



## The Park, Calcutta

In the morning of July 10, 1999 a team from the Ministry of Tourism, Government of India, visited The Park, a five star hotel in Calcutta, to consider its application for upgrading its categorization from "Five Star" to "Five Star Deluxe". The team inspected the hotel's décor, standards of service, rooms, systems and overall arrangements. In the afternoon came the verdict, not entirely unexpected: "Approved." The hotel staff went into a mood of great celebration.

The approval gave the hotel a greater recognition and status, enabled it to attract higher-class clientele and move closer to the classy image of its competitors, Taj Bengal and Oberoi. The re-categorization was another feather in the cap for the hotel, coming after its selection in May 1998 as a member of the Small Luxury Hotels of the World<sup>1</sup>. The top management of the hotel sought such recognition to strengthen the direction of its efforts to reposition the hotel as a "boutique hotel"<sup>2</sup> and change its image from a "comfortable and affordable hotel mainly for Public Sector executives and budget travelers" to "a classy and trendy hotel" conveying an image of youth, vitality and a place where "things happen". The management had articulated for the hotel a mission that highlighted premium status, global standards and service excellence as its key elements. It had also taken a number of steps to translate its "boutique" concept into practice.

Though the management of the hotel was very happy with the recognition as a Five Star Deluxe hotel, it did not want to rest on its laurels. It was aware that still much remained to be done. It was not sure to what extent the boutique concept was implemented and understood by its customers and employees. The scenario for the hotel industry in Calcutta was not very attractive, but the competition was increasing. Hence it wanted to assess the competitiveness of the hotel in the changed competitive scenario of Calcutta, develop a competitive strategy and think through the problems in implementing it.

### The Indian Hotel Industry in 2000 AD

#### *The Players*

The hotel industry, or the "hospitality industry" as it chose to call itself, was often seen as a component of the tourism industry, although in fact business travelers and airlines accounted for a substantial part of hotel occupancy. The industry acquired a certain status after Independence. It came to be seen as a part of an overall infrastructure for developing tourism in the country. The first five star hotel in India, the Ashoka Hotel in Delhi, was set up under the state in 1957. In

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<sup>1</sup> "Small Luxury Hotels of the World" was a group of hotels answering to the description implied in the title. Belonging to this group put The Park in the company of a number of well known hotels all over the world.

<sup>2</sup> A "boutique" hotel was one with a distinct, contemporary and trendy décor, with attractive art work, offering a personalised service, and generally relatively small. A further explanation of the boutique concept is given later in the case

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1999, the hotels in the state sector accounted for about 15 percent of the five star room capacity. They were under either the Indian Tourism Development Corporation which was under the Ministry of Tourism Development, or the national airline, Air India (the Centaur Hotels). The Ministry of Tourism Development decided the policies pertaining to the industry.

The major private sector players in the five star segment were the Taj Group, the Oberoi Group and the ITC Welcom Group. These groups owned chains of hotels in various cities. While the Oberoi Group had only five star hotels, the Taj and ITC Groups operated different categories of hotels. There were smaller groups like JayPee and Leela who owned and managed one or two five star hotels in select cities. There were also the MNC chains like Le Meridien, Holiday Inn and Hyatt who had set up their properties either independently or through franchises. Having a chain of hotels was considered to be an advantage due to the loyalty that could be developed among customers who travel a lot. Also, facilities such as single point reservations in different cities could be offered across the hotels of the chain and commonality of standards of facilities and service could also be expected among the different hotels of the chain.

### ***Star Ratings***

The Ministry of Tourism, Government of India, assigned star ratings to hotels. It not only gave an initial certification but also renewal from time to time after an inspection. The ratings had nothing to do with tariffs as such but were based on the facilities available. "Five Star Deluxe" rating, as compared to "Five Star", was, however, based on the quality of services and on additional facilities.

### ***The Customers of Five Star Hotels***

The customers of five star hotels could be grouped under certain categories.

Tourists, Indian and foreign, constituted an important segment. Tourism was an important driving factor for this industry and fluctuations in tourist arrivals affected the earnings of hotels. Tourism was the third largest foreign exchange earner of the country (earnings: \$2.735 billion in 1999) and hotels contributed considerably to these earnings, since all foreigners were required to settle their hotel bills in foreign exchange. Though India accounted for only 0.37 percent of the world tourist arrivals and 0.60 percent of revenues, the average stay of a foreign tourist in India was 30 days, as compared to three in Singapore and seven in Thailand. Due to the heat during summer and heavy rains during the monsoon, most of the tourist arrivals took place about the four months November to February. Calcutta was not among the destinations of the average foreign tourist, who generally went around the Delhi-Rajasthan circuit, with some extensions to Bombay and the South. A few came to Orissa, and for them Calcutta constituted a transit point. Most tourists came through travel agents, and special rates were usually offered that were substantially below the advertised rates.

The second customer category was the business traveler segment. Business executives stayed in different types of hotels and again in different categories of rooms depending on their status. This segment had much less seasonality as compared to the tourist segment. Hotels negotiated rates with each company, usually for a year, and all major companies had accounts with almost all the hotels in a city. The choice of the hotel to stay in was usually done by the executives themselves so long as it was one of the hotels with which the company had an account. People working on projects stayed for long duration, even as long as three months, and gave a steady occupancy. The corporate rates could be two thirds or even half of the advertised rates which were the rates charged to the casual traveler, but usually no discounts were given in food and beverages.

The third category was the airline crew. The crew generally stayed in one hotel for the duration of a contract, usually a year. Pilots usually stayed in the best five star hotel in the city, and this might

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or might not be the same as the one in which the other crew stayed. Airline crew gave a very steady occupancy for a hotel and hence were much sought after; on the other hand the airlines drew hard bargains and the rates for airline crew were the lowest.

The rest of the customers were a mixture of casual business travelers, casual domestic tourists and transit passengers in need of accommodation. All these people were charged the advertised rates.

The needs of different categories of occupants were different. For a casual traveler or a tourist, links with travel agencies, airport pick up and drop, money changing information about sight seeing trips and if possible organizing such trips were important. Good restaurants providing a variety of cuisine were also considered important. For a business traveler, the business centre, facilities to entertain a group of clients, good room service and a good travel desk were important, while airline crew wanted quick check-in and check outs, and prompt attention to their personal needs. Exhibit 1 summarizes the needs of different categories of occupants of a five star hotel.

The customer needs varied along many dimensions such as food and beverages, room preferences, importance given to different services, need for transportation, sports and recreation etc. and had to be taken into account in the management of a hotel. Exhibit 2 gives the various dimensions along which guest preferences could vary. Exhibit 3 gives the drivers of satisfaction (percent impact) of guests of superior rooms (the “usual” rooms) and the Residence (the “business class”) rooms, the restaurants, banquets and night clubs.

Occupants were not the only source of revenue to hotels. Conferences and seminars were an attractive source of income. The seminars usually were accompanied by orders for food and beverages, and gave some occupancy to hotels also, unless they were purely local conferences. The second major source of revenue was the banquets and receptions, which gave revenue for food and beverages department as well as the banquet balls. Casual diners at restaurants also constituted an important source of revenue. The hotels in the town competed with one another to get these segments. Food festivals and major events around festivals like Diwali, Durga Pooja and Christmas were organized to attract the locals. The hotels also competed to organize visits of important persons like actors, playwrights, painters and key business persons to add prestige to the hotel.

Organizations such as Gallup conducted customer surveys on behalf of hotels. They involved largely three dimensions: overall satisfaction, loyalty (would you come back to this hotel for your next stay?) and advocacy (would you recommend this hotel to your friends etc.?) Based on their experience, Gallup found that of the customers who rated the overall performance as “5” on a scale of 1 to 5, 75 percent were likely to come back; for a rating of “4”, this percentage was 29; and for ratings of 1-3, this was close to zero percent.

## **Dynamics of Competition in the Hotel Industry**

The metros, Delhi and Mumbai accounted for 49 percent of the premium room capacity, and the four metros, for 59 percent. Taking all rooms into account, Delhi and Mumbai accounted for 25 percent of the room capacity while 12 major cities accounted for around 60 percent capacity. The Five Star and the Five Star Deluxe categories accounted for 30 percent of the total available room capacity in the country. In recent years the percentage of three and four star categories seemed to be on the increase. Exhibit 4 gives the distribution of rooms in different categories in India between the years 1990-1993 and 1996-98.

Generally the facilities in all the five star or deluxe category of hotels were comparable. However, each hotel tried to provide some uniqueness with respect to each of its facilities. They tried to provide this uniqueness through décor, personalized service, menus, room service and

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customization of offerings. Since essentially the facilities, the general quality of service, the general quality of food, and sometimes even the taste of food were very similar among all the five star hotels, differentiating a hotel from its competitors was not easy. Each hotel tried to provide a certain atmosphere and a standard of service that could be called unique to it. This involved systematic training of its staff of different categories, but since turnover of staff from one hotel to another was common, the service styles etc., also tended to be more similar than dissimilar. In this situation, the following were thought to be important factors for success in this industry.

*Occupancy Rates:* Since a very large portion of the expenses of a hotel was fixed, being (i) financial costs for the property (ii) maintenance costs (iii) establishment costs and (iv) day to day running costs, it was very important to get a good occupancy rate. Occupancy rates tended to be higher in hotels with a good location, with a good brand image and a higher proportion of business and airline occupants. To enhance occupancy through a build up of client loyalty, hotels started loyalty programmes whose members obtained preferred hotel rooms, lower rates and other benefits.

*Location:* Location was considered important but the degree of its importance depended on the target audience. Hotels located close to airports, for instance, tended to have airline crew, transit passengers and tourists as their dominant clientele; those situated in business districts tended to have business clientele due to their proximity to probable places of business interactions; while those situated in quiet locations attracted conventions and conferences. The cost of property generally being the lowest in the first category, these hotels could also offer larger discounts to their clients.

*Brand image:* The image of a hotel in terms of service orientation, status commanded, expense category, overall ambience, customer types and progressiveness affected the nature of customers and the demands made by them on the hotel. Hotels tended to build this brand image through advertisements in TV, news papers, magazines (especially in flight magazines and travel guides) and direct mailing to prospective clients and corporate managers dealing with hotel bookings. The hotels also tried to build relationships with administrative staff of corporations through personal visits and presentations. The idea was to create a pull from the occupants to prefer the hotel rather than another.

*Alliances:* Forming alliances, with related activity or service providers, was another instrument to drive business. Alliances with other companies provided mutual benefits. The most common alliance was with airlines, with the hotel giving a discount, or a free extra night stay (especially over a weekend) on production of a boarding pass, and the airline giving bonus points to its frequent fliers for staying at their partner hotels. Other alliances were with other hotels and trading establishments for discounts on production of their "club" cards.

*Real Estate:* Real estate costs constituted a very significant cost in the overall cost structure of any hotel. This made the hotel industry highly capital intensive. The maze of land regulations made expansion through green field projects very time consuming, and their eventual outcome, highly uncertain. The tariffs of hotels, especially five star hotels in India were among the highest in the world, even higher than in many western cities for comparable hotels. The most important reason for this was the very high cost of urban real estate, leading to a cost of construction of Rs.5 million and more per room. The costs, of course, varied a great deal depending on location. Thus choosing a location and control over cost of construction and the time taken for construction were very critical factors determining the profitability of a hotel.

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## Competitors to The Park, Calcutta

In Calcutta, there were four five star/five star deluxe hotels that competed with The Park. These were Hotel Airport Ashok, Hotel Oberoi Grand, Hotel Hindustan International and Hotel Taj Bengal. The profiles of these hotels are given below.

*Hotel Airport Ashok.* This was one of the hotels under the Ashok chain, and was a State Enterprise under ITDC. Located just near the airport, its prime targets were the transit traveler and airline crew (distance from the airport to the city was 20 KMs and it took about an hour and half to get to the business areas of the city during business hours). Its service quality was considered to be less satisfactory than the other four hotels. It could attract PSU executives, government officials and transit passengers.

*Hotel Oberoi Grand.* This belonged to the Oberoi chain of hotels, reputed for its professionalism and quality of service. The group had its hotels in major business and tourist places of India. It also had set up hotels in other countries. The group had pioneered the introduction of unique services like room service. Hotel Oberoi Grand, located near the business district, was established in 1933 as Eastern India Hotel. It had an image of exclusivity, and commanded high brand loyalty. Its property was classified as 'heritage property' and had an old world atmosphere about it. However, it was considered to be rigid in the policies and rules, and the service was considered by the younger executives to be staid and slow. It had just renovated its rooms and was attempting to project itself as a modern, dynamic hotel. It pursued quite different pricing policies during the lean and peak seasons. It gave steep discounts during off-seasons as well as to corporate clients, especially executives from State Enterprises, but was quite flexible in its target marketing. Its competitive strategy in future, according to the executives of The Park, would be through upgrading of its facilities and service.

*Hotel Taj Bengal .* This was a relatively a new comer to Calcutta, starting 1988. This hotel belonged to the Taj Group, which had an excellent reputation for the quality of service. It had its hotels in all the major cities in India and had a reputation for consistency of service among all the units. It had an excellent brand equity abroad and was frequently chosen by foreign tourists. Its reservation system, both in India and abroad was considered excellent. Recently it had launched a major campaign stressing its competence, professionalism, a “caring” attitude and quality of service.

Though Taj Bengal was located about 9 kilometres away from the business district, many private sector executives had Taj Bengal as their first choice, and so did pilots. To reinforce the premium image, it provided Mercedes cars for airport transfers for its deluxe clients. It was considered the first choice for prestigious marriage parties and, till recently, it had the largest banquet hall capacity. Thus its targeting was very broad: international tourists, top business executives and prestigious marriages. However, it was also believed to give sizeable discounts to its clients and had in fact started price wars. Its likely strategy, according to The Park executives, would be to capitalise on its image by capturing international travellers and conferences, high-end marriages and airline crew, especially of foreign airlines.

*Hotel Hindustan International.* This hotel was established in 1975. This was struggling to keep itself afloat, and was believed to offer the steepest discounts to fill the rooms. It did not have a clear image in any segment, and nor did it have any particular reputation for quality of its service. It had essentially targeted relatively low budget clients. Recently, it was attempting a turn around by upgrading of its services and modernization of its facilities.

*ITC Welcom Group.* This group, with its highly reputed hotels in all major cities, had no representation in Calcutta. It had started the construction of a new hotel with about 250 rooms,

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located mid way between the airport and the city. The head quarters of ITC Ltd., the promoting company of ITC Welcome group of hotels was in Calcutta.

*The Hyatt Group.* Hyatt was an international chain reputed for its high quality of service. This chain was also in the process of constructing a new hotel with about 200 rooms.

A comparison of the facilities at The Park vis-à-vis its competitors may be seen from Exhibits 5 (A) and 5 (B). The hotels vied with each other to get a share of limited market. The market was not growing because the economy of West Bengal had not picked up. The companies with head quarters in Calcutta like ICI India, Philips India, Bata India, Hindustan Motors and Dunlop were not doing well. Either their activities had declined or they had shifted their operations to other locations. Brooke Bond India Limited, for example, had shifted its head quarters to Bangalore. The business from the coal sector was also stagnant. The hotels therefore relied on local activities like marriages and conferences to drive business.

For its restaurants business, the hotel faced competition from independent restaurants that served Chinese and North Indian cuisine. Competition also came from Gymkhanas and clubs whose members were corporate executives and officers from civil services.

### **The Park and its Background**

The Park, Calcutta belonged to a chain of four premium boutique hotels belonging to the Apeejay Surrendra Group whose shares were closely held by the Paul family. The Apeejay Group, established in 1910, had interests in a number of businesses such as hotels, trading, real estate, construction, tea and steel, and in all the businesses the shares were closely held by the Paul family. The hotel business was managed under The Park name for all the hotels in the chain. Besides the Calcutta property, the chain had four other properties located at Visakhapatnam, Delhi, Bangalore and Chennai. Among the properties, The Park, Calcutta was the oldest and it had opened for business on November 1, 1967 with 150 rooms. The Park, Visakhapatnam was opened in 1968; The Park, Delhi in 1987 and The Park, Bangalore in 1999. The property at Chennai had recently been acquired and after the needed work to upgrade it to the standards required, it was expected to be commissioned by early 2002. A 100 room hotel was under development in Navi Mumbai. When completed, this would become the sixth member in the chain. This would make the chain the fourth largest Indian chain in the five star category, the three larger chains being the Taj, ITC and Oberoi chains.

Each of the properties in the Park chain had its own clientele, its own tariffs, and its own décor. The décor and even the general appearance of each property, and even of different floors in the same property, were strikingly different. Each property was managed largely independently, although certain activities and policies had been made uniform across the chain. There was no corporate headquarters for the chain as such, but Ms. Priya Paul, a member of the Paul family, who was managing the hotel business, coordinated across the properties. Manuals and operating procedures were formulated for various departments such as human resources, housekeeping, food & beverage service and adopted and implemented by all hotels. Exchange of ideas and information among different hotels of the chain took place through periodical meetings among the executives of the different properties. Within broad parameters, there was considerable freedom for each property to introduce changes and practices.

The Park, Calcutta was located on the Park Street near the busy arterial road of Chouringee. It was a landmark in Calcutta. In the sixties, The Park was a very up-market hotel, with the “world staying there”: certainly many celebrities had The Park as their favorite hotel. In the eighties, it attracted a substantial part of its clientele from the public sector undertakings that had their marketing or regional offices in Calcutta. It also attracted some clients from multinational corporations that had their corporate head quarters in Calcutta. The clientele in both the above

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categories was largely middle management level executives. The hotel's name was changed from The Park to The Park Hotel; its image also changed to one of a centrally located, reasonably comfortable and affordable hotel for middle management executives and budget travelers.

According to an executive who was with the hotel from the eighties, during the eighties the business became largely assured, and this assurance bred complacency and slackness in the management. The standards of service declined. With the increasing sickness of PSUs and the decline of industrial activities in the Eastern belt, the business from corporate clients tended to decline. Coupled with this, the hotel had to contend with aging staff. New competitors entered, both in the five star and other segments, the most formidable among them being the Taj Bengal belonging to the Taj Group. The future of the Park chain looked bleak.

At this time, in 1990, Ms. Priya Paul, a member of the family that owned the business, took over the management of the family's hotel business (See Exhibit 6 for a brief write up about Ms. Paul). Ms. Paul a graduate in Economics from Wellesley College, U.S.A., had a very keen interest in hotel business. She decided to revamp the hotel's image, operations and standards of service. She was aware that the hotel, despite its prime location, had a basic problem that it could not expand to any great extent. It could thus not become a large sized hotel, not in the short run, at any rate. She was also aware of the difficulty in truly differentiating a hotel from its competitors, unless a new concept was evolved to position the hotel. She therefore devised a new strategy of placing the hotel as a "boutique" hotel and was instrumental in providing The Park with a new direction. She recruited Mr. Vijay Dewan, earlier working with Oberoi Hotel in Iraq to assist her and head The Park, Calcutta as the General Manager and the Chief Executive. Exhibit 6 gives a brief write up on Mr. Dewan also.

### **The "Boutique" Concept**

Boutique hotels were hotels that were different, offering a richer, more classy and more intimate experience. According to Mr. Vijay Dewan, Vice President of The Park, Calcutta, who also acted as the CEO of the property, the boutique hotels are "those providing a distinctively different and more personalised service, amenities and style". Style was the essence. Nothing was laid down as such, but each item: lobby, rooms, the restaurants and so on, was to reflect the distinctiveness and the style. This also involved conveying an image of "a place in which things happen", and needed constant search for new ideas and for being the pioneer in giving new and distinct facilities. Mr. Dewan continued:

This positioning was through our own judgement. It was not through any systematic study. We needed a product that was totally different. Hence what we were doing was to create a new concept, and a new brand.

According to Ms. Salmoli Ghosh, Deputy Manager, Public Relations:

The main thing about the boutique concept is the design. Boutique hotels in the West are different from the large five star luxury hotels. They tend to be smaller, but offer a friendlier service, homelier so to speak but otherwise they have all the features and facilities of a large five star hotel. They are classy, stylish, design driven, trendy, sophisticated, upmarket and exclusive. So the ambience, service, everything are meant to make the customers feel more at home.

A boutique hotel is also a trendy, designer and niche hotel, where things are "happening". Service will not be formal, but customer friendly, close to the customer. Each of our properties has a root of its own. Our Calcutta property is art oriented. Delhi is more architecture oriented. Rooms at Delhi and Calcutta are quite different. Even rooms of

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different floors are different. The designs of The Residence (the executive floor) rooms and the suites are different.

The idea of positioning the Hotel as a boutique hotel originated from Ms. Paul and Mr. Dewan. They felt there was a need for such a hotel in India. There were the traditional five star hotels, and the budget hotels, but we were different from both. We targeted at a group of customers who were young, trendy, who are aware of good things, and who might have stayed at such boutique hotels abroad.

The vision of the hotel was restated as “leadership through differentiation”. A mission and vision statement was made in 1997 and circulated among the employees; it was also displayed at all prominent places in the hotel including the back room work areas (see Exhibit 7 for the Mission and Vision Statement). The difficult question was how to differentiate, and how to make this differentiation effective. It involved looking again at each of its facilities and services. Exhibit 8 gives a summary of the various steps taken, which we describe below in detail.

## **The Facilities and the Changes Brought In**

### ***Rooms***

As on 2001, The Park, Calcutta had a total of 150 rooms. The décor of all the rooms was changed. All rooms were equipped with multi-channel TVs, centralized air conditioning with individual temperature control for each room, individual refrigerator cum mini bar, computer and fax link ups, digital safes, voice mail and email link ups ([For a view of the room, see Pic 1](#)). Even though now these were comparable to the facilities in other five star hotels, at the time of their introduction, The Park had the distinction of being the first in many of the facilities. The hotel had also the usual facilities available in all five star hotels such as 24 hours business centre, 24 hours currency exchange, baby sitting facility, book shop, gift shop, doctor on call, laundry and access and special rooms for disabled/handicapped.

Of the 150 rooms, 17 were deluxe suites and 7 were deluxe rooms. The rooms and suites were in a floor and constituted The Residence floor. The Residence Floor was redesigned and equipped with new facilities. The floor provided better service, separate express check-in and check-out counters located at the floor, computer on request, personal fax, personal video cassette player and music system, an audio and video library located in The Residence lounge and jacuzzis<sup>3</sup>. Even in 1999, when we visited the hotel first, jacuzzis were a unique feature of this hotel though afterwards other hotels had also introduced it. The hotel had kept up its introduction of new facilities such as two line telephones. See [Pic 2](#) and [Pic 3](#) for two views of the Residence suites.

Similar changes were introduced in the other properties as well. For example, a programme for major improvement of rooms was undertaken for the Delhi property. The rooms in the Bangalore property, after its acquisition in 1999, were redesigned with classical materials like wood for flooring, leather for the upholstery, silk for the curtains and furnishings and white marble for the bath rooms. The idea was to convey a central message of being similar, yet different. All rooms in The Residence were equipped with computers, high speed internet connectivity, net access through TV and two line telephones.

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<sup>3</sup> Jacuzzi was a set of small shower sprays fitted along the bathtubs at its sides. One could relax in this facility while reading, listening to music etc.

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### ***The Restaurants and Cafe***

As on 2001, The Park, Calcutta had two restaurants: Zen and Saffron. Both these had been totally redesigned and repositioned. Zen, an oriental restaurant was the first of its kind in Calcutta, served cuisine from seven Asian countries (Thai, Hong Kong, Singapore, Indonesian, Chinese, Malaysian and Japanese). The restaurant was designed to convey a very tranquil and exotic ambience (see [Pic 4](#)). Saffron, earlier called Sujata, was also completely redesigned to convey a “cosmic” appearance ([Pic 5](#)). It served Indian food from all the regions of the country. Both these restaurants had their interior decoration by specially commissioned interior decorators and had very contemporary decors.

An ultra modern coffee shop called The Atrium Cafe, fitted with a glass top so that it was lighted naturally during day, served buffet breakfast, lunch and dinner besides a la carte orders ([See Pic 6](#)). It boasted of a plasma wall hung TV ([See Pic 7](#)), the first of its type in Calcutta. Besides serving buffet breakfast, lunches and dinners, Atrium prided on its offering 25 varieties of coffee from all over the world, the largest selection among any hotel in India.

### ***Discotheque, Health Club and Internet Club***

The Park had a pub-cum-discotheque named Some Place Else<sup>4</sup> that served authentic British pub food. It attracted youth from the city. Till last year, after 9 p.m., it was a nightclub open only to members and hotel guests. Last year, the night club was shifted to a separate area, and this new facility was named Tantra. After this, Some Place Else had become a full fledged pub cum discotheque (see [Pic 8](#) and [Pic 9](#) for views of Some Place Else). Some Place Else offered live bands every evening as a unique feature. Tantra a night club-cum-bar and was in split levels, each with a different décor ([See Pic 10 for a view of Tantra](#)). The lower level was for all public, while the upper level was only for members. The first floor was an exclusive meeting place for the top of the Calcutta elite and tried to live up to this image by serving single malt whiskeys, a range of expensive cognacs, wines and cigars. The hotel had set up an ultra modern health club called The Spa. The Spa had a swimming pool and a gymnasium with the latest equipment for exercising (resistance training, stationary run/cycling, etc.). The facilities were considered by the users to be the best in the city. The Spa was open to room guests and members ([See Pic 11](#) and [Pic 12](#) for views of the Spa).

### ***Banquet Halls***

The hotel had earlier four large banquet halls, named The Pine hall, The Rosewood Hall, The Ebony Room and The Banyan Room. In the year 2000, two more premium banquet halls named The Birch and The Willow were added, with the state-of-the-art facilities, taking the total capacity to more than 1200. These halls introduced the concept of premium banqueting in the city and were claimed to be ideally suited for catering to the city's premium banqueting, day conferencing as well as evening cocktails and theme dinners. With well-designed partitions the halls could be divided into smaller rooms that could serve as conference rooms. The locals used the halls for hosting wedding receptions and organizing conferences. These facilities constituted Calcutta's largest banqueting facility.

See [Pic 13](#) for a view of the banquet hall.

## **Transition of The Park to a New Position: The Intangibles**

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<sup>4</sup> The discotheque in The Park, Delhi also had the same name.

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The process of The Park's repositioning itself as a "boutique hotel" was by no means painless. In the sixties, the hotel had a personalized service where the staff knew most of the frequent customers and their tastes well. "The hotel developed a reputation for courtesy and personalized attention, and had a loyal customer base not only from the public sector but also from the private", said a manager who was with the Hotel from 1968 in an interview to the case writers<sup>5</sup>.

An executive shared the changes in the profile of the hotel over the years in the following words.

We did quite well till the eighties. Our service conditions were good. We built a reputation for ourselves in the eastern corporate world. We had created a good image for ourselves. A number of celebrities and film personalities such as Raj Kapoor and Sanjeev Kumar had our hotel as their first choice (Now, however, such celebrities prefer Taj, he added). We really reached excellent standards of service. Sometime in the early eighties, our standards started declining. Maintenance, cleanliness, levels of service, all declined. In the meanwhile our staff had started becoming old: we had (and still have) a higher proportion of older staff as compared to our competitors. Even in the area where we were strong, namely, identifying and quickly responding to customer problems, we fell behind.

From 1990 onwards, the management started a drive for revival. The revival started with the renovation of physical facilities: front areas such a lobby, rooms, restaurants as well as back room facilities such as the kitchen, boilers, laundry and other facilities. It was not only in the front areas but also in back rooms like the boiler room. The laundry was modernized by installing new imported equipment such as automatic ironing equipment, dry cleaning machines, dryers and washing units.

Simultaneously, The Park initiated a programme of retraining. The hotel had old timers who were good at one time but had got used to sloppy ways of working. Still the hotel did not want to lose them. An executive said, "They could again become assets - providing a service with an old world charm - if we could train them". No one was forcefully retrenched. A voluntary retirement scheme (VRS) was offered but it was not a success, with only a few employees opted for it.

It was the opinion of The Park executives that the younger generation of guests and people frequenting the bar, night club etc. preferred a more informal style. Especially in Some Place Else and Tantra, many guests liked striking an informal note with the staff, especially the managers. Hence the Hotel selected such people who would have the natural ability to get across to the younger generation informally, yet without generating an impression that they were getting too fresh. They were also being trained in handling such customers. However, as the manager in charge of Some Place Else told the case writers: "You must enjoy being with these people, genuinely. Otherwise it will not work. I know many of our regular customers by name and I know many of them would like to be addressed by their names. You must exercise judgement in these things".

The renovation of facilities was supported by a clear definition of the clientele. An executive explained:

We also realized the need for defining our clientele. We wanted higher level executives, business travelers and people with higher paying capacities. We thus got our Residence Floor ready with up to date facilities. We were the first to introduce facilities like fax and Jacuzzis in each room. This has started paying off. We also defined ourselves as a boutique hotel - smaller than a glittering five star hotel but with all facilities and a unique and stylish décor.

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<sup>5</sup> Interview with Mr. R. Mehrotra, Manager, Marketing & sales.

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Said another executive from Public Relations<sup>6</sup>:

We took some time in putting this boutique concept into practice - we got international designers to tastefully decorate our rooms; we purchased many new paintings. We commissioned renowned artists to paint murals. Our hotel developed a very distinctive look and décor.

Being a boutique hotel meant that The Park had to communicate the image of being young and trendy. It had to promote individualism and innovation. An executive remarked: "Not only do we encourage individualism but also thrive on it".

Being a boutique hotel meant that the rooms and facilities be continuously upgraded and made contemporary. Said Ms. Indrani Sanyal, Executive House Keeper:

We have to plan for continuous renovation of rooms. We are now changing all the bath room fittings and room furniture.

To keep rooms in a top condition, maintenance is very important. At a time, we usually keep two rooms free for preventive maintenance from 9 A.M. till 6 P.M. During this period, everything is checked and repaired if necessary. But we see to it that there is no loss in revenue. If the rooms are fully booked, we may skip this for a day or two. But we can always catch up on Saturdays and Sundays when the rooms are available.

One of the difficulties faced in making the transition was that different hotels in the Apeejay chain were being managed independently, and hence there was no commonality of strategies. Ms. Paul recognized the issue and initiated efforts to co-ordinate across the hotels. Manuals were shared and wherever possible, made common across the different properties. Frequent meetings were arranged to enable the executives to meet and share their ideas, and the steps taken at improvement. The hotel group was in the process of introducing an integrated reservation system.

### **Use of Information Technology**

One of the planks of The Park's boutique strategy was to achieve a superior and a distinctive level of customer service. For this, it had employed Information Technology (IT) in a big way. A software package covering purchase, accounts, and staff data base and front line operations had been introduced. The most important among these, from the point of view of customer service, was the data base built for the front line operations. Each guest, at the time of registering, was put on the database, and during his stay, all his/her orders (room service) and preferences were recorded. When the guest booked a room the next time, the front desk, house keeping and room service were alerted about his/her past history through an "expected arrival report", so that the right questions could be asked confirming his/her preferences, as for example, for rooms. This quite often pleasantly surprised the guests. The housemen were also informed about the preferences.

All complaints and requests were registered in the computer (usually guests phoned up either front desk or house keeping for complaints) and then passed on to the appropriate branch (e.g., electrical). These would indicate the time of booking of the complaint as well as the time it was attended to; subsequent delays if any; and the time it was finally set right. The house-keeping manager reviewed these data every morning and all cases of undue delays were investigated.<sup>7</sup>

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<sup>6</sup> Interview with Ms. Salmoli Ghosh, Deputy Manager, Public Relations

<sup>7</sup> Interview with Mr. V.K. Ramalingam, Executive, House Keeping

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Besides, the above follow up, a system introduced by The Park ensured that the complaints registered by a guest would go into the guest's history also, and the next time the guests checked in, the concerned departments were informed about the problems faced by the guest during his/her last stay. The idea was to ensure that the same problem did not face the guest the next time he/she checked into the hotel. For example, if on the last occasion, the guest had complained about non functioning of TV, or the coffee being cold, the electrical/room service would be specially alerted so that this particular complaint did not recur, definitely not to the particular guest. This was given special emphasis in the case of frequent guests, e.g. airline crews and corporate guests. For example, if a frequent guest was observed to put the flower vase in his room at a particular location, the next time he arrived, he would be surprised to find it already put at that location.

The staff database showed the training received by each employee and his/her strengths and weaknesses that would indicate areas for further training and development.

The purchase/inventory package was considered to be sophisticated and would track the stock and order position of each item, indicating the need for reordering (food items were ordered and tracked separately). The Hotel thought it had an advantage in terms of cost management of supplies as compared to all its competitors.

For streamlining the back office operations, The Park had just introduced an integrated package called "Prologic" which would integrate materials management and Food & Beverages (F&B). It was in the process of implementing the same.

The Park hotel group had a web site <http://www.theparkhotels.com/> which gave descriptions of its facilities. The Park, Calcutta had a link with its own home page, just as the other properties had their own ([click here to see Calcutta's home page](#)). Customers could make on line reservations where they could indicate if they were members of the "Preferred at The Park" loyalty programme (see below) or whether their corporates were privileged members (getting special rates). The confirmations were, however, done through E Mail manually. The Park was considering packages such as Fidelio which were large integrated packages that could handle a variety of functions such as front office, sales, catering and yield management. The site could do reservations across properties also from the same site.

Yield management was becoming an important weapon in the hotel industry. These packages gave optimal rates to be quoted given a season and a lead time. Essentially it was similar to the packages existing in airlines where fares were quoted on a continuous basis to maximise the yield. None of the hotels in India had yet adopted such packages, including The Park.

## **Human Resource Development and Repositioning Strategy**

The new initiatives launched by the Hotel needed to be supported by matching initiatives in the HR Department. Though the management had developed a mission statement and gave it wide publicity, the difficulty was in carrying the mission to people at all levels. According to Mr. Siraj Mukherjee, Manager, Training: "The problem is how to make people understand this statement. I don't think it is really understood by many people"<sup>8</sup>. Concurred Ms. Malaya Das, Head, Department of HRD: "How we can make people understand our mission and vision down the line continues to be a major problem. By and large everybody understands differentiation, but they have to still understand the true spirit of differentiation". Ms. Mahua Mukherjee, Manager, Training and HRD thought that translation of the ideas contained in the new strategy and the mission statement involved all aspects of HR- recruitment, training compensation and performance appraisal<sup>9</sup>. She explained the steps taken by the HR department in this context:

<sup>8</sup> Interview with Mr. Siraj Mukherjee.

<sup>9</sup> Interview with Ms. Mahua Mukherjee.

While we have a large number of older people, we recognize the importance of having a younger team. We have been recruiting people who are dynamic, having an urge to do new things, are creative, are good learners and have also the ability to work hard. We give a lot of weightage for creativity, innovativeness and initiative in our appraisals.

We are laying great emphasis on goal setting and direction at each level. We have allocated responsibilities and targets for each department. Many of the departments are now run as independent profit centres. For example, the restaurants, the Spa (the health centre) and Some Place Else are profit centres. Others are given performance targets.

Increasingly we are linking our promotions and compensations to the results achieved. This is creating a lot of stress and discomfort, particularly to the older group, who are not used to such appraisals, but we have to take these measures. Systematic training has also helped us a lot. The training, performance appraisal and goal setting are all linked. During appraisal sessions, people are frankly told about their positive and negative points, so that they can take corrective action themselves.

Mr. Rahul Guha from the HR Department had this to say to the case writers:

The working conditions in a hotel are not among the best. We have long working hours and the pay in the industry is generally low.... Hence we have to find ways to retain staff. We have introduced a number of welfare measures. We have introduced bunkers for employees to take rest in between shifts if they cannot go home. We give good birthday gifts. We give a month's pay as a gift when the employees get married. We have introduced scholarships for employees' wards, Medclaim insurance for all permanent employees and reserved seats for the wards of employees in the Apeejay School which is a good school. We hope to retain more employees and keep their morale high through these measures.

Mr. Malaya Das explained the efforts made to translate the mission into actual practice at all levels:

Our pay structure was earlier uncompetitive. We have revised our pay structure. Now our salaries are competitive with the others in the hotel industry. We are now conducting industry surveys with regard to salary levels.

We take our fresh trainees mostly from hotel management institutes. For front line people, we take also fresh graduates. We look, in a candidate, for:

- (i) A service attitude: what is their capacity to smile? A real genuine smile, I mean? This is especially important for front desk people.
- (ii) A hotel management background, especially for F & B people.
- (iii) A good disposition.
- (iv) An ability to communicate in English and in the vernacular.
- (v) The family background and interests.
- (vi) We have not yet started administering psychometric tests, but we shall be introducing them soon.

For all recruits, training is centered around our mission and core values. We manage many of our operations through a contract trainee system. Under this system, we train a person for three years without any guarantee of employment. During training, we watch the people closely, and only those who are really good are absorbed into the hotel as permanent supervisors. They have also to undergo an examination before confirmation.

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The percentage of people thus absorbed varies with the departments and requirements, but the average rate is around five percent for these contract trainees. But the employability of our trainees is very high. They are given a lump sum when they leave, and they find it very easy to get a position in Taj and Oberoi. Many employees discovered that after our upgradation to the five star deluxe category, their employability also went up.

Our turnover is now quite low. The overall turnover rate is about 20 percent, but this is due to the high turnover of trainees, many of whom we do not confirm. Our retention at senior levels is quite good.

Attempts were being made to equip employees with a greater variety of skills, both for their own benefit and for that of the Hotel. For example, room boys and butlers were taught the elements of repairs of TV sets, so that they can quickly repair TVs in case of minor complaints rather than getting the electricians. The mechanics might or might not be available. But said Ms. Indrani Sanyal, Manager (House Keeping): “Multi Skill development has so far not been much of a success”<sup>10</sup>.

A great deal of stress was laid on training at all levels. Training needs had been identified for each employee and a number of training courses organized, including for senior level executives. Front line staff, waiters, room boys and others had to compulsorily undergo refresher courses where the “right way” of doing things were reinforced. The hotel spent about four percent of its revenues on training, which was considered much higher than the industry average. The Park sent its executives to various international institutions for training such as The Institute of Hotel Management at the Cornell University, Harvard Business School, National University of Singapore and London Business School for various programs.

When asked for the details of how exactly this training was conducted, through an example of a particular function, Ms. Indrani Sanyal, Executive House Keeper took the example of room boys and supervisors:

We give a full training in each activity involved in the cleaning of a room: cleaning procedures, equipment to be used, setting up store cupboards, arranging the room and the bath room etc. They are also told how to ask for supplies and linen.

We consider the training of supervisors as extremely important. Each new supervisor does 25 to 30 days of independent room cleaning herself. She has to give a perfect room before she can actually supervise. We also give theory classes in which the housekeeping standard operating procedures manuals are discussed and explained in detail. They are also tested on how much of the SOPs and instructions have been understood and assimilated by them.

During the last one year, a number of initiatives had been taken to assess the competency profiles and the training needs of the employees. Each employee had the competency gaps mapped and the training needs assessed. A software called “Peoplesoft” was planned to be introduced to enable a more scientific assessment of competencies backed by psychometric tests<sup>11</sup>. Mr. Manohar Agrawalla, Manager, IT services, said that this software would enable the progress and performance of each employee to be tracked continuously and systematically.

Asked how she would rate the quality of her manpower, Ms. Malaya Das replied:

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<sup>10</sup> Interview by case writers

<sup>11</sup> Interview with Mr. Manohar Agrawalla, Manager, IT services.

About 15 percent of our employees will be above par in the hotel industry. About 70 percent will be at par. The rest could be below par.

Summed up Mr. Dewan on the efforts at improving the HRD practices:

We conducted an employee satisfaction survey by a reputed agency in India. The results revealed a lot of dissatisfaction regarding salaries and some of the facilities. We took immediate steps to improve and strengthen our salary structure to a competitive market rate. In fact, our salary structure is now better than the Taj Group of Hotels and the salaries offered are among the best in the industry. Employee facilities have been upgraded on, in terms of lockers and dining rooms facilities. There is emphasis on competency mapping, career planning and development of each employee. Today we run one of the best hotel management training programmes in the country. All these efforts have changed the image of the hotel itself in the eyes of the job aspirants and made The Park an exciting place to work in.

### **Marketing, Selection of Target Clientele, Sales and Public Relations**

The entire effort of marketing in The Park was designed to link with its concept of a boutique hotel. It had identified its target group as the “Values and Life Style Group”, which, according to the Hotel, consisted of four distinct subgroups, each with its own needs and priorities.<sup>12</sup>

- a. *Achievers* who were middle aged and prosperous; essentially higher and higher middle management of large companies and individual businessmen with a life style and spending capacity. These people tended to associate with status and open to trying new things.
- b. *Emulators* who were youthful and ambitious with spending capacity and a love for “showing off”.
- c. *I-am-me* people who were still very young but were into a stage of transition into higher levels of management and social status, highly ego conscious and sensitive.
- d. *Socially conscious integrated* individuals who were leaders, mature, and successful with very strong and clear preferences. They were generally the top management.

Activities, promotions and other personalised approaches were tailored for each segment. For example, youthful events with young celebrities tended to be addressed to the *I-am-me* group while a get-together with a senior political or business leader would be addressed to Group (d) above.

The Park had been concentrating of late on the corporate segment. The average revenue per room depended on a judicious selection of the mix of clientele. Presently, corporates accounted for 65 percent of the number of person days of occupancy. Said Mr. Rahman, Regional Manager, Sales & Marketing:

The corporates is our area of concentration. The growth in this segment for us has been about 20 percent per year. The public sector has come down; so has airline crew. In fact we have not had air line crew for the last two years.

A common strategy among hotels was to link the tariffs offered to each customer to the volume of business generated. The negotiations were usually based on commitments on both sides: for a

<sup>12</sup> Information given to us by The Park

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fixed tariff rate for the year on the part of a hotel; and to assure the hotel a certain number of room days in an year by the customer. The discount depended on the volume of this commitment.

The gross average revenue per available room (ARR) for The Park was Rs.3,300, and the revenue per available room (REV PAR) was Rs.2,450. The REV PAR was the highest among all the hotels of the city, according to the executives of The Park<sup>13</sup>.

The Park had an alliance with Jet Airways, the largest private sector operator in India and the second largest domestic airline. Jet Airways was a young airline launched in the early 1990s, and was considered to be a well managed airline, a story of successful privatization. Jet Airways had a market share of about 36 percent in Indian market, and was reputed for its quality of service. It had a loyal clientele among corporate travelers, and its frequent flier program was considered to be very efficient and well designed. As per the terms of this alliance, Jet Airways would give write ups in its in flight magazines, and sell some miles to The Park which The Park would award to each guest who checked into The Park on production of a boarding pass. During certain promotions, The Park would give discounts and free family stay for Jet Airways travelers.

Marketing was largely a Head Office activity, with packages and promotions decided there. Marketing was in two different categories: one to corporates and the other, to individuals at large. The former was essentially a business to business relationship, with emphasis on relationship building with key executives and decision-makers in the client organizations. Promotion materials were also directed to the corporates as well as to their frequently staying executives. This was supplemented by sales people who kept up their contacts and ensured their share of bookings from each corporate.

The businesses to customer relationships were through advertisements and personal contacts. The Park placed high quality advertisements in up-market magazines and in-flight reading materials of airlines. These advertisements were handled by advertising agency which worked with the Public Relations Department of the Hotel. Four main campaigns had been conducted during the last three years: one was a “The Park” campaign in print media and magazines; the second was a campaign for The Residence in the print media and life style magazines such as Elle, Cosmopolitan and Society; the third was a TV campaign on The Park; and the fourth was a print media campaign for the Preferred at The Park loyalty programme. Copies of the advertisements by The Park for the [“Preferred at The Park”](#) and [The Residence campaigns](#) may be seen in Exhibit 9.

An important component of the strategy of The Park was its organization of events and festivals. Food festivals were organized by the restaurants. In 1999, The Park had organized an Indonesian and a Burmese food festivals at Zen, Awadhi and Hyderabadi festivals at Saffron, and a Mexican and a Mauritian festival at The Café Atrium. Atrium had also organized a croissant festival and a coffee world tour festivals, featuring different types of croissants and coffee from different parts of the world respectively. The restaurants also organized events to coincide with occasions such as Diwali, cricket matches etc. during which events the hotel organized interesting contests and give always so that the guests would find it memorable.

The Hotel, mainly through Some Place Else, also organized other events on a larger scale. The hotel had organized get-togethers with celebrities, a number of fashion shows involving well known designers like Suneet Verma, Tarun Tahiliani and Rohit Bal, theatre shows, French operas, cinema shows, especially of the latest films that had not yet been released in Calcutta, and dialogue events between the invited public and well known social/thought leaders. Last year it had a well known film actor and a heartthrob of the younger generation, Hrithik Roshan coming and dancing at The Park. It had also organized an off beat “Sadie Hawkins” event where girls could

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<sup>13</sup> Interview with Mr. Rahman, Regional Manager, Sales and Marketing.

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propose to boys. All these events and activities were well received and the Hotel hoped it would have generated adequate awareness in the minds of public about the Hotel.

Said Ms. Salmoli Ghosh in our interview:

One thing about this place is that we have a lot of fun organizing these events. A lot of freedom is there with us to decide and organize events that we think fit with The Park image. I, for one, have great fun. But a very important thing is that in this kind of place, you must be the kind of person who enjoys doing these things.

To achieve effective tracking of customer preferences, special requests and customer complaints, the hotel had launched a project called the Care Project. This would involve the front office (reception, lobby desk, Residence Floor Reception, cashiers, bill desk and telephone exchange), housekeeping, engineering, butlers and room service. The customer preferences generated at different points and related to food and drink, room-related preferences, time routines, business related preferences and travel-related preferences were recorded into database. When the guest checked in next time, all departments were given a copy of these preferences and past complaints.

Preferences were arrived at by (i) repeat requests (ii) explicit preference requests followed by a confirmation, (iii) a preference from at the time of booking and before arrival (iv) feed back form and (v) bits of information picked up by room boys, butlers and other staff during conversation with guests and even observance of their behavior.

The Park had recently got a customer satisfaction survey conducted by Gallup. This revealed a number of areas which produced dissatisfaction among customers, e.g., check-in, response time for complaints and food quality. According to Mr. Dewan, these were addressed and significant improvements could be made. Now The Park had engaged Gallup to do a continuous survey.

The Park had become a member of the Small Luxury Hotels of the World which was a “select group of hotels used by a select group of travelers”, according to Mr. Dewan. The membership was \$25,000 p.a. plus a fee for each room booked through one of the 15 sales offices of the group all over the world, or through the website of this group. The group allowed international reservation with facility for confirmations. According to Mr. Dewan, the membership was highly beneficial to The Park, with a number of overseas bookings coming through this program.

### **The Gallup Survey of Customers**

To get an idea of what the customers thought about The Park and the image the Hotels of the chain had in the minds of the customers, The Park had got a customer survey conducted by Gallup Organization, New Delhi. It was found that about 13 percent of the respondents gave a top of the scale (5 out of 5) to overall satisfaction, and 64 percent gave either a 4 or 5 in the case of superior rooms. In the case of Residence, it was substantially higher: 23 percent gave 5 and 67, either 4 or 5. The details may be seen in Exhibit 9.

Similar polls were conducted with respect to the restaurants, banquet halls, the night clubs and The Spa. The results are also shown in Exhibit 9.

### **“Preferred at The Park” Loyalty Program**

Last year, The Park had introduced a loyalty program. The members of this program were called “preferred” members. The membership could be either for dining only or for dining plus room. The membership was through payment of Rs.500 per year for the dining-cum-room membership and a one time membership fee of Rs.3000 for dining membership. Renewal fee for room

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membership was Rs.400 per year, or 500 points, which could be earned by an expenditure of Rs.10,000. The members were given a smart card that identified them as “Preferred at The Park” category members, and it contained details of the member such as the name, visit details, account to which debits should be raised and the points accumulated till date. Room members were guaranteed room availability. Room and dining members could get the following facilities at all the properties of The Park Hotels:

- Early check in and late check out.
- Complimentary access to The Residence Lounge (irrespective of the category of room the guest is staying in) and the healthclub.
- Complimentary stay for spouse.
- Deluxe amenities in the room.
- Complimentary use of the meeting room for half a day for 6 people (subject to availability).
- One complimentary drink served in the bar.

Dining members could get discounts of between 50 percent (for one guest) and 15 percent (for 10 guests) on food.

The cards were valid for all The Park properties. Each time a member used a card for stay and/or food, for every Rs.20 spent, he/she got one point, worth about Rs.0.93. These points could be redeemed for a variety of items such as travel, life style purchases, consumer durables and so on. The Park was the first hotel in India to introduce the smart card technology for which they received the Golden Peacock award in 1999 for introducing the best technology in the hotel industry.

### **The Question of Centralization**

As noted earlier, the The Park chain of hotels functioned largely independently. With the introduction of the boutique concept, the question of what functions needed to be dealt with centrally so as to ensure uniformity across the various hotels of the chain had assumed central importance. Presently, the different properties designed their own décor but conforming to the overall boutique concept. The advertisement and promotions had been centralised, but the question of discounts to be offered by the different properties had often cropped up during discussion among the executives. With the creation of a web site, the need for ensuring a consistent message was evident, but how to implement this without encroaching upon the freedom of the property managers was not clear.

Marketing and sales also needed a relook. To what extent should it be left to the individual property managers? Being in constant touch with the important clients was very important, and – clearly much could be said to encourage properties to manage this in the way they saw best. But the possibility of contradictory messages had to be taken into account. Similarly, the HRD function also needed to be looked at. Was there a need to centralise all training? Or the curriculum development could be done at one place, the implementation being left to the properties? What about the management of a common culture? With the boutique concept, and the web based booking that encouraged booking at different properties in one stroke, would the customer expect a certain commonality of the levels of service, the quality and the way the staff behaved to the customers? Should this aspect be centralised also?

A larger question that needed to be tackled quite soon was: Had it become necessary to have a corporate office, distinct from the properties? If so, what should this office do? What functions should be centralised, and what functions to be decentralised?

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## **The Task Ahead: Concerns of the Top Management**

Though the Hotel had turned around and was in fact profitable (see Exhibit 10 for the financials of the Park between 1996-97 and 1999-2000), the top management was still concerned about the strategic direction of the Hotel. The following were the key concerns:

- Was the concept of a boutique hotel sustainable? Was it enough to differentiate it from its competitors?
  - If the answer to above were "Yes", what would be the implications for further action? More specifically,
    - Is the concept of a boutique hotel sufficiently clear to its own people? How effective have the efforts of the hotel been in conveying the idea to the customers?
    - Have the steps taken by the hotel been adequate and enough to give the hotel a sustainable competitive advantage? Was the transition from "A centrally located comfortable hotel with lower tariffs, mainly for State Enterprise executives" to a "small luxurious boutique hotel for trendy and successful people" complete?
    - What were the unfinished tasks? How should these tasks be taken care of? To what extent can the steps and the boutique concept be easily imitated by its rivals?
  - If the answer to first question is "No", what new direction should the hotel define for itself?
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## Exhibit 1

### Needs of Different Customer Segments in the Hotel Industry

Service	Customer Segment			
	Business travellers	International travellers	Domestic leisure travellers	Air line crew
<u>Lobby Services</u>				
- Airport pick up/drop	#	###	##	--
- Quick check in	##	#	#	###
- Comfortable rooms	##	###	##	##
- Airline reservations	#	###	#	--
- Sight seeing tours	--	###	#	--
- Money changing	--	###	--	--
- Information about city, other services, etc.	--	###	##	--
<u>Restaurants</u>				
- Quality of food	###	###	###	###
- Quickness in service	##	#	##	###
- Variety of dishes	##	###	#	--
- Different restaurants with different cuisine	#	###	##	--
- Special food needs	###	#	#	--
- Quickness in room service				
<u>House Keeping</u>				
- Elegance of room get up	#	###	#	--
- Promptness to attending faults (e.g. TV, telephone, air-conditioning, bath room problems etc. )	###	##	##	###
- Quality of laundry services	##	###	#	--
- Valet service	##	#	--	--
<u>Facilities</u>				
- Business centre	###	#	--	--
- Health club	###	###	#	#
- Shopping arcade	--	##	#	--
- Discotheque	#	#	#	#

*Source:* Our discussions with the executives of The Park.

## Exhibit 2

### Different Types of Guest Preferences

1. **Room Related:** Type of room, room numbers, proximity from elevator, floor, size.
2. **In room:** Size of bed, extra fruit, bath rooms, soaps, newspapers, magazines, extra blanket, hangovers, beds, flower decoration, water, placement of jug, match box, choice of movies.
3. **F&B Preferences:** Vegetarian/non vegetarian, alcohol/teetotaler, and special type of cuisine preferred.
4. **Travel:** Car type, car agency, tele-check in, seat preference, ticketing, railway station assistance, drivers, in city car.
5. **Business:** Type of transparencies, secretary, floppies, binding, photocopying, computers, internet, fax in rooms, conference transfers, cell phones, courier needs, batteries/converters.
6. **Outside Hotel:** Golf, tennis, other sports, movie, theatre preference.
7. **Time:** for breakfast, wake-up-calls, and checkout including late checkouts.

Source: Compiled by the case writers.

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### Exhibit 3

#### Drivers of Satisfaction of Guests, Superior and Residence Rooms (Percent Impact)

Item	Superior Rooms	Residence rooms
The room	24	
The people	17	20
Check-in	16	17
Hotel ambience	14	25
Security	12	15
Experience at the hotel restaurant	10	14
Resolution of problems		9
Ability to recognize guests	7	

#### Drivers of Satisfaction: Restaurants

Item	Percentage
Cuisine	45
The staff	25
Ambience of the restaurant	22
Billing	8

#### Drivers of Satisfaction: Banquets

Item	Percentage
Quality of food	31
The staff	31
Cost and flexibility	22
The banquet hall	16

#### Drivers of Satisfaction: Night Clubs

Item	Percentage
Events	32
Efficiency of service	24
Dance floor, sound and lighting	18
Security	16
The DJ	10

Source: Data given by The Park, in turn as given to them by Gallup Organization, New Delhi.

### Exhibit 4

#### Distribution of Room Capacity in Indian Hotels, 1990-93 and 1996 -98

Category	# Hotels						
	1990	1991	1992	1993	1996	1997	1998
5 Star	79	85	82	87	91	94	99
4 Star	42	56	49	54	65	73	74
3 Star	114	115	115	125	203	278	289
2 Star	217	233	235	237	260	308	314
1 Star	81	91	96	93	112	135	142
Heritage			19	20	32	41	46
Awaiting Classification	161	167	202	199	217	182	200
Total	694	747	798	815	980	1111	1146

Category	# Rooms						
	1990	1991	1992	1993	1996	1997	1998
5 Star	15090	15636	15435	16151	17853	17973	19610
4 Star	2882	3742	3543	3740	4888	5270	5450
3 Star	5953	5913	6045	6736	10645	14042	14776
2 Star	10207	8139	8740	8627	9414	10773	11136
1 Star	2604	3097	3482	3506	3926	4607	4912
Heritage						1156	1292
Awaiting Classification	7669	7968	9811	9589	9681	7613	8397
Total	44405	44495	47707	48934	57386	61434	65573

*Source:* Annual Reports of the Department of Tourism, Government of India.

**Exhibit 5 (A)****Comparison of The Park with Its Competitors**

	Hotel Oberoi Grand	Hotel Taj Bengal	Hotel Hindustan International	The Park
<b>Particulars of Rooms</b>				
Total # rooms	213	229	186	149
Deluxe Suites	3	11		17
Executive Suites	3	-	8	
Deluxe	48	147 (luxury)	26	7
Garden facing	29	-	-	
Superior	130	-	9	125
Standard	0	71	56	
Room Revenues (1998) (Rs.Million)	124.2	146.3	65.0	92.7
<b>Restaurants:</b> (The numbers indicate the number of guests who can be accomodated)				
Coffee Shop	80 (La Terrase)	86 (Esplanade)	132 (Palm Court)	66 (Atrium)
Oriental Restaurant	58 (Baan Thai)	87 (Chinoiserie)	84 (Oriental)	63 (Zen)
Indian Restaurant	74 (Gharana)	120 (Sonargaon)	100 (Kalash)	76 (Saffron)
Bar	50 (Chowringhee)	55 (Junction)	30 (Covers)	40 (Someplace Else)
Discotheque	-	75 (Incognito)	26 (Anti Clock)	150 (Tantra) (night club cum disco)

*Source:* Data given by The Park.

@ Covers can vary depending on the type of banquet. Whether sitting or standing or buffet.

**Exhibit 5 (B)**  
**Banquet Facilities**

Hotel Oberoi Grand	Hotel Taj Bengal	Hotel Hindustan International	The Park
Ball room 840	Crystal 700	Silver Cup 150	Rosewood 125
Cooch Behar 50	Portico 40	Regency 100	Ebony 50
Burdwan 50	Mandarin 40	Camelot 30	Banyan 35
La Rotisserie 80	Oriental 25	Poolside 200	Pine 175
	Terrace 700	Lord Clive Chamber 15	Business Centre 25
	Poolside 400		The Willow
			The Birch

*Source:* Information supplied by The Park.

*Note:* The numbers represent the number of guests who can be accommodated.

## Exhibit 6

### Profiles of Ms. Priya Paul and Mr. Vijay Dewan

#### Ms. Priya Paul

Ms. Priya Paul, the President of The Park group of hotels, has a bachelor's degree from Wellesley College, U.S.A. She started her career under her father, the late Mr. Surrendra Paul, as the marketing manager of The Park, New Delhi in 1998. She succeeded her father as the president of the hospitality division of the Apeejay Surrendra Group at a relatively young age.

Despite her young age, Ms. Paul quickly established a reputation as a dynamic business woman, forthright and adventurous. The placing of The Park chain as a collection of boutique hotels was essentially her idea. In recognition of her achievements in the hospitality industry, the Federation of Hotels and Restaurant Associations of India (FHRA) awarded her the accolade of "Young Hotel Entrepreneur of the Year 2000", the first recipient of the award.

An active participant in several industry associations, Ms. Paul holds several posts including The Vice President, Hotel Association of India, Member, PATA Environment and Eco Tourism Committee and Founder Member, World Travel Tourism Council, Asia Chapter, and The Young Presidents' Organization (YPO).

Ms. Paul has a great deal of interest in arts and is a very keen patron of arts. She is a trustee of the India Foundation of Arts (IFA). She puts very strong emphasis on contemporary design in her hotels. Her other interests include cuisine and their histories, meditation and reading.

#### Mr. Vijay Dewan

Mr. Vijay Dewan is the Vice President of The Park Hotels, where he is responsible for hotel operations, business strategy formulation, overseeing marketing operations and planning sustainable growth for the hotels. Mr. Dewan has a Masters Degree in Organic Chemistry and a post Graduate Diploma in Hotel Management from The Oberoi School of Hotel Management. He started his career with The Oberoi Hotel, Delhi in 1984 as Assistant Manager. In 1987, he moved to The Oberoi Palace, Srinagar as the Food and Beverage Manager and then was posted as Front Office Manager at The Babylon Oberoi, Baghdad, Iraq. He was soon promoted to the post of Rooms Division Manager.

In 1991, Mr. Dewan moved to The Park Hotels and was located at Calcutta, where he took over as General Manager a year later. He was appointed Vice President of The Park Hotels in 1994. Sixteen years in the industry has given Mr. Dewan an in-depth perspective on the needs of the modern day traveler.

He believes in constantly updating his skills, and has participated in several professional courses including a General Manager's Programme from Cornell University in 1995, a course on Leadership for Change from the London Business School in 1997 and one on Strategic Marketing Management from The Harvard Business School in 2000.

Mr. Dewan is also involved in several industry forums and is currently a Managing Committee Member of the Federation of Hotels & Restaurants Association of India (FHRAI) and the Chairman of the Hotel Association of India (HAI) in West Bengal.

Based at Calcutta, Mr. Dewan is an avid golfer and finds it the ultimate relaxant.

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## **Exhibit 7**

### **The Park: Vision and Mission**

The Hotel has a vision and mission statement, which reads as follows:

#### **Our Vision**

Leadership through differentiation.

#### **Our Mission**

We will operate a collection of premium boutique hotels and restaurants, establishing global standards of product quality and service excellence.

We will make customer satisfaction the purpose of every action we take and every job we do.

We believe our strength is our people and we will encourage their development. We respect them as individuals and believe that teamwork, commitment and integrity are values that lead us to success.

We will ensure the profitability and growth of the company for the long-term benefit of our shareholders, our customers and our employees.

We believe that it is essential to be a good corporate citizen and serve the community that sustains us.

*Source:* The vision and mission statement of The Park, reproduced verbatim.

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## Exhibit 8

### Significant Changes Introduced in The Park During the Last Five Years

1. The décor of the hotel was changed to give it a new elegant look. All the rooms were renovated. A separate floor was earmarked and converted into deluxe suites called The Residence. The Residence suites had a separate express check-in and a separate reception. A Butler Pantry and a special lounge were located on this floor.
2. All the rooms were well furnished and equipped with the latest basic amenities: a telephone, a television, minibar, hair-dryers and a telephone connection in the bathroom, to name just a few.
3. A special Oriental restaurant called **Zen**, which was the only one of its type in Calcutta, was started. It offered exquisite cuisine from 7 different oriental countries. An Indian restaurant **Saffron** with the central theme décor of a cosmic restaurant was started.
4. A pub cum discotheque called "**Someplace Else**" on the ground floor of the hotel was started for the youngster crowd to have fun. This idea was also an original one. The concept was to provide one-stop entertainment to the youth.
5. In December 1999, Someplace Else was made into a bar with live band; a new night club cum disco was opened, named "**Tantra**". This was a trendy international night club with split levels, reflecting Indian traditions. Tantra has "redefined the night life of Calcutta with its exclusive clientele, innovative concepts and events, extensive stock of beverages and its pulsating music" according to an executive of The Park.
6. The hotel provided its guest with a 24-hour coffee shop called "**The Atrium Café**". This coffee house was lit naturally during daytime, and provided a wonderful view of sky at night. It was equipped to serve breakfast, lunch and dinner along with a choice of 25 different varieties of coffees - the only coffee shop in Calcutta to offer such a wide variety.
7. The banquet halls were re-furnished and in 2000, two new halls were added to the two existing halls, taking the capacity of banquet halls from 410 to more than 1200. The aim was to increase the banqueting space in the hotel and to provide the discerning section of the clientele the advantages of premium banqueting. The décor, ambience, food, facilities and equipment provided in these two new halls were targeted at the premium market.
8. A swimming pool was set up. This was connected by a private bridge for use by the room guests. The health club/gymnasium was equipped with the latest equipment.

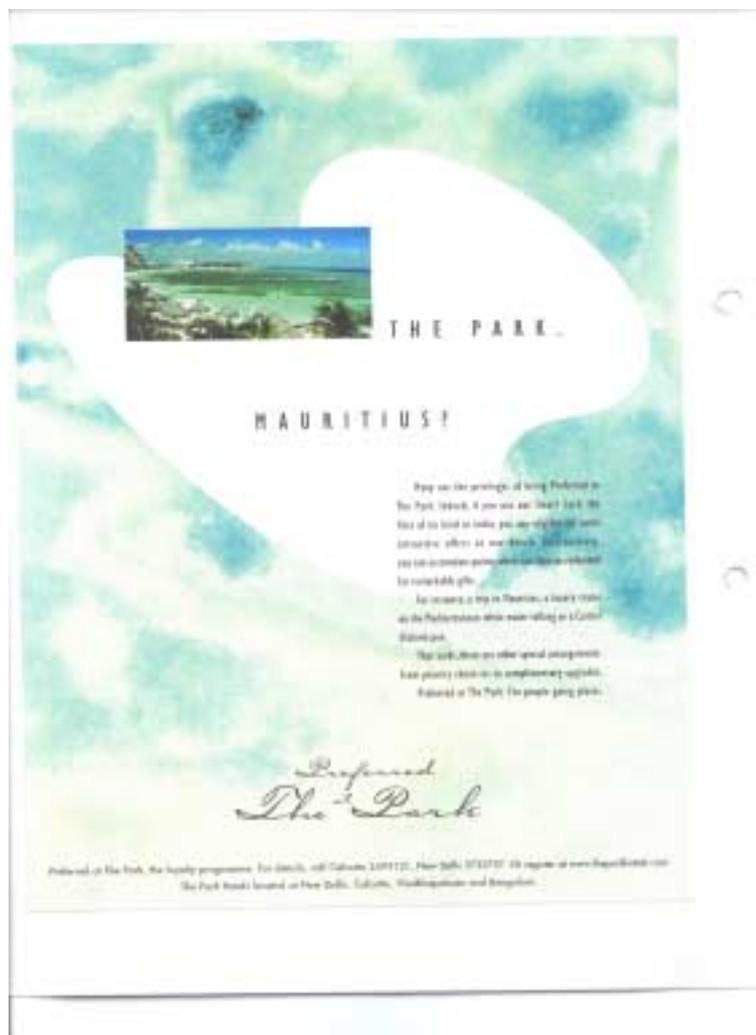
The hotel organized food festivals, which were very different from the usual ones held at other hotels. For example, The Park had a Croissant festival, a coffee festival called Coffee World Tour featuring different flavors of coffee from all over the world and a Burmese food festival.

*Source:* Data given by The Park.

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Exhibit 9

Advertisements of The Park



**THE PARK.**

**MAURITIUS?**

They say the privilege of being Preferred at The Park Hotels, if you can ever leave the face of the land to make you see the world with attractive offers at our hotels, is becoming the most common sense when you are invited to visit Mauritius.

As someone, a trip to Mauritius, a lovely island in the Indian Ocean, while staying at a Grand Hotel Park.

The Park Hotels offer special programs, have priority check-in or complimentary upgrades. Preferred at The Park. The people going there.

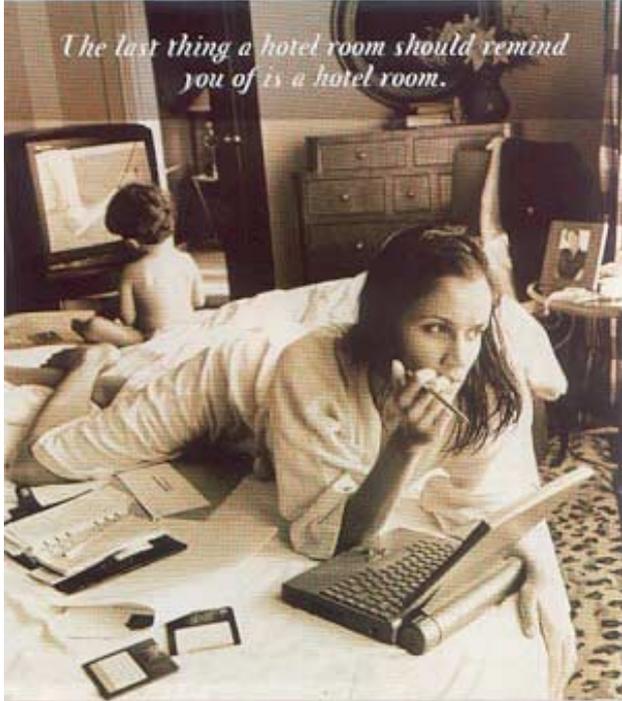
*Preferred  
The Park*

Preferred at The Park, the luxury programme. For details, call Calcutta 2691122, New Delhi 2732737. Or register at [www.theparkhotels.com](http://www.theparkhotels.com). The Park Hotels located at New Delhi, Calcutta, Washington and Singapore.

**Exhibit 9 (Contd.)**

**Advertisement of The Park**

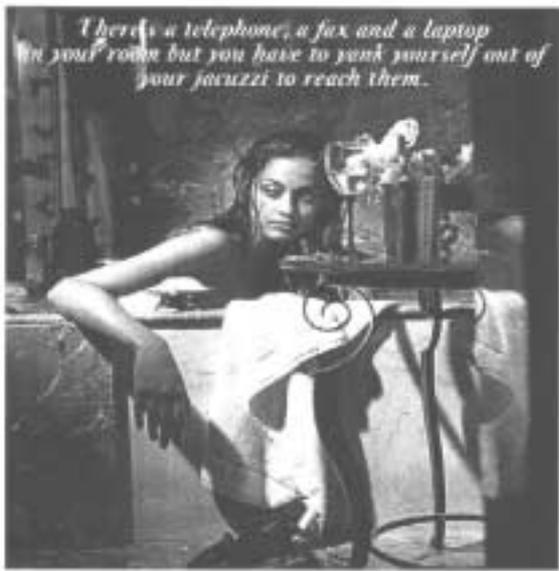
*The last thing a hotel room should remind you of is a hotel room.*



IF EVER SOMEONE MADE A LIST OF THINGS SEASONED TRAVELERS WOULD NEVER AGAIN WOULD FEATURE WITHIN REAR THE VIEW IT'S THE REASON WHY WE DECIDED TO MAKE THINGS DIFFERENT. YOU'RE ABOUT TO BE SAVED PLEASED WITH THE RESULT. YOU'LL ALSO ENJOY THE OBVIOUSLY THOUGHTFUL SERVICE AND CAREFUL ATTENTION TO DETAIL THAT ONLY A BOUTIQUE HOTEL SUCH AS OURS CAN PERFECT. IT'S WHAT MAKES LIVING HERE SOMETHING TO LOOK FORWARD TO.

*the Residence at* **THE PARK**

*There's a telephone, a fax and a laptop in your room but you have to yank yourself out of your jacuzzi to reach them.*



There's a telephone, a fax and a laptop in your room but you have to yank yourself out of your jacuzzi to reach them.

*the Residence at* **THE PARK**

**Exhibit 10**  
**Results of Customer Satisfaction Survey**

Item	% respondents giving a rating of	Superior rooms	Residence rooms	Atrium	Saffron	Zen	Banquets	Tantra	Someplace Else	The Spa
Overall satisfaction	5	13	23	25	36	12	7	18	14	3
	4 or 5	64	67	64	76	86	68	62	70	60
Loyalty	5	26	30	23	32	18	7	40	27	10
	4 or 5	62	67	54	70	62	59	72	62	57
Advocacy	5	23	30	27	34	28	16	41	28	13
	4 or 5	65	70	58	70	72	71	76	71	63

Source: Data supplied by The Park, Calcutta.

Note: These data apply only to the Calcutta property.

## Exhibit 11

### Performance of The Park, 1996-1997 to 1999-2000

#### A. The Balance Sheet

SOURCES OF FUNDS	1999-2000	1998-99	1997-98	1996-97
	Rs.	Rs.	Rs.	Rs.
<b>SHAREHOLDERS FUNDS:</b>				
Share Capital	4,000,000	4,000,000	4,000,000	4,000,000
Reserves & Surplus	162,970,813	141,967,935	124,146,855	85,191,390
	<b>166,970,813</b>	<b>145,967,935</b>	<b>128,146,855</b>	<b>89,191,390</b>
<b>LOAN FUNDS:</b>				
Secured Loans	4,770,895	14,467	694,011	3,365,909
Unsecured Loans	0	0	34,439,818	<b>40,121,507</b>
	<b>4,770,895</b>	<b>14,467</b>	<b>35,133,829</b>	<b>43,487,416</b>
<b>TOTAL</b>	<b>171,741,708</b>	<b>145,982,402</b>	<b>163,280,684</b>	<b>132,678,806</b>
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross Block	358,888,382	313,951,278	291,280,121	242,347,027
Less: Depreciation	181,066,964	159,711,461	141,456,109	121,732,398
Net Block	177,821,418	154,239,817	149,824,012	120,614,629
Capital Work –in process	10,909,553			3,342,017
	<b>188,730,971</b>	<b>154,869,131</b>	<b>149,824,012</b>	<b>123,956,646</b>
<b>INVESTMENTS</b>	<b>967,350</b>	<b>967,150</b>	<b>967,150</b>	<b>1,389,150</b>
<b>CURRENT ASSETS, LOANS AND ADVANCE</b>				
Inventories	23,240,067	23,109,224	23,310,424	21,302,277
Sundry Debtors	24,338,154	22,336,312	68,962,184	43,577,715
Cash & Bank Balances	3,808,150	4,505,635	5,147,300	5,921,237
Loans & Advances	208,068,814	127,460,586	68,244,883	36,986,468
Interest Accrued on Investment		540,000	540,000	540,000
	<b>259,455,185</b>	<b>177,951,757</b>	<b>166,204,791</b>	108,327,697
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>	277,411,798	187,805,636	153,715,269	100,994,687
<b>NET CURRENT ASSETS</b>	<b>(17,956,613)</b>	<b>(9,853,879)</b>	<b>12,489,522</b>	<b>7,333,010</b>
<b>TOTAL</b>	<b>171,741,708</b>	<b>145,982,402</b>	<b>163,280,684</b>	<b>132,678,806</b>

**B. Profit and Loss Account**

<b>INCOME:</b>	<b>1999-2000</b>	<b>1998-99</b>	<b>1997-98</b>	<b>1996-97</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Rooms, Rent, Food & Beverages	249,167,405	226,187,375	221,882,698	173,473,400
Other Income	5,620,801	16,503,332	25,618,570	9,349,982
	<b>254,788,206</b>	<b>242,690,707</b>	<b>247,501,268</b>	182,823,382
<b>EXPENDITURE:</b>				
Expenses	193,326,473	186,031,477	177,836,829	149,996,869
Interest	9,074,773	6,659,619	610,645	4,729,326
Depreciation	21,384,082	18,255,352	17,630,373	13,480,174
Less: Depreciation on Revalued Amount	1,641,559	1,728,066	1,819,143	1,915,035
Net depreciation	19,742,523	16,527,286	15,811,230	11,565,139
<b>Sub total expenses</b>	<b>222,143,769</b>	<b>209,218,382</b>	<b>194,258,704</b>	<b>166,291,334</b>
Profit\ (Loss) for the year	<b>32,644,437</b>	<b>33,472,325</b>	<b>53,242,564</b>	<b>16,532,048</b>
Profit as per last account	52,409,040	38,630,696	6,715,842	(3,515,468)
Adjustments		(4,601,679)		
	<b>85,053,477</b>	<b>67,501,342</b>	<b>59,958,406</b>	<b>13,016,580</b>
<b>APPROPRIATIONS:</b>				
Investment Allowance Reserve written back			--	1,507,282
Provision for Taxation	(10,000,000)	(9,321,500)	(12,494,273 )	(5,256,000)
Income relating to earlier year			26,317	--
Foreign Exchange Earnings Reserve	3,421,998	(5,770,802)	(8,859,754)	(2,552,020)
Balance carried to Balance Sheet	<b>71,631,479</b>	<b>52,409,040</b>	<b>38,630,696</b>	<b>6,715,842</b>

Source: Annual Reports of the Hotel furnished to us by the Hotel.

## Hyperlinked Pictures



**View of the Superior Room**

**Pic 1**

[\(Back\)](#)

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**Pic 3** [\(Back\)](#)

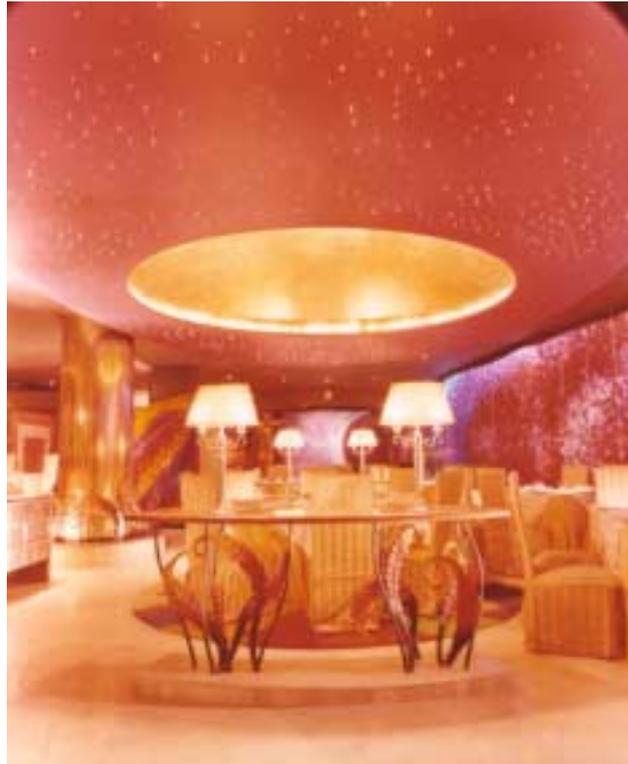


**Views of the Residence Suites**

**Pic 2**  
[\(Back\)](#)



**Zen**  
**Pic 4**  
[\(Back\)](#)



**Saffron**  
**Pic 5**  
[\(Back\)](#)



**Atrium showing skylight: Pic 6** ([Back](#))



**Atrium showing the plasma TV**  
**Pic 7**  
([Back](#))

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**Some Place Else**

**Pic 8**

[\(Back\)](#)



**Some Place Else**

**Pic 9**

[\(Back\)](#)

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**Tantra**  
**Pic 10**  
[\(Back\)](#)



**The Spa**  
**Pic 11**  
[\(Back\)](#)



**The Spa**  
**Pic 12**  
[\(Back\)](#)

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**Banquet Hall**

**Pic 13**

[\(Back\)](#)