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CASE STUDY

MBA UiTM CAWANGAN JOHOR

AA701/AA705

GLOBAL BUSINESS STRATEGY AND SUSTAINABILITY

CONTENTS

Case Study: Global Business Strategy And Sustainability

SERIES 1

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Contents

Acquistion as Entry Modes: Winning or Losing?

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ABSTRACT

This study assesses either acquisition of KD Hotel is the wise decision made by Malazure Eko Group due to the difference aspects crossroads of Europe and Asia culture as well as values. The analysis is based on a qualitative and quantitative approach where an interview was conducted with the hotel general manager and questionnaires were distributed for further clarification. It’s been found that the acquisition made by Malazure Eko Group to purchase the hotel is successful as it is in a strong position and needs to focused on marketing development to sustain its position among the other competitors.

Keywords: market positioning, entry mode, acquisition, tourism

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SPECIAL NOTE

The organizations, the personnel, the characters, and venders as well as state holders (in any appearance) are an imitation, and don't represent any real character or organization. If some coincidence occurs and resemblance conflicts with any real character or any organization, this should be known that it is not done on purpose as the writers of this case study acknowledge the respect and importance of the anonymity and privacy if each individual relevant in any respect.

INTRODUCTION

During a visit to the historic metropolis that spans Europe and Asia, the CEO of Malazure Eko Group discovered a hotel named KD Hotel was on sales in the Beyazid area. He decided to acquire the hotel, rebrand it as Malazure Hotel and starts operations in January 2022. The acquisition was executed brilliantly during the global recovery from Covid-19 and Turkey's resurgence in tourism industry.

Malazure Hotel is situated in a high tourism area on the European area facing the Marmarasea. It is near the Cemberlitas Tram Station and within 15-minutes walking distance from prominent tourist spots such as Grand Bazaar, Hagia Sofia, Blue Mosque, Topkapi Palace and other exciting spot areas. Most of the hotels in that area were budget hotels with a boutique concept, with the market segmentation targeted backpackers and small families. The hotel has four storeys and a breakfast area at the top, offered a scenic view of Istanbul. There were 14 rooms with ten standard rooms, three family rooms and one king room with 70% of the guests were Russians. The hotel hired five employees; two local Turkish and three foreigners. There were two receptionists and each of them were designated to different work area, one employee in the food and beverage section, one employee as a bell boy and one employee in the spa section as a masseur. The employees are recruited based on their experience to enhance customer service provided to the guests.

BACKGORUND OF THE TOURISM INDUSTRY IN THE REGION AT THE CROSSROADS OF EUROPE AND ASIA

Turkey is a popular tourist destination, and the government actively promotes the country through a second home program. In 2018, it is recorded that Istanbul had approximately 71,893 hotels with the tourism industry is the country's second largest economic contributor. Turkey, a country with a unique geographical position, spanned both Asia and Europe has historically acted as a bridge between the two continents. The country is located at the intersection of the Balkans, the Caucasus, the Middle East, and the eastern Mediterranean. It is one of the region's larger countries in term of territory and population, and its land area exceeds that of any European state. One of the challenges of doing business in Turkey is the language barrier as majority of the Turkish cannot converse in English. Currently, Turkey is facing the highest inflation with USD1, equivalent to 17 Lira, resulted in changes to expenses.

According to Trading Economic (2022), the number of tourists visited Turkey has increase three times from the previous year, reinforcing expectations that a tourism industry will help improve an economy that has been significantly suffered by few issues such as a undervalued currency and high inflation. Appendix A represents Turkey tourist arrival for its five years previous record. Accordingly, tourism revenues have been increased by 95% year on year to $7.63 billion in the fourth quarter of 2022, with foreign visitors embodied 80.1% and citizens living abroad embodied 19.9%, primarily for personal or package tours. Overall, tourism revenues increased by 103%

to $24.48 billion in 2022. Appendix B provides overview of Turkey tourism revenue in 2022.

Despite Ukraine conflict that has caused disruptions, expert in tourism industry representatives predicted that the number of tourists would recover to statistic seen before the pandemic. It is anticipated that the industry to bounce back to its pre-pandemic, overcome the declined due to Covid-19 pandemic. One of the reasons is the currency's weakness, as the Lira has lost half of its value over the past year, attracted tourist from other countries that previously contributed less to Turkish tourism industry. The Turkish government believed that foreign income and contributions stabilized the currency and control rising prices despite the trade balance has slipped further into negative balance. Tourist arrivals to Turkey are increasing, with more visitors come from various countries. Additionally, the hospitality industry in Turkey generated more than USD 1 billion, and to accommodate this growing number of visitors, more than 1,000 rooms from various hotel brands are being added to the supply in Istanbul between 2018 and 2021. Appendix C represents Turkey hotel revenues from 2017 to 2026.

ENTRY MODE: ACQUISITION STRATEGY

The primary goals of acquisition were to expand businesses reach across industries, diversification, to gained competitive advantages or to achieved cost efficiencies. In the Ease of Doing Business Index, Turkey ranked at 33 among 190 countries globally in relative ease or difficulty of doing business. Additionally, Tourism Market Overview (2020) recorded that there are 18 mergers and acquisitions deal between 2017 and 2022 to capitalize on the abundance of tourism revenues in Turkey.

There are few advantages of choosing acquisition as an entry mode for Malazure Hotel. One of the advantages is that the hotel building is ready for immediate operation, allowed for a swift start to business activities. Secondly, the existed capability and resources can be delegated immediately, and there is no requirement for employees training. Thirdly, the current supply chain can be maintained to support the business. Throughout daily business, the resources can be adjusted to meet the changes of need. To minimized entry barriers costs, it required market research, created a new product and duration of time. Efficient customer service is crucial in portray how well a hotel is rated by its guests. An employee who are proficient in handling customer problems, helpful, polite and possesses positive attitude, positively impact the hotel's reputation and its brand image. In other words, good customer service can significantly enhance the hotel's overall rating and public perception. Thorough an observation from Booking.com, 40 sample of comments were collected from the guests to assesses feedback on the hotel's service and quality. The reviews were gathered from visitors who come from various countries. It was found that 34 feedback indicates that the staff at Malazure Hotel offers the most excellent customer service. To meet the expectation of regular customer, it is crucial to maintain high service standard during the transition to new management. Customers who are get used with the previous service might notice any declines. Thus, it is essential for a smooth and collaborative transition process with the outgoing management to ensure that service quality remains consistent and improvements are implemented effectively.

POSITIONING ANALYSIS

Through interview session, guests feedback on Booking.com and questionnaire, the position of Malazure Hotel has been access. The competitive advantage of Malazure

Hotel is largely influence by its external environment compared to its internal factors. Therefore, the hotel implemented an intensive strategy on product innovation, expanded its market reach, and market penetration. Throughout the analysis, it is concluded that the strategy taken by Malazure Eco Group to acquire a hotel in Istanbul for market penetration is well-executed, effectively positioned it to compete strongly within Turkish tourism industry. With the current resources and capacity, a strategic approach to market development is fundamental to reach new target guests. Capitalized social media and enhanced partnerships with search engine platforms can facilitate this process, while the hotel's website should be maximized by portraying Istanbul's dynamic attractions to attract and engage potential customers.

FUTURE GROWTH

The study has suggested measures that Malazure Hotel can consider to strengthen their business performance. These included:

1) *Market development through online reputation*

   Based on search result Booking.com, there are 272 boutique hotels in Istanbul and Malazure Hotel is classified in this category. However, Malazure Hotel is not noticeable. Therefore, it is essential to have distinctive features to stand out among competitors in hotel search engines and maximise the benefits which will enhance Malazure Hotel visibility among guests who are using hotel search engines like Agoda, Trivago, Kayak, and Google Hotels. By utilizing these websites, Malazure Hotel could increase its customer base, particularly during the off-peak season. Attracting guests from various geographic locations can lead to diverse holiday preferences, potentially addressing the hotel's low occupancy rate during the winter season. Likewise, collaboration with Online Travel Agencies, OTA, such as Expedia, Hotwire, Skyscanner and

TravelPerk is another element for effective hotel internet marketing since OTA sites remain increasingly popular. By connecting with OTAs, the hotel will enhance its visibility and improve its search engine ranking. Since most of the travellers frequently use platforms like Facebook, Instagram, and Twitter to choose their vacation destination, it is vital for Malazure Hotel to optimizing its social media. By showcasing captivating content such as travel inspiration, special offers and recommendation, potential guests may engage. Investing a small investment in paid advertisement is worthy as it will showcase the main messages to the targeted guests. Additionally, authentic guests feedback is expected to enhances credibility, offering valuable insights from real consumers rather than from the hotel itself. A further proposal is to hiring an intern to help lighten the workload of the five existing staff members, making it easier to manage hotel operations effectively. Depending on the specific areas requiring support, hiring students from diverse academic backgrounds with varying expertise can enhance Malazure's reputation as a boutique hotel.

2) *Improve occupancy rate*

Generally, it is more manageable to target previous guests who had a positive experience at Malazure’s hotel rather than to attract new guests. Through categorized email lists and targeting them with timely marketing, the hotel can improve occupancy rates. For instance, the hotel could send personalized emails about upcoming events or memorable experiences, inviting guests to return and cherish those enjoyable moments. An alternative suggestion is the utilization of Hotel Management Software that will help the owner to facilitate reservations, streamline operations and direct booking. The implementation could minimize the time spent on managing hotel bookings, allowing staff to concentrate more on delivering exceptional customer service to guests. For instance, Think Reservation contain features such as online boking engine, forecasting, guest relation, streamline hotel operations and simplify the management of bookings across multiple platforms. Considering small team of just five workers, implementing hotel management software can help reduce staff responsibilities, allowing them to focus on tasks that require a more personal touch.

3) *Discount and special promotion*

The hotel could enhance its year-round event by introducing promotions, packages, and by capitalizing on annual events and festivals like the Istanbul Film Festival, Istanbul Jazz Festival, Istanbul Puppet Festival, and Istanbul Theatre Festival. By implementing a strategy such as spa lunch and massage for guests who stay three days during the festive could provide an additional service to the guests. Additionally, during winter session, the hotel could offer a branded throw blanket and hot drinks in the dining area for its guest to elevate their comfort. Furthermore, to maximize return on investment, a strategy of customizing packages based on occupancy periods and type of guests can be consider by the management.

4) *Improve Infrastructure*

Since the hotel was acquired in its the original condition, renovation is necessary to upgrade the current infrastructure. The old beds need to be replaced with the new ones and to minimize noise from next rooms, cushions can be installed within the walls. Additionally, installing an automatic door closer will help to reduce the disturbing sounds caused whenever the doors is close. Another issue to be taken into consideration is the breakfast area, which is currently located on the top floor. Due to the lack of an elevator and the narrow staircase, elderly guests and health-impaired guests have difficulty accessing the upper floors. To tackle these issues, it is recommended to relocate the breakfast area to the ground floor. This adjustment will not only improve convenience for guests but also allow them to easily move to sightseeing activities after their meal. To enhance customer satisfaction and maximizing revenue, the hotel can offer more flexible options and services based on room location.

CONCLUSION

The acquisition of the Malazure Hotel in Istanbul is a strategic decision made by the management at a timely moment following Covid19 pandemic as Turkey's tourism industry begins to recover. Nevertheless, it is vital to address new challenges such as high inflation when planning business strategies. There is optimism that Turkey tourism industry will overcome inflation and continue to grow.

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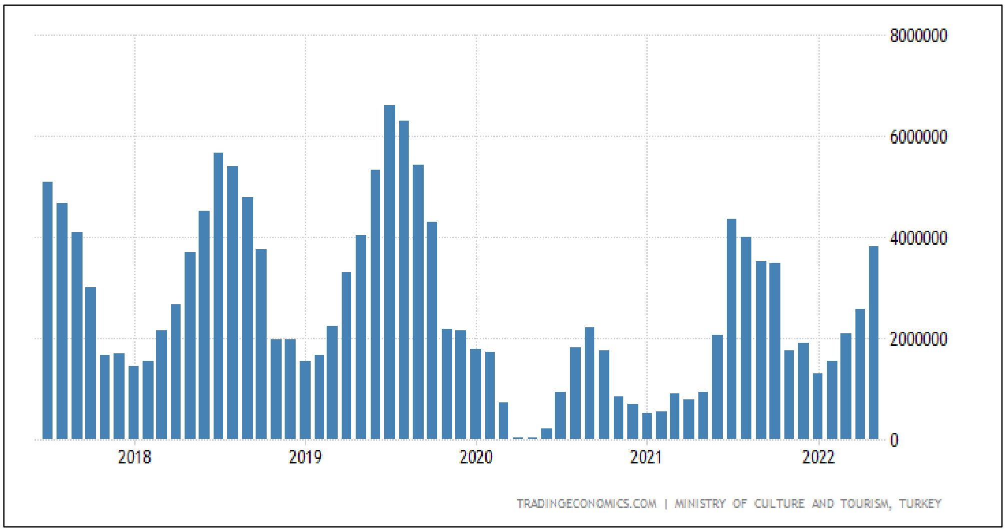
APPENDIX A

Turkey Tourist Arrival



Sources: Trading Economics.com, 2022

APPENDIX B

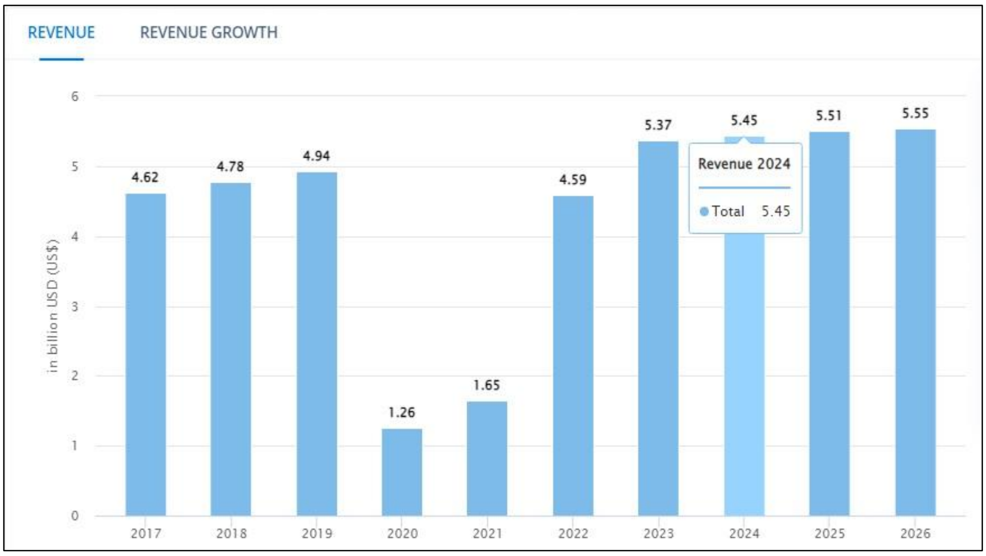
Turkey Tourism Revenues

Related	Last	Previous	Unit	Reference
Balance of Trade	-10604.72	-6130.11	USD Million	May 2022
Imports	29588.24	29482.03	USD Million	May 2022
Exports	18983.52	23351.92	USD Million	May 2022
Tourism Revenues	5450.00	7630.00	USD Million	Mar 2022

Sources: Trading Economics, 2022

APPENDIX C

Turkey Hotel Revenues



Sources: Statista, 2022