited as a key reason for the stalling growth as many guests – especially those in emerging economies – were seeking more value-for-money propositions. By April 2016, both boards had agreed the terms of the acquisition and the integration of the two firms was under way.

Hilton Worldwide was also headquartered in the USA and employed 164,000 in 2015. Hilton operated 4,610 hotels in 100 countries worldwide. The firm was originally known as the Hilton Hotel Corporation until it was acquired by Blackstone and taken private in 2007. Founded by Conrad Hilton in 1919, the firm owned, managed and franchised a wide range of hotels. Its portfolio of brands ranged from luxury hotels such as the Waldorf Astoria and the Conrad, through mid-priced accommodation such as Hilton and Doubletree, to value brands such as Hampton. Hilton also catered for the extended-stay executive sector through its Homewood and Home2 Suites. Recent developments had included a move towards less standardized upscale hotels like many of its rivals. The Curio collection and Canopy were intended to provide authentic experiences which reflected the local communities in which they were located.

IHG had adopted a different approach to most of its rivals and, although its company revenues were substantially lower than the other players at the top of the market, it had more hotels than Hilton, Marriott or Accor. However, most of the hotels were operated under franchise agreements. InterContinental had 5,000 hotels globally in 2016, of which over 4,200 were franchised, operating in 100 countries under the Intercontinental, Crowne Plaza, Hotel Indigo, Holiday Inn, Staybridge and Candlewood brands. Its portfolio covered both business and leisure sectors, and offered everything from economy brands, such as Holiday Inn Express to medium-stay suite products such as Candlewood. Based in the UK, the group generated revenues of $1.8 billion in 2015 and an operating profit of $680 million. The majority of its portfolio was in the Americas and Europe. The Group acquired Kimpton Hotels in 2014, as US-based high-end boutique hotel operator and had also expanded its Hotel Indigo brand along with the health and wellness offering through Even Hotels. Despite being a pioneer of the 'asset light' approach in the industry the firm had moved towards managing more hotels – especially as it expanded operations in China and other parts of Asia.

The Boardroom Coup

While it was clear that Accor's financial performance had improved since the demerger, by the end of 2012 some members of the board felt the pace of change was simply not fast enough. Hennequin's strategy had increased the firm's profits, but these and other financial measures still lagged behind other key players in the industry (see Exhibit 1 for selected financial data). Worse, Starwood had knocked Accor into fifth place in the global hotel rankings, according to Euromonitor in 2011, and the French firm's global market share had fallen from 2.9 per cent in 2010 to 2.5 per cent in 2012. Starwood's strategy had taken it from 2.2 per cent market share in 2005 to 3 per cent by 2012.

Exhibit 1 - Selected financial data on Accor SA (in € mn)

	2010	**2011**	**2012**	**2013**	**2014**	**2015**
Revenue	5948	6100	5649	5425	5454	5581

Operating Expense	(4134)	(4177)	(3861)	(3694)	(3682)	(3801)
EBITDAR	1814	1923	1788	1731	1772	1780
Rental expense	(934)	(995)	(938)	(885)	(849)	(794)
Operating profit before tax	(12)	326	239	256	419	605
Profits after taxes	(404)	52	95	136	244	271
Assets						
Assets held for sale	813	386	156	61	347	208
Non-current assets	5555	5038	4456	4065	4795	4756
Current assents	2310	2576	2891	2877	3613	3990
Total assents	8678	8000	7503	7003	8755	8953
Equity/liabilities						
Equity	3949	3768	2993	2752	3867	3987
Long-term liabilities	2015	1850	1775	1925	2958	2916
Current liabilities	2336	2293	2699	2300	1910	2031
Liability on assets held for sale	378	89	36	26	20	19
Total liabilities and equity	8678	8000	7503	7003	8755	8953

(Sources: Accor (2012) New Frontiers in Hospitality: 2011 Registration Document and Annual Financial Report, Paris, Accor; Accor (2011) New Frontiers in Hospitality: 2010 Registration Document and Annual Financial Report, Paris, Accor; Accor (2015) Feel Welcome 2015 Registration Document and Annual Financial Report, Paris, Accor.)

Accor’s board was divided over what direction to take, with some of the minority shareholders from venture capital companies, such as Colony Capital and Eurazeo, favouring a faster disposal of assets and a clearer distinction between the management of the firm’s properties and its hotel operations. Denis Hennequin left Accor in April 2013 and was replaced by Yann Caillère on an interim basis until a permanent appointment was made in August that year. Sebastien Bazin’s appointment showed that the venture capital companies would now be able to put their strategy in place as he had been one of Colony’s senior managers.

The New Strategy

Accor was well placed to achieve a leading position in the industry. It was the leading hotel group in Western Europe, the Middle East and Africa, and had a strong position in Eastern Europe, as well as in many emerging markets in Asia-Pacific and South America. In June 2016, the group had 240,000 employees in its network and more than 3,900 hotels in 95 countries. Accor's portfolio of hotels offered substantial breadth as well as depth, from luxury brands such as Sofitel, through mid-market chains such as Novotel and Mercure, to economy and no-frills offerings such as Ibis Budget (see Exhibit 2 for details of Accor's portfolio of brands).

The group had moved rapidly towards an 'asset light' structure and, by mid-2016, owned only 9 per cent of the hotels it operated, with many more managed by franchisees (32 per cent) and other properties leased or managed from property owners. During 2015 the firm's rapid expansion had continued, with more than 230 hotels opened during that year. Most of the growth (39 per cent) was in the Asia-Pacific region, but Africa and the Middle East also saw a 15 per cent expansion, and Europe and the former Soviet states 19 per cent.

Bazin and his senior management team had also shifted the emphasis of the group away from the mid-range offerings with the growth of Accor's luxury brand portfolio and the expansion of more experimental economy brands to attract millennials and younger guests. The acquisition of the three iconic hotel brands, Fairmont, Raffles and Swissotel for $1.9 billion in 2015/16 had strengthened the firm's portfolio at the luxury end of the market. Investing in the Mama Shelter brand and the creation of the Jo&Joe and onefinestay concepts showed that the company was still able to innovate and respond to changes in the market. How successful these new moves would be, only time would tell.

Exhibit 2: Accor's brands in 2016-

Adagio was a European brand offering apartments, but with some hotel-type features – known as 'aparthotels'. The apartments ranged from economy (sub-branded as Adagio Access) to upscale, and the services on offer could be tailored to the needs of individual guests, but each apartment was fully equipped. There were 100 Adagio 'Aparthotels' in 11 countries at the end of 2016.
Fairmont – acquired by Accor in 2015/16 along with two other iconic luxury hotel brands: Raffles and Swissotel. The Fairmont portfolio included hotels such as the Royal York in Toronto and the Savoy in London, as well as hotels in the Middle East and Asia. In all, there were 71 hotels in 23 countries, with plans for 20 more developments.
Grand Mercure (or **Mei Jue** in China, **Maha Cipta** in Indonesia) was launched in

2011/12 and aimed specifically at the upscale market in China. By the end of 2016 there were 13 Mei Jue hotels, two Maha Cipta and a further 16 Grand Mercure hotels in other parts of the Asia-Pacific region.
HotelF1 was a no-frills brand with 237 low-cost hotels in France.
Ibis – as noted above, Ibis was revamped to become the umbrella brand for most of Accor's economy brands in 2011. However, Ibis Hotels continued to operate alongside Ibis Styles and Ibis Budget. Ibis Hotels was the largest element of the Ibis brand in 2016, with 1,067 hotels in 65 countries. The hotels offered a standardized product appealing to both business and leisure travellers.
Ibis Budget was another of the firm's economy brands. The no-frills brand formerly known as Etap was renamed as Ibis Budget (which also replaced Hotel Formule 1 outside Europe) in 2011 and had 561 hotels in 17 countries at the end of 2016. The brand appealed mainly to business travellers.
Ibis Styles was one of the economy products offered by Accor. Originally known as All Seasons, Ibis Styles hotels were located in business areas of towns and cities, and were non-standardized despite being all-inclusive. The rebranding to Ibis Styles took place during 2011 and, by 2016, there were 339 hotels in 34 countries.
Mama Shelter had been launched in 2008 by the founders of Club Med – the Trigano family. Accor invested in the idea and helped to expand the brand beyond Paris to a number of other cities in France and to the USA. There were five hotels in 2016, which had accommodation, restaurants, workspaces and a range of facilities aimed at young business people.
Mercure offered a boutique hotel-style experience to mid-scale travellers, and was aimed at both leisure and business travellers. Locations were city and rurally based. There were 738 hotels in 56 countries at the end of 2016.
MGallery had grown rapidly since its launch in 2009, with 85 hotels in 24 countries by the end of 2016. These hotels were upscale, and intended to appeal to both business and leisure travellers. The brand's appeal was similar to that of many boutique hotels, with distinctive identities in each location and less of a chain hotel feel.
Novotel – probably the best known of Accor's brands. There were 439 hotels in 60 countries at the end of 2016. The mid-scale chain was intended to appeal to both leisure

and business travellers, with dual-purpose rooms and meeting spaces, restaurants, and so on. The hotels were located in major city centres throughout the globe. The Suite Novotel was a separate product, offering long-stay, flexible room spaces for business and leisure guests.
Onefinestay was another experimental approach to tap in to some of the emerging trends in the industry. Taking ideas from the sharing economy, the brand offered guests a range of houses and apartments to rent while their owners were not in residence. Accor provided housekeeping services and many additional extras, such as use of an iPhone
Pullman was an upscale brand, aimed mainly at business travellers. These hotels were located mainly in regional/international hub cities. The brand had expanded rapidly from 20 hotels in 20 countries in 2011 to 117 hotels in 33 countries by 2016.
Raffles was part of the newly acquired luxury portfolio that had grown from the world-famous Raffles hotel in Singapore. The brand had 12 hotels in 10 countries at the end of 2016.
Sofitel was Accor's luxury hotel brand, consisting of non-standardized accommodation, with hotels generally sited in prestigious city-centre locations and reflective of the local culture as well as the group's French roots. There were 120 Sofitels in 43 countries in 2016.
Swissotel operated 31 hotels in 16 countries in 2016, offering luxury hotel accommodation and managed apartments, aimed at both business travellers and families. The brand traded on its Swiss heritage.
Thalassa Sea and Spa was a resort brand with 18 hotels at 14 destinations in Europe, North Africa and the Middle East. Most of the resorts were located around the Mediterranean, offering guests health and beauty services as well as stunning locations.

[Sources: Accor (2012) New Frontiers in Hospitality: 2011 Annual Report, Paris, Accor; Accor (2012) New Frontiers in Hospitality: 2011 Registration Document and Annual Financial Report, Paris, Accor; Accor (2016) 'Brand portfolio', www.accorhotels-group.com. Available at www.accorhotels-group.com/en/brands/brand-portfolio.html (accessed 20 October 2016)].