INDIVIDUAL ASSIGNMENT: TOTAL:[56]

Due date: Consult work schedule

Length limitation: 8 typed 1½-spaced pages. You have to adhere to this length limitation. The eight pages include (any) addendums.

☞ Structure your answers according to the question numbering sequence and sub-number to illustrate the various facts!. No essays will be allowed!

☞ Study the prescribed case study provided (or on the eFundi platform or in this study guide) and answer all of the following questions: (or: To Be Announced!)

QUESTIONS / VRAE:

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 (10)

(1) 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.

(2) 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 it model concerns how to please shareholders.

(3) 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.

4) 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.

(5) 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 thesechanges have on competitive intensity and industry profitability?

(6) 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.

(7) 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.

(8) 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.

(9) 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.

10 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.

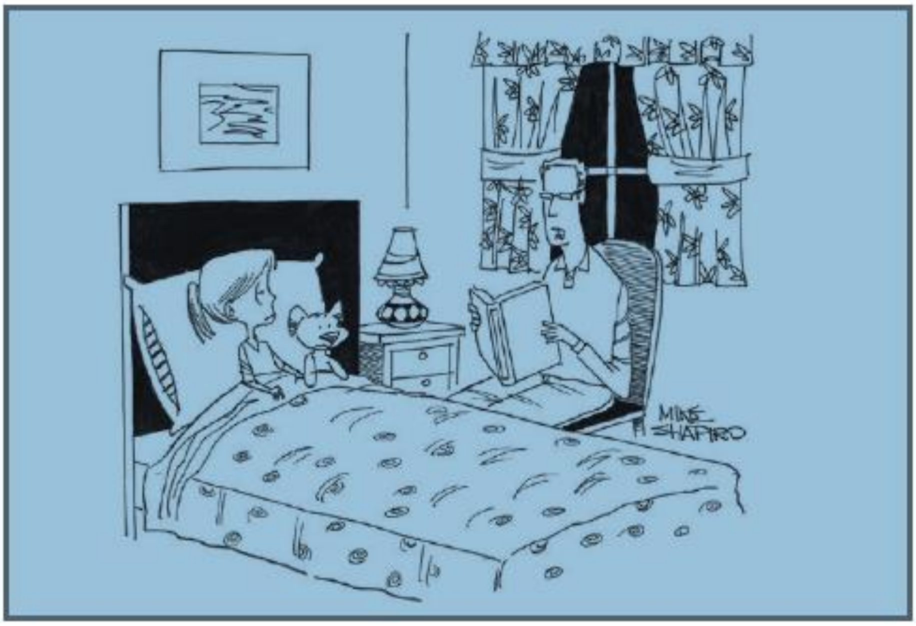
2. What are the key change drivers in Accor's macro-environment and what impact are they likely to have on the firm?

Use a table format as illustrated (12)

Factors?	Changes/drivers?	Implications (likely impact)

3. Relate to the types of industry structure within the context of the case study (4)

4.



“. . . The third little pig wanted to build a wolf-proof brick house. But the other two pigs thought that would take away resources from their budgets, so they talked him out of it right before the wolf killed all three of them.” (McKinsey & C0, 2018)

Think about the resources and capabilities that Accor possesses. (4a) Identify examples of the key resources covered in the case study. 4(b) What do you think are Accor’s key

strengths and significant weaknesses? (4c) Apply the “VRIO” tests to Accor and determine its distinctive competitiveness. (12)

5. (a) Which of the generic strategies most closely fit the competitive approach that Accor is taking? / Watter van die generiese strategieë is mees tiperend van Accor se mededingende benadering? (8)

6. How well is the strategy of Accor performing financially? (Do the applicable financial ratio analysis based on the information in the exhibit). Justify by illustrating the formulas and calculations clearly / Evalueer Accor se strategie op grond van die maatskappy se finansiële prestasie soos bewys word deur toepaslike finansiële verhoudings uit die tabel te bereken. Toon duidelik die formules en berekenings (10)

In hierdie gevallestudie mag u nie die gevallestudie opdateer nie (byvoorbeeld, die uitwerking van 'n onlangse samesmelting). U moet die gevallestudie suiwer op grond van SLEGS die gegewe feite en inhoud ontleed! (U sal nie in u finale vraestel toegang tot enige onlangse data hê nie, buiten die gevallestudie wat aan u verskaf word met die gegewe feite en tendense.)

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, showing year-on-year growth of 6.3 per cent at the end of 2011 compared with 5.9 per cent growth in the upscale and midscale hotels. Accor's strategy was to focus on the Ibis mega brand and align the other international no-frills brands, Etap and Hotel Formula 1, under the Ibis Budget brand, and its other economy brand, All Seasons, under the Ibis Style brand. The positioning for the Ibis umbrella brand would be captured by the concepts of "modernity, simplicity and well-being".

Another aspect of Accor's strategy was its focus on sustainable initiatives. The group's Earth Guest programme covers a range of activities, from encouraging the procurement of fair-trade goods for use in hotels, to recycling glass, cardboard and paper. By 2011, 495 of Accor's hotels has achieved ISO14001 and more than 90 percent subscribed to the group's environmental charter. Accor was listed on the four main international indexes: Ethibel, FTSE4Good, Dow Jones Sustainability and SPI Eurozone.

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)].

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