

Banyan Tree Resorts & Hotels: Building an International Brand From an Asian Base



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“I felt that Asian business would never get anywhere if it didn’t own brands. Partly this reflected the earlier experience in our family business of putting in the energy to build a brand as agent for an overseas principal, only to lose it when they eventually took the brand in house. I also knew the problems of competing in commodity markets where the business disappears as soon as a cheaper supplier comes onto the scene,” reflected Ho Kwon Ping (KP), Chairman of Banyan Tree Hotels and Resorts (BTHR), a subsidiary of his family-controlled Wah Chang Group which he also chaired, in 2001. He had certainly acted on this belief: from a standing start, in just five years Banyan Tree had joined the list of Asia’s top 50 brands independently ranked by the consultancy Interbrand, coming in at number 18 against established marques like Sony and Canon, and well ahead of its closest competitors such as Aman Resorts.

As KP pondered the future of BTHR, he asked himself how far the brand could be extended into new regions such as the Caribbean, across new channels such as e-travel, and into other aspects of travel, leisure, and lifestyle. “Try to stretch it like Richard Branson’s Virgin brand, and I’m sure it would break” said KP. The Banyan Tree brand was now a valuable asset that should be fully utilised. Yet, it also needed to be protected and nurtured so as not to lose the distinctive values that had made it successful.

Company History

It was 1916 when KP’s grandfather founded Wah Chang Corporation in New York. The business expanded into Thailand and diversified from trading in minerals and tungsten to production of tapioca starch, mung-bean vermicelli and wheat flour in the 1950s when KP’s father, a Singaporean diplomat, was sent there to serve as ambassador. Its business in Thailand, under the name of Thai Wah Group, was listed on the Stock Exchange of Thailand in 1985. When the family moved back home to Singapore, they established Wah Chang International. KP joined the family business as chairman of the group in the early 1980s. Prior to that, he had been a journalist with the Far Eastern Economic Review in Hong Kong. He was educated at Tunghai University, Taiwan; Stanford University, California, and the University of Singapore, majoring in development economics.

While searching for a plot of land to build a summerhouse for his family, KP came across a disused tin mine in Phuket, Thailand. A United Nations team had written it off as impossible to rehabilitate when it surveyed Phuket’s tourism potential in 1977, pointing out that all nutrients had been stripped from the soil, the lagoons were acidic, and the beaches were rapidly eroding. But where others saw a wasteland, KP saw a potential luxury resort. He bought the 1,000 acres of land and established Thai Wah Resorts Development Company Limited to undertake the project.

The ‘Laguna Phuket’ Project

KP launched the project together with his younger brother, Ho Kwon Cjan (KC) and transformed the ravaged area into Asia’s first integrated resort – a destination in its own right named ‘Laguna Phuket’ – with an investment of US\$200 million. KC, an architect, established Architrave Design and Planning (ADP) under the umbrella of Wah Chang to design and

manage the construction of the area. It started with a 232-room Dusit Laguna Resort in 1987, followed by a 256-room Laguna Beach Resort in 1992, and a 292-room Sheraton Grande Laguna Beach Resort in 1993. In 1993, Allamanda Laguna Phuket, an apartment-style resort of 235 rooms was also added. In 1994, Banyan Tree Phuket, offering 109 exclusive villas, was opened together with the luxury Banyan Tree Spa. The project also included an 18-hole golf course – Banyan Tree Laguna Phuket Golf Club – which had opened in 1992.

Lacking experience in hotel management at that time, Thai Wah contracted the management to established hoteliers, including the Thai company, Dusit Laguna Dusit Hotels & Resorts, Sheraton (owned by the US Starwood Hotels & Resorts) and the Pacific Islands Club Group. But serendipity intervened in the case of Banyan Tree: “We were about to build the complex’s last hotel and wanted something totally different – a really beautiful, unique, small property. We couldn’t find anyone to manage it as we wanted, so we decided to do it ourselves,” recalled KP. In fact, by then Laguna Phuket had already acquired significant experience both from developing the other hotel properties and through interaction with the operators it had hired to manage the other parts of the resort.

The Luxury Resort Market in Phuket in the Early 1990s

In the early 1990s, Aman Resorts¹ occupied the high-end resort market in Phuket with its award-winning resort, Amanpuri which had opened in January 1988. The luxurious resort was built on a coconut plantation and had 40 private pavilions and 30 Thai villa homes. The pavilions were 115 sq.m each, including a private outdoor sundeck and dining terrace. The villas consisted of two to six bedrooms, a private pool, as well as living and dining salas. Each villa came with a live-in maid and cook. Pavilion and villa rates ranged from about US\$400 to US\$4000 per night. Amanpuri was not only well-known for its magnificent architectural design and interior décor, but also for its guest profile of Hollywood movie stars, singers and supermodels. Guests could engage in beach activities, golf or sail to nearby islands. Other facilities and services included dining options at the restaurant or in-villa dining, swimming pool, gymnasium, health and beauty treatments and a library, etc.

The other main competitors at the luxury end of the market were Le Royal Meridien Phuket Yacht Club and the resorts within Laguna Phuket. These resorts offered room and suite-type accommodation, mostly situated near a beach. Room rates started at about US\$150 per night. Guests could enjoy a variety of facilities including water sports and golf, various dining options, day trips and excursions, and health and beauty treatments. Since a significant proportion of their guests were families, some of these resorts offered special facilities for children such as a kids’ club with day programs and staff to take care of them.

KP saw a gap in the luxury resort market. In terms of pricing, there seemed to be a huge gap between Amanpuri and the rest of the resorts. There was a market segment for room rates that ranged from US\$250 –US\$500. In terms of value proposition, he felt that there was a demand for luxury accommodation that emphasized romance, intimacy, privacy and rejuvenation. He believed that “a resort is not a hotel, it’s an experience” and envisaged building a resort based

1 Aman Resorts operated 11 resorts and hotels around the world including Phuket, Bali, Java, Moyo and Manila in the Asian region.

on the concept of individual villas designed as love-nests for couples. None of the top-class hotel chains had yet embraced this approach.

Making the Idea a Reality

Banyan Tree Phuket had 109 private villas of three types depending on their centerpiece: the Garden Villa, the Jacuzzi Villa, the Pool Villa, as well as a two-bedroom Pool Villa. In addition to a spacious villa interior that ranged from 170 sq.m to 450 sq.m, every villa had a private landscaped garden and an open-air sunken bathtub. The Jacuzzi Villas came with an outdoor jacuzzi while the Pool Villas had a private swimming pool and a traditional Thai sala for al fresco villa dining. These were launched at rates from US\$200 per night upwards.

Besides engaging in water sports, golfing at Banyan Tree's own golf course and taking boat trips to outlying islands, guests could also indulge themselves at the Banyan Tree Spa, a signature service of the resort. To differentiate its offering from leading western spas, BTHR adopted the concept of a 'non-clinical' tropical garden spa with an oriental feel, the first of its kind in Asia (See Exhibit 1). The spa was not air-conditioned and the masseuses were barefoot. It offered a variety of luxurious face and body beauty treatments, and aromatic oil massages based on both Asian and European techniques. Guests could select from a wide range of spa packages with names like 'Oasis of Peace' or opt for a customized treatment program. Treatment rates ranged from US\$33 to US\$289. The spas also offered specially formulated spa cuisine, since food was considered an integral part of the renewal process.

"We promise our guests a haven for the body, mind and spirit where they can indulge and rejuvenate themselves. We seek to deliver luxury without excessive indulgence. In whatever we offer, we must 'live' this concept," explained Abid Butt, General Manager of Banyan Tree Phuket and Vice-President of Operations. KP continued, "The question I always ask when creating a hotel is: What effect will it have on the couple using it? Since most of our hotels are resorts, the key question is: Will it make our guests feel romantic and intimate? The complete privacy of the villas is one of the signature features of Banyan Tree resorts, and we have had a lot of feedback from guests who have said that they particularly appreciate the seclusion of the pool villas."

Dharmali Kusumadi, General Manager, ADP, added, "Many hotels and resorts tend to spend lavishly on their common areas, especially the lobby, to make it look very grand. For us, the common areas are less crucial compared to the interior décor and facilities of the villas because the 'Banyan Tree experience' focuses on what's happening inside them. For instance, our beds are specially chosen and we place a lot of emphasis on the ambience created by our bathroom designs."

Explaining how the initial set of ideas for the resort came about, KP said, "My wife and I thought about what appealed to us, looked at their potential and then tried them out to see whether they worked." In terms of resort design, inspiration for new ideas came from brainstorming sessions, architectural design magazines, and other hotels and resorts.

Asked how the Banyan Tree brand name was conceived, KP recalled: "When my wife and I first sat down to think of a brand name, we wanted something that evoked both an Asian feel and the environment. We wanted a brand that we could identify with and had a passion for."

We chose 'Banyan Tree' because it was the name of the place where we lived in Hong Kong for four years and had one of the best times in our lives." To complete the picture, a logo (see Exhibit 2) was designed together with a tagline, "Sanctuary for the Senses", developed by Batey Advertising, BTHR's agency in its initial years.

Key Strategies and Capability Building

With its initial Banyan Tree resort in Phuket up and running, BTHR turned its attention to expanding the business. Deciding on the right strategies, ensuring that its capabilities grew, and then keeping up the pace to support an international business would be key to future success. Among these would be BTHR's ability to zero-in on the right target market, select the right sites, effectively manage design and construction, manage relations with local governments and communities, develop and staff a suitable international organisation capable of sharing best practices while adapting the formula sensitively to local conditions, and to build and manage the Banyan Tree brand.

Targeting the Right Market Segment

Describing his guests at Banyan Tree Phuket, Abid Butt said, "Our target is the luxury, premium market. 84% of our guests are couples looking for romance and intimacy. Most of them are in their mid-30s and 40s. They are rich but not necessarily famous. For an average stay of four nights, each person spends about US\$2500. Our guests are people who want the finer things in life and a high level of service without an astronomic price tag."

Edwin Yeow, Senior Vice-President of Marketing and Joint Managing Director added, "Besides romance and intimacy, there is also a trend towards a new age lifestyle where people go on a holiday to explore their inner self. We provide our guests with a place to relax and rejuvenate – an escape from their hectic and pressured life."

Other categories of Banyan Tree guests included corporate clients (10%) and families (6%). The resorts were equipped to hold corporate meetings and retreats and targeted companies with high spending power such as those in the financial sector, IT and aerospace industries. Banyan Tree Phuket also had a corporate training facility called 'Quest Laguna Phuket Adventure' that offered customized outdoor team-building training programs.

Site Selection

"Branding is very important to our success, but it is only a part of it. Location also plays a strong strategic role," said Bernold Schroeder, General Manager of Banyan Tree Maldives and Vice-President of Business Development. When evaluating a site, BTHR managers developed a matrix based on the following criteria – "Is there a strong market potential for BTHR?", "Does it have a unique view or direct access to a good beach?", "Does the site appeal to BTHR's target market as a resort destination?", "What is the competition in the vicinity – existing resorts, room rates charged and occupancy rates?", and "Can the local conditions support BTHR's operations - operating costs and staff availability?". Other

considerations included air access to the destination and reasonably easy access to the site in terms of distance and mode of transport because BTHR preferred sites in exotic and secluded areas.

Design and Construction Management Capabilities

Unlike most hotel owners who engaged various external companies, such as hotel operators, architects and construction management companies, to develop and manage their hotels, KP felt that it was advantageous for BTHR as the owner to have all these capabilities and resources in-house. One reason was that BTHR could open a resort built from scratch within two years compared to the industry norm of about five years. All those involved shared BTHR's corporate culture and were familiar with one another, allowing flexible, informal and rapid decision making. Changes were implemented immediately without contractual concerns. BTHR regarded its resort development capabilities as strategic and ensured that they remained proprietary within the company. While ADP designed properties for other hotel groups, it agreed not to accept assignments for competing hotels with villas, pools and spas.

Managing a project team was complicated by potential conflicts between the requirements of key contributors. Commenting on the future challenge of managing projects, KC pointed out the trend towards increasing specialization of skills which meant that more people would be involved, would make it harder to manage team dynamics and find solutions that satisfied everyone. To manage these situations, KC would hold full-day meetings with all parties involved to sort out the problems and find solutions together.

The project management challenge was heightened by the fact that most of BTHR's sites were in remote areas where local contractors were often small and with limited capabilities. Without tight management, building would proceed at a slow pace. To speed things up, BTHR usually deployed pre-fabrication methods or engaged more than one contractor to work on different areas simultaneously. Progress was tracked against weekly targets so that problems could be rectified quickly. Recounting how BTHR had encouraged contractors to complete the project on time, KC said, "We would select a realistic date to hold a black tie dinner and request a list of things to be ready. This worked very well. The contractors usually delivered about 80%-90% of the desired requirements on time."

BTHR's decision-making process during resort development and construction was hastened by the creation of a GX group², usually consisting of the Project Manager, Project Architect, Spa Manager, General Manager, and a Purchasing Manager. The group met regularly and had the authority to make overall project decisions within a certain financial limit, with the exception of decisions that had aesthetic implications. This concept was pioneered during the Laguna Beach Resort project and adopted in subsequent projects.

² G represented Group and X represented an arbitrary number, depending on the size of the group.

Sensitive Management of Government and Local Community Relations

As BTHR expanded across different countries, it had to familiarize itself with local bylaws and manage its relationship with the local government. In Phuket, BTHR had a full-time government liaison staff. Based on this experience, it engaged a local law firm to handle community relations when it entered the Maldives and planned to liaise closely with the government on its proposed development on Bintan through Bintan Resort Management Pte Ltd., the master developer on the island.

One of the criticisms of beach resort developments is that they tended to disturb the surrounding ecological balance and create disparities between locals and foreigners. KP, a long-time major critic of environmental destruction, resolved to ensure that BTHR was an environmentally and socially responsible resort company. Although BTHR resorts generally targeted locations in countries with limited awareness of environmental issues, BTHR set its own demanding standards which always exceeded local regulations and environmental standards. It insisted on not using wood as a structural element in constructing its resorts. It also minimized air-conditioning in the public areas through special architectural design to avoid the use of CFC-based air-conditioning and to reduce energy consumption. When it entered the Maldives, it sought to rely on sea breezes to ventilate the villas which were specially designed to maximize air flow. However, after many complaints about discomfort, especially from Asian guests, BTHR installed standard air-conditioning in some of the villas.

BTHR learned to work with the local communities in various ways. It set up a free school in Phuket and procured its merchandise locally to help conserve traditional craft skills in the declining Asian cottage industries. The merchandise ranged from an assortment of indigenous handicrafts and artifacts for display in the villas to spa products like essential oils, massage oils, incense sticks and burners. These were also sold at the Banyan Tree Gallery, BTHR's retail boutique that would become part of each BTHR resort so that guests could recreate the 'Banyan Tree ambience' at home. It also gave artisans from the region a chance to showcase their work to guests from all over the world.

Building and Managing the Banyan Tree Brand

Contrary to the industry norm of having general managers oversee the marketing and sales activities of their respective hotels, BTHR's marketing and sales function, employing about 25 staff, was centralized at its Singapore corporate headquarters. Edwin Yeow explained, "General managers at the resort level usually come and go in a few years, and we believe that they should focus on delivering a positive guest experience. To ensure consistency and continuity in brand building, we feel that it is better to centralize our long-term marketing strategy."

The centralized marketing budget represented 7% of total revenue. Marketing expenditure was split 60% aimed at trade and 40% directly at consumers. BTHR focused on its wholesaler network because this generated more than 50% of its sales. BTHR had a number of sales offices world-wide, and worked with only three to five wholesalers in each country so that the wholesalers were able to generate higher returns (See Exhibit 3). Wholesalers visited the properties at least once a year to establish close relationships and to get feedback. When BTR Phuket was first launched, the individual villa concept was new to the industry and seemed

intimidating to some potential customers. BTHR spent a lot of time explaining its offering and the individual villa concept to the wholesalers so that they would know how to sell the villas.

In terms of consumer marketing communication, BTHR engaged an agency, Batey Advertising, during its first two years. As a new resort group, BTHR needed consistent brand exposure. But after gaining initial recognition in the industry, it cut back on extensive advertising to keep costs down and built the brand more around public relations and direct marketing programs. BTHR advertised mainly in prominent travel magazines such as Condé Nast Traveler and Premier Hotels & Resorts. Edwin Yeow believed that editorial coverage was more effective in conveying the 'holistic Banyan Tree experience'. To encourage this, he regularly invited travel magazine writers to visit the resorts. Collaboration with magazines for model photo shoots was another way for the resorts to gain exposure. One example was with a popular Korean Bridal magazine whose target market fitted well with BTHR's targeting of honeymooners. BTHR also participated in specific event-related advertising and engaged extensively in collaborative advertisements with business partners all over the world such as airline magazines and Citibank's Credit Cards Division to offer special deals.

In a Fortune magazine article on Asian brands where Banyan Tree was praised for its success in creating a strong pan-Asian brand, it was described as being "meticulous about preserving its refined and upscale image through tastefully done low-key ads". Explaining how BTHR projected itself in its advertisements and collateral materials, Edwin Yeow said, "We place a lot of stress on photographs that are very evocative. We make sure that the brand logo is always projected powerfully. There are usually very few words so that the advertisement will not look cluttered. We focus on endorsement of the brand rather than hard-sell as it gives more mileage to the brand. That's why we always capitalize on the awards and accolades that we win. It gives people who do not know us an idea of where we stand compared to the more established resorts in our market segment." (See Exhibit 4). KP believed that creative advertisements and collateral were crucial to BTHR's brand building efforts and in projecting the desired image. He participated actively in the production process, especially the creative part: every item had to be endorsed by him before it could be released publicly.

Another major factor in the rapid development of the Banyan Tree brand was the fact that it targeted a niche market and word tended to spread very quickly. Word-of-mouth recommendations by guests to their friends was one of the most effective ways of getting people interested in the "Banyan Tree experience". Limiting the rate of expansion which created some difficulty in getting bookings for a particular date given BTHR's high occupancy rates, also reinforced people's desire to visit its resorts.

One of BTHR's major concerns was consistency in delivering its brand promise. Since both the physical product and quality of service were equally important to this, BTHR preferred to build its own resorts rather than manage existing properties for others under contract. A negative experience managing a resort in Bali under a management contract for a year made it clear that protecting brand equity was more important than chasing short-term profits as Edwin Yeow noted, "The physical product of the resort in Bali didn't meet our standards. The owners were unwilling to upgrade the property. We had to drop it because we received a lot of negative customer feedback. If it is short-term profits but long-term regret, we would rather forgo it."

Within five years, BTHR had not only established itself as one of the top Asian resort chains but, even more importantly, a premier Asian brand - one synonymous with romance, intimacy, privacy and rejuvenation. As early as 1997, barely two years after its launch, BTHR hit a winning streak with a series of highly-coveted international awards and accolades given by the travel industry and various publications for its resorts and spa. These helped build its brand equity quickly through the publicity generated. It was ranked eighteenth among Asia's Top 50 Brands in a 1999 survey,³ and rated number one as the 'Brand with Greatest Upward Movement Potential' (See Exhibits 5a and 5b).

International Expansion

Deploying these strategies and capabilities, BTHR embarked on rapid growth and internationalization. Following the launch of Banyan Tree Phuket in September 1994, BTHR opened another two resorts in the Maldives and Bintan (an Indonesian island close to Singapore) within 18 months. But the pace of expansion was interrupted by the 1997/98 Asian financial crisis which forced it to abandon a further four planned projects in Indonesia when local partners ran into financial difficulties. Fears over the haze from forest fires in the Asian region and the crisis also adversely affected occupancy rates at its existing Bintan resort.

This experience led to a re-evaluation of its expansion strategy, but the company confirmed its belief in establishing strong brand equity in the Asia-Pacific region before venturing into other regions of the world. BTHR began to explore Indian Ocean destinations with projects in Seychelles and Nepal to be launched in 2001 and 2003 respectively. In January 2002, BTHR assumed management of Banyan Tree Bangkok from Westin Hotels and Resorts after the expiry of a five-year management contract. Other new destinations under consideration included Mexico, the Napa Valley in California, and Tuscany in Italy.

Despite the downturn in the luxury travel market due to the social and economical uncertainty faced by Asia from 1997, BTHR continued to experience an overall average occupancy rate of above 70% and an increasing stream of total revenue and gross operating profits between 1996 and 1999 (See Exhibit 6). Overall average room rates increased from US\$219 in 1996 to US\$256 in 1999 based on 'rack rates' (the price to the general public) of between US\$265-\$2,150 depending on location of the property, villa type and season. To keep close track of performance, BTHR benchmarked each resort against its main competitors in the vicinity by conducting a monthly "Fair Share Analysis" (See Exhibits 7a, 7b and 7c).

Evolving The BTHR Organization

BTHR now viewed itself as an international company that identified more with a distinctive positioning in the global hospitality industry rather than with any one nationality or national culture. Its vision was to be a global niche player. It now had more than 15 nationalities represented within its middle and senior management ranks. At the corporate headquarters, there were about 80 staff. The fact that its headquarters were in Singapore was more

³ Conducted by Interbrands, an international brand consulting company.

coincidental than precipitated. KP recognized that BTHR's Asian origin was a positive factor in positioning its existing resorts but he was quick to point out that it was not something that would limit the places where the resorts could be located. He was also determined that it would not influence the people he hired nor their progression within the company. Rather, the emphasis was on its corporate culture: the BTHR culture.

BTHR had a flat organizational structure. The executive committee was led by KP, Chairman and President. Other members consisted of Ariel Vera, Senior Vice-President of Finance and Joint Managing Director; H L Tee, General Manager, Wah Chang Group; and Edwin Yeow, Senior Vice-President of Marketing and Joint Managing Director. Resort general managers reported directly to the executive committee. They were given the autonomy to run their respective resorts as long as they were profitable.

BTHR's management team at the resort level was made up of relatively young and ambitious people who saw BTHR as a valuable stepping-stone to help them jump the system of slow career progression offered at the big hotel chains where they had been trained. Although these people were perhaps less 'loyal' to the company, their ambition and drive complemented KP's style of getting things done fast. BTHR was keen on "double-hatting" which was KP's way of developing his staff. Bernold Schroeder, for example, was appointed as both General Manager of Banyan Tree Maldives and Vice-President of Business Development while Abid Butt was both General Manager of BTR Phuket and Vice-President of Operations.

Consistency and Local Adaptation

Understanding that resort general managers faced different circumstances in different countries, the company adopted a flexible approach to providing consistent adherence to its key customer propositions delivered with a local flavor to enhance the experience. Service standards were set primarily in terms of customer satisfaction rather than specified in technical terms like times and quantities. The process of service delivery could vary according to the local culture as long as a high level of service quality was achieved and that BTHR's brand promise was fulfilled.

Local staff were encouraged to give innovative and exclusive service. This made guests feel that they were paid special attention instead of being served in a standardized format. BTHR had located its resorts in places where there was a strong service culture and local staff knew that good service brought them more tips. "Our guests have a personal waiter who serves them through their entire stay. Our waiters are motivated to serve their guests well because they are given an individual tip. Their basic salary is about US\$200 while their tips could go up to as much as US\$700. I leave it to them to be creative in their service and it has worked out very well. Some waiters took the decision to offer their guests a specially prepared fish served whole at their own tableside and they are simply delighted," illustrated Bernold Schroeder.

In terms of the physical product, standardization was imposed at the "hardware" level such as the concept of individual villas, private pools, jacuzzis and gardens, etc., but each resort was free to deliver the "software". For instance, beds were made in different ways at different resorts. Each resort could have its own style of making the beds as long as they were well

done and enhanced the romantic ambience of the villas. Since BTHR's corporate mission was "To develop and manage luxury resorts steeped in Asian tradition and environmental sensitivity", all BTHR resorts were designed and developed in such a way that they integrated into their environment, adapting the local architecture, landscape and vegetation.

Staff training at each resort depended on local preferences. In Phuket and Bintan training was conducted in classrooms whereas the Maldivians were trained on-the-job because they resisted classroom training. BTHR felt that it was important to respect the local culture and preferences in this area because people learn best when they feel comfortable with the training methodology. Training focused on communicating to staff how guests should feel, i.e. what the BTHR experience should be and the staff's role in delivering that.

Adaptation had to reflect the background of the guests as well as the location of the resort. Guests at the Asian resorts comprised 50% from Asia (22% from Japan), 34% from Europe, 12% from US, and 4% from the rest of the world. Conversely, guests at the Maldives resort were mainly Europeans. Guests from Asia and the US tended to stay an average of four nights while European guests usually spent an average of seven to nine nights. The Asian majority at the Asian resorts reflected shifting preferences from resort destinations in Europe to Asia by affluent Asians as a consequence of the financial crisis that started in 1997. Asian customers tended to be from Singapore, Hong Kong, Japan and, increasingly, People's Republic of China. Expatriate Westerners based in these countries were also an important group of customers. Guests from Europe were mainly Germans and Britons. Their visits were mostly during the dry season (October-May).

Approximately 25%-28% of BTHR's guests had been to the same resort before and a further 5%-8% had been to different resorts in the group. "At Maldives, our repeat guests who stayed with us during Christmas usually booked their stay for the coming Easter before they leave. The intimate and romantic ambience of the villas and the spa facilities are what attract them to come back. Many guests also come back to celebrate special occasions such as wedding anniversaries and birthdays," said Bernold Schroeder.

Competition was increasingly global. BTHR's competitors consisted of Aman Resorts, Four Seasons and Ritz Carlton. Historically, customers in this market segment decide upon their destination first and then choose the best hotel or resort in the area. If customers made their choices in this way, the primary competition would be between resorts located in the same area. More recently, however, there seemed to be an emerging trend for guests to choose their destinations according to where their preferred resorts were located.

Staffing at the Resort Level

The balance between consistency and local adaptation had to be clearly reflected in front-line service and hence the local organization within each resort. At BTHR Phuket, for example, the resort management team consisted mainly of expatriates including the General Manager, Controller (Accounts), Executive Chef, and the Food & Beverage Director.⁴ Only the

⁴ Main responsibility involved developing new concepts of food & delivery.

Training Manager was a local. All non-managerial staff were locals. The resort had about 300 staff (not including staff at the golf course) and the ratio of service staff to guests was 2.75:1.

As a premier resort in Phuket, staff were very proud to be part of BTHR. There was almost no staff turnover. Employee selection criteria were very strict, including work experience in a hotel with a similar corporate culture and proficiency in the English language. The proficiency requirement was higher for guest contact staff than non-guest contact staff because BTHR's guests came from all over the world. Although Phuket had a very good service culture, service problems tended to arise when staff misunderstood what the guest was asking or asking for due to the language barrier, particularly when English was not the guest's first language.

BTHR set up its own spa training school in Phuket because it was difficult to find local staff with expertise in spa treatments. Most of the spa staff started without any spa work experience and were trained in-house.

Product Development and Innovation

There was no room for complacency in the luxury resort business with customer expectations rising continuously as well as a desire among some guests to be delighted by an element of positive surprise. Keeping the experience "fresh" was essential.

KP and his team adopted an experimental approach to innovation relying heavily on feedback from their guests, wholesalers and other business partners. Feedback reports were collated and discussed during management meetings for corrective action to be taken where deemed necessary. They also brainstormed for new ideas and new ways to improve existing product offerings. Product innovations were mainly incremental, involving an expansion in the variety of services. For example, the Spa Pool Villa was created by converting one of the bedroom suites of the two-bedroom villas into an exclusive dedicated spa treatment room in Phuket and Bintan so that guests did not have to go to the spa complex. It also brought dining out of the restaurant by offering a dinner cruise on a traditional Thai wooden long tail boat in Phuket.

At the core product level such as its spa treatments, the Spa Manager at Banyan Tree Phuket was given global responsibility to drive innovation. Concepts/treatments were developed locally and then rolled out across resorts by a mix of management travelling and trainers moving to other resorts. But sharing among the resorts was not always a formal process: ideas were often exchanged among the general managers during management meetings. In some cases, product offerings were unique to certain resorts as they reflected the local culture and environment. At Banyan Tree Maldives, wedding packages included an underwater marriage ceremony among the corals while couples at Banyan Tree Phuket were blessed by Buddhist monks accompanied by traditional Thai music. BTHR encouraged innovations by staff at the individual resort level so that each resort would have a special touch of the local culture.

Launching a Second Brand

At the strategic level, feedback from guests and business partners was given serious consideration because it reflected market needs. Many business partners and guests had indicated a demand for a more affordable alternative to BTHR. In June 2000, a second mid-range brand, 'Angsana Resorts and Spa' (Angsana) was launched to capture a wider customer base. Sporting a contemporary image, Angsana was a four-star spa resort providing room and suite-type accommodation, and spa services with the same BTHR brand attributes of romance and intimacy. It also included the Angsana Gallery. Its target market was couples, small families and companies organizing corporate retreats.

Angsana's first resort in Bintan had 135 rooms. Room rates ranged from US\$200-US\$450 per night. Prices at Angsana Spa were 40% lower than at Banyan Tree Spa. Positioned as a regional brand to complement the Banyan Tree brand's global aspirations, new Angsana resorts and spas were set to be opened in Australia, India, and the Maldives within two years. It also had plans to establish spas at other hotels, resorts and country clubs.

Management of Banyan Tree and Angsana resorts' corporate issues were centralized while sales and marketing activities were managed separately. Edwin Yeow believed that it was important to focus on them separately because the two brands targeted a different market segment. On the operating level, it depended on the situation: for instance, the spas of Banyan Tree and Angsana were managed by different managers while their procurement was centralized.

Banyantravel.com

On 7 Oct 2000, BTHR launched Banyantravel.com, a one-stop, membership-free portal for customers to research, plan and book their vacation online (See Exhibit 8). Its target market was the highly individualistic "Free Independent Traveler" (FIT) who valued unique and quality travel experiences with a touch of romanticism and intimacy. FITs mostly preferred hotels that were small and owner-managed, and these tended not to belong to any international reservations network. KP saw the opportunity to set up the portal to bridge this gap in demand and supply.

Banyantravel.com offered a wide range of non-BTHR managed inns and hotels, and travel packages that allowed travelers to replicate the Banyan Tree vacation experience around the world. It also tied up with various travel partners to offer special discounts and limited period promotions that ranged from seasonal savings, complimentary meals and free room-nights, to tour inclusions. The website included a Travel Planner where customers could plan every step of their vacation and make bookings for accommodation and travel packages. Other features included a forum, an online quiz section, a travel toolkit and an e-card selection.

New Challenges Ahead

KP had good reason to be satisfied with BTHR's results to date. With his team, he had developed a distinctive service concept and built a world-class service organization to deliver it in multiple destinations backed by a strong brand. But he remained restless to fulfil his vision for BTHR in the next five to 10 years: "to become a leading player in the niche luxury premium market with a sustainable 15 to 20 properties encircling the globe in exotic, quasi tropical locales, and to test out the brand in different areas and become a lifestyle brand."

Although BTHR had global aspirations, it faced the challenge of finding exotic sites that would suit its existing formula without compromising the brand. BTHR had set its sights on expanding into destinations such as the Napa Valley in California and Tuscany in Italy, but establishing resorts outside of Asia would almost certainly require some adjustment in its product offerings to reflect the local culture. It planned to focus more on wine and food than on spa services at such destinations. But would this work? On one level, such a shift made perfect sense, enabling the company to leverage the fame of the wines produced in these locations. But there was also the risk of brand dilution if BTHR moved away from the Banyan Tree Spa which is a signature service and an important vehicle in creating the Banyan Tree experience at its existing resorts. How could BTHR manage this without adversely affecting its brand equity?

On the issue of brand extension KP and his team had countless discussions. How could they extend the brand without harming it? Could it make a leap into a lifestyle brand?

Perhaps even more fundamental was the question of how scalable the BTHR concept could be without losing its distinctiveness and the aura of "something special". Expansion would also require additional financing, the most likely source of which was a public listing of BTHR. While this would broaden BTHR's options to invest in growth, it also meant that the company would face more pressure to make ever-increasing profits. KP was concerned that "Banyan Tree would degenerate into just a nice chain of resorts that did not enthuse people in a special way anymore" in the wake of an increased emphasis on financial and share price performance.

With a growing number of resorts, new brands and the prospect of becoming publicly listed, KP also saw a need to reorganize BTHR's organizational structure. He contemplated creating positions like regional managers and directors to be in charge of corporate issues. While there seemed to be a need for strengthened central direction while maintaining local responsibility and innovation, KP was concerned that more layers would slow down the decision-making process and reduce the company's flexibility. His task was to find the right balance.

Exhibit 1
Banyan Tree Spa

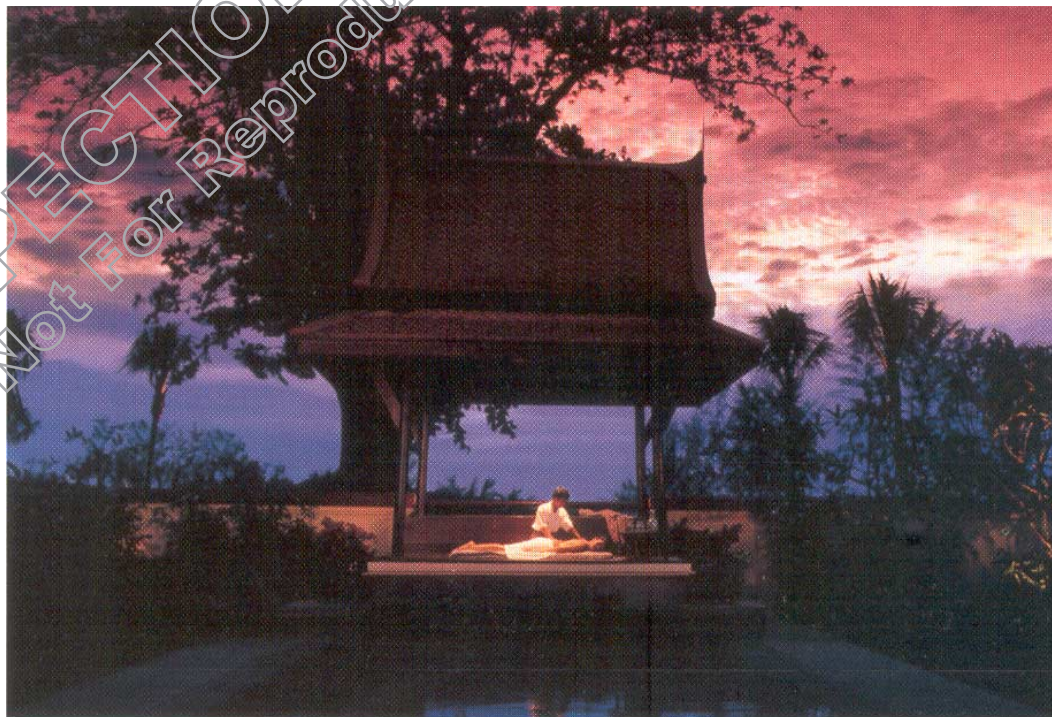


Exhibit 2
Banyan Tree Logo



Exhibit 3*Banyan Tree Hotels & Resorts Worldwide Sales Offices*

BANYAN TREE HOTELS & RESORTS WORLDWIDE SALES OFFICES	
Australia	South Korea
Germany	Taiwan
Hong Kong	Thailand
Japan	United Kingdom
Singapore	United States
SMALL LUXURY HOTELS GDS: LX	
Australia	Netherlands
Canada	New Zealand
France	Spain
Germany	Switzerland
Hong Kong	USA
Italy	United Kingdom
Japan	

Exhibit 4
Banyan Tree Hotels & Resorts Advertisement



Banyan Tree Maldives Vabbinfaru

SANCTUARY FOR THE SENSES

Top Spa and Retreat Experience

~ Arts and Entertainment Television Networks, USA 2000 ~

Best Resort Hotel In Asia Pacific

~ The Asian Wall Street Journal and CNBC Asia, 1999 ~

Best Overseas Spa Resort

~ Condé Nast Traveller, 1998 ~

Ecotourism Award

~ Condé Nast Traveler, 1999 ~

Best Resort Hotel

TTG Travel Awards, 2000, 1999, 1998 & 1997

~ PATA Travel Mart ~

Asia's Top Vacation Resort

~ Asiamoney, 2000 ~

Tourism For Tomorrow

Highly Commended Award, 1998 & 1997

~ British Airways ~

Best Resort Group

Gold Awards 1998

~ Meetings & Conventions Asia / Pacific ~

Best Hotel Group

~ Travel Asia Breakthrough Eco-Awards 1999 ~

Most Innovative Linked Product

Tourism Awards 1998

~ Singapore Tourism Board ~

American Express and International Hotel Association

~ Environmental Awards, 1992 ~



Banyan Tree Phuket



Banyan Tree Bintan



Banyan Tree Spa



BANYAN TREE
HOTELS
AND RESORTS

www.banyantree.com

For enquiries, please contact Tel: +65 649 5800 / 28 / 29 / 30 / 31 / 15 Fax: +65 462 2463
 Email: reservations@banyantree.com

Exhibit 5a
International Awards and Accolades

Banyan Tree Phuket

1. Best Resort Hotel by the Pacific Asia Travel Association (PATA) (1997 - 2000)

The awards were decided by a voting poll based on the views of travel professionals that included travel agents, tour operators and destination management companies. Criteria: (1) best product, (2) best range of value-added benefits, (3) most environmentally conscious, and (4) the most professional marketing and sales team.

2. Best Resort Hotel in Asia by The Asian Wall Street Journal and CNBC Asia (1999)

Banyan Tree Phuket emerged in the top spot from a host of 120 resorts in the Asian region based on (1) attractive prime location, (2) service excellence, and (3) fine quality of in-villa amenities.

3. World's Best Spa Resort by Condé Nast Traveler (1998)

Banyan Tree Phuket was voted into the top spot based on (1) service excellence, (2) fine quality of spa treatments and facilities, (3) most luxurious villas, (4) sensitivity to the environment, (5) wide range of healthy foods, and (6) comfortably delightful ambience.

4. Top Spa & Retreat Experience

A panel of experts including travel editors, lifestyle journalists and spa guide editors selected by Arts & Entertainment (A & E) Television Networks in the United States ranked Banyan Tree Phuket as the top spa among numerous world class spas. Banyan Tree Phuket emerged top in the following criteria: (1) number of services offered, (2) best value, (3) setting, (4) spa cuisine, and (5) uniqueness of experience.

5. Asia's Top Vacation Resort - Asiamoney

Banyan Tree Hotels & Resorts

1. Ecotourism Award by Condé Nast Traveler (1999)

The award recognized measures that were sustainable, responsible and beneficial to the environment. The Banyan Tree was acknowledged as the leader in the industry in upholding this principle in every preservation and conservation measure that it had undertaken at its resorts.

2. Tourism for Tomorrow Highly Commended Award by British Airways (1997, 1998, 1999)

The three Banyan Tree resorts were awarded the British Airways' Tourism for Tomorrow Highly Commended Award for three consecutive years for their environmental conservation efforts.

3. Brand with Greatest Upward Movement Potential by Interbrands (1999)

Banyan Tree Hotels & Resorts was listed in first place as the Brand with Greatest Upward Movement Potential in a survey report on Asia's Top 50 Brands. The survey was conducted by Interbrands, an international brand consulting company.

4. Best Hotel Group (1999) - Travel Asia Breakthrough Eco-Awards

5. Best Resort Group (Gold Awards 1998) – Meetings & Conventions Asia Pacific

6. Most Innovative Linked Product (Tourism Awards 1998) – Singapore Tourism Board

Exhibit 5b*1999 survey report on Asia's Top 50 Brands⁵*

TOP 50 ASIAN BRANDS LEAGUE			
Rank	Brand	Category	Origin
1	Singapore Airlines	Airline	Singapore
2	Speedo	Apparel	Australia
3	Shangri-La Hotels & Resorts	Hospitality	Hong Kong
4	Lee Kum Kee	Food & Beverage	Hong Kong
5	Foster's	Alcoholic Beverage	Australia
6	Qantas	Airline	Australia
7	Sound Blaster	IT	Singapore
8	Acer	IT	Taiwan
9	Star TV	Media	Hong Kong
10	Cathay Pacific	Airline	Hong Kong
11	Regent Hotels	Hospitality	Hong Kong
12	HongkongBank	Financial Services	Hong Kong
13	Mandarin Oriental	Hospitality	Hong Kong
14	Thai Airways	Airline	Thailand
15	San Miguel	Alcoholic Beverage	Philippines
16	Tiger Beer	Alcoholic Beverage	Singapore
17	Lonely Planet	Media	Australia
18	Banyan Tree	Hospitality	Singapore
19	Samsung Electronics	Electronics	Korea
20	Giodano	Apparel	Hong Kong
21	Sheridan	Home Furnishings	Australia
22	Watson's	Retail	Hong Kong
23	Brand's	Food & Beverage	Singapore
24	Anchor	Food & Beverage	New Zealand
25	Hyundai Motor	Automotive	Korea
26	Raffles Hotel	Hospitality	Singapore
27	Want Want	Food & Beverage	Taiwan
28	Tiger Balm	Consumer Products	Singapore
29	Royal Selangor	Home Furnishings	Hong Kong
30	Far Eastern Economic Review	Media	Hong Kong
31	Aman Resorts	Hospitality	Hong Kong
32	Peninsula Hotel	Hospitality	Hong Kong
33	Arnott's	Food & Beverage	Australia
34	Amoy	Food & Beverage	Hong Kong
35	EVA Air	Airline	Taiwan
36	TVB	Media	Hong Kong
37	LG Electronics	Electronics	Korea
38	Jim Thompson	Home Furnishings	Thailand
39	Tsingtao Beer	Alcoholic Beverage	China
40	Vitasoy	Food & Beverage	Hong Kong
41	DSF	Retail	Hong Kong
42	Anlene	Food & Beverage	New Zealand
43	Malaysia Airlines	Airline	Malaysia
44	Channel V	Media	Hong Kong
45	Quiksilver	Apparel	Australia
46	Chesdale	Food & Beverage	New Zealand
47	Country Road	Apparel	Australia
48	G2000	Apparel	Hong Kong
49	Hazeline	Consumer Products	Singapore
50	Star Cruise	Leisure	Singapore

5 'Top 50 Asian Brands League', Asian Brand News, March 1999.

Exhibit 5b (Cont'd)

BRANDS WITH GREATEST UPWARD MOVEMENT POTENTIAL		
Rank	Brand	Origin
1	Banyan Tree	Singapore
2	Star Cruise	Singapore
3	Channel V	Hong Kong

Exhibit 6

Banyan Tree Group Financial Performance 96-99 (All Figures in SGD '000)

<u>Banyan Tree Hotels</u>	1996	1997	1998	1999
Occupancy	73%	71%	73%	77%
Average Room Rate	308	416	373	434
Revenue	25,794	27,326	37,524	45,255
Gross Operating Profit	9,909	9,172	17,553	22,625
<u>Banyan Tree Spas</u>				
Revenue	370	1,348	3,775	6,147
Gross Operating Profit	57	375	2,417	4,404
<u>Banyan Tree Golf Club</u>				
Revenue	2,953	2,543	4,002	3,745
Gross Operating Profit	1,171	683	1,605	1,211
<u>Banyan Tree Gallery</u>				
Revenue	1,674	1,845	2,983	3,419
Gross Operating Profit	(71)	59	541	795
<u>Banyan Tree Management Co.</u>				
Revenue	3,077	6,269	9,126	11,332
Gross Operating Profit	457	2,118	4,863	6,145
<u>Combined Banyan Tree Group</u>				
Revenue	33,868	39,331	57,410	69,898
Gross Operating Profit	11,523	12,407	26,979	35,180
GOP as % of Revenue	34%	32%	47%	50%
<u>Exchange rates:</u>				
THB: SDG	17.99	20.68	24.60	22.34
USD: SGD	1.4	1.48	1.67	1.69

Source: Company Data, BTHR.

Exhibit 7a*Fair Share Analysis of Banyan Tree Phuket (Year End Dec 99)***Main Competitors**

Hotel	Keys	Potential Room Nights	Occupancy % Fair Share	Room Nights Sold	Paid Occupancy %	Occupancy % Market Share	Occupancy Fair Share Achievement ⁶
Banyan Tree	108	39,432	22.6%	31,117	78.9%	24.6%	109%
Amanpuri	40	14,880	8.5%	8,707	58.5%	6.9%	81%
Sheraton	323	120,156	68.9%	86,432	71.9%	68.5%	99%
Total	467	174,468	100%	126,256	72.4%	100%	

Average Rate (Thai Baht)

Hotel	Actual Average Rate	Potential Room Revenue	Room Revenue - Fair Share	Occupancy %	Actual Revenue - Room	REV - Market Share
Banyan Tree	11,887	468,728,184	32.1%	78.9%	369,887,779	35.6%
Amanpuri	22,308	331,943,040	22.7%	58.5%	194,235,756	18.7%
Sheraton	5,490	659,656,440	45.2%	71.9%	474,511,680	45.7%
Total	8,226	1,460,327,664	100%	72.4%	1,038,635,215	100%

Source: Company Data, BTHR.

⁶ Occupancy Fairshare Achievement = Occupancy Market Share / Occupancy Fairshare.

Exhibit 7b*Fair Share Analysis of Banyan Tree Maldives (Year End Dec 99)***Main Competitors**

Hotel	Keys	Potential Room Nights	Occupancy % Fair Share	Room Nights Sold	Paid Occupancy %	Occupancy % Market Share	Occupancy Fair Share Achievement
Banyan Tree	48	17,856	14%	13,492	76%	17%	109%
Sonevafushi	62	23,064	18%	12,666	55%	16%	79%
Four Seasons	106	39,432	31%	22,107	56%	27%	81%
Hilton Maldives	130	48,360	38%	32,959	68%	41%	98%
Total	346	128,712	100%	81,224	63%	100%	

Average Rate (US\$)

Hotel	Actual Average Rate	Potential Room Revenue	Room Revenue - Fair Share	Occupancy %	Actual Revenue - Room	REV - Market Share
Banyan Tree	262	4,678,272	14%	76%	3,534,904	15%
Sonevafushi	301	6,942,264	21%	55%	3,812,466	23%
Four Seasons	341	13,446,312	41%	56%	7,538,487	35%
Hilton Maldives	158	7,640,880	23%	68%	5,207,522	27%
Total	247	32,707,728	100%	63%	20,093,379	100%

Source: Company Data, BTHR.

Exhibit 7c
Fair Share Analysis of Banyan Tree Bintan (Year End Dec 99)

Main Competitors

Hotel	Keys	Potential Room Nights	Occupancy % Fair Share	Room Nights Sold	Paid Occupancy %	Occupancy % Market Share	Occupancy Fair Share Achievement
Banyan Tree	72	26,520	9%	19,606	74%	12%	133%
Mayang Sari	56	20,440	7%	8,488	42%	5%	71%
Bintan Lagoon	441	151,840	53%	96,735	64%	57%	108%
Nirwana Resort	245	89,425	31%	38,309	43%	23%	74%
Total	814	288,225	100%	163,138	57%	100%	

Average Rate (\$\$)

Hotel	Actual Average Rate	Potential Room Revenue	Room Revenue - Fair Share	Occupancy %	Actual Revenue - Room	REV - Market Share
Banyan Tree	339	8,990,280	28%	74%	6,660,994	34%
Mayang Sari	85	1,737,400	5%	42%	719,402	4%
Bintan Lagoon	99	15,032,160	47%	64%	9,536,538	49%
Nirwana Resort	69	6,170,325	19%	43%	2,637,075	13%
Total	147	31,930,165	100%	57%	19,554,010	100%

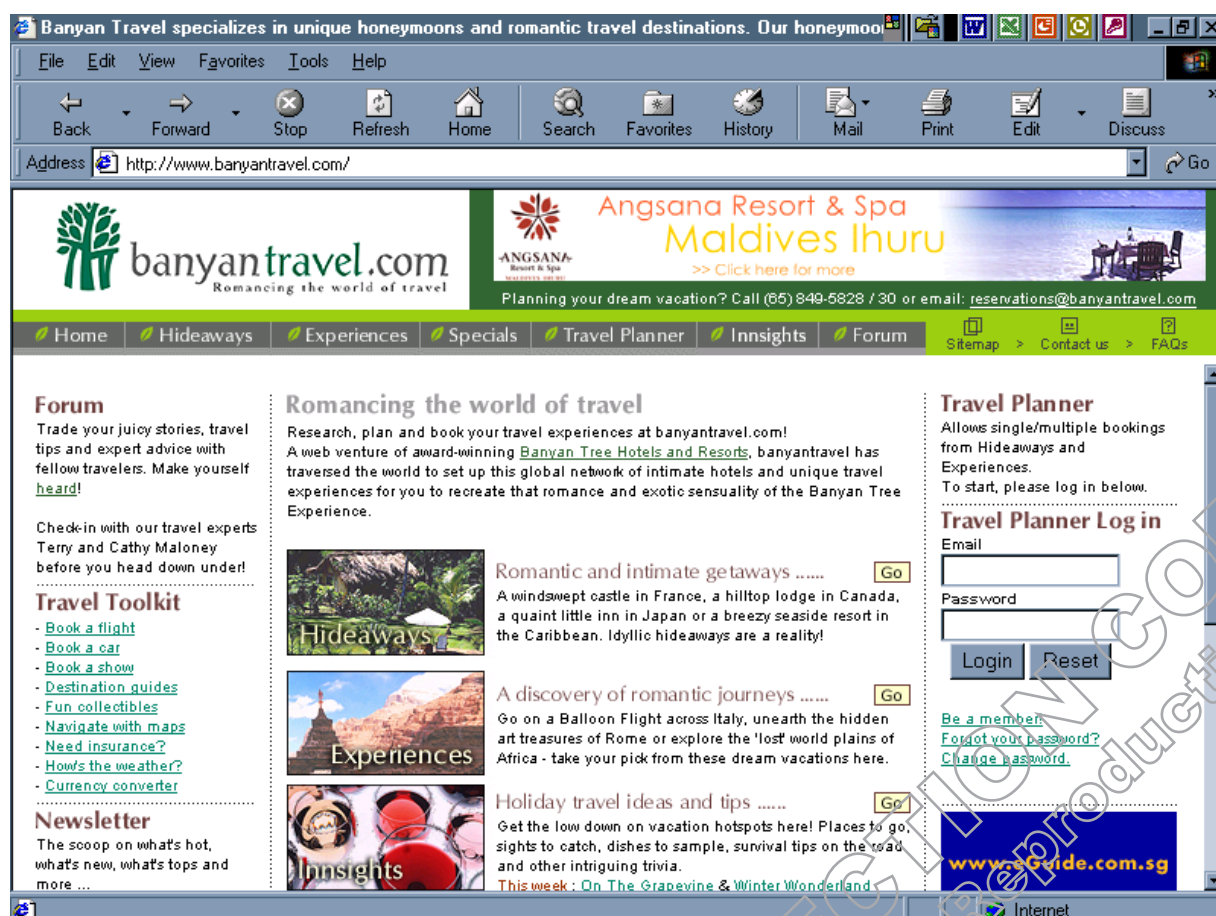
Source: Company Data, BTHR.

Exhibit 8

Banyantravel.com

Banyantravel.com was categorised into six main sections:

- (1) **Hideaways** – Featured more than 700 hotels and inns spanning 50 countries in Europe, North and South America, Africa, Asia and the South Pacific. The destinations were categorised by regions.
- (2) **Experiences** – Featured travel/tour packages which were categorized by country and themes such as 'Culture & Romance', 'Soft Adventure', 'Cruises', 'Trains' and 'Events'.
- (3) **Specials** – Featured special discounts and limited period promotions which ranged from seasonal savings, complimentary meals and free room nights to tour inclusions.
- (4) **Travel Planner** – An integrated organizer to help members plan every step of their holiday and make single/multiple reservations from 'Hideaways' and 'Experiences'. Members could also add other travel information such as flights, car rentals, events etc. The information stored could be changed to suit their needs for each trip.
- (5) **Innsights** – Featured various articles, holiday ideas and tips.
- (6) **Forum** – A forum for members to share their travel experiences.



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