

Research Article

Study on China's Single-Star Hotel Business Situation and Development Strategy

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Abstract: In this study, we have a study on China's single-star hotel business situation and development strategy. Since the reform and opening up in the late 1970s, China hotel industry has been playing an increasingly important role, but improving the group level is still a long way to go, especially under the situation that the many single star class hotel living worrying. In particular in: aging facilities and equipment cause a vicious cycle of product quality of single-star hotels, continuous worsen of human resources and an increasing number of competitors, which make single-star hotels continue to weaken the anti-risk ability. At the same time, the increasingly high operating cost makes the single-star hotel profit margins shrinking. In our results, single-star hotels must make efforts in the following areas: Firstly, to focus on customer perceptions to increase their visibility and reputation; Secondly, to active the financing channels to raise their level of hardware; Thirdly, to strengthen human resource development to focus on cultivating their excellent staff.

Keywords: Development strategies, operating status, single-star hotels

INTRODUCTION

Hotel industry is the first of China's opening up the window industry. After 30 years of development, its market has now become a high degree of multi-format rich, well-equipped facilities, high degree of social cognition typical of the modern service industry. China's hotel industry is playing an increasingly important role to enhance the tourist reception levels and establish the image of regional development and industry standards, to meet diverse consumer demands and to lead the transformation and upgrading of modern service industry (Shi-Jun and Kai-Ling, 2011; Zheng-Bin, 2009; Zhou, 2009). But it is undeniable that as the conversion of the market and increasing competition, a considerable part of Chinese living conditions of single-star hotel is indeed worrying. This study mainly analysis the current development of its single star hotel in a general condition, from the Chinese hotel industry and its current development group, so as to do some superficial trying of finding its way to the future survival and development (Wen-Xian, 2009; Zheng-Bin, 2009).

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human resources, and an increasing number of competitors, which make single-star hotels continue to weaken the anti-risk ability. At the same time, the increasingly high operating cost make the single-star hotel profit margins shrinking. In our results, single-star hotels must make efforts in the following areas: Firstly, to focus on customer perceptions to increase their visibility and reputation; Secondly, to active the financing channels to raise their level of hardware; Thirdly, to strengthen human resource development to focus on cultivating their excellent staff.

THE STATUS OF CHINESE HOTEL INDUSTRY DEVELOPMENT AND GROUP DEVELOPMENT

The amount of star hotels increased steadily, with a growing industrial contribution: According to the study "China's tourism industry, hotel development and management :the Review of the " Eleventh Five-Year "and Outlook of the" five-second" issued by China National Tourism Administration Supervision and Management Division, as of the end of 2010, China has a total of 14 691 star-rated hotels, including 603 five-star Class Hotels , 2214 four-star hotels , 6399 three-star hotel, 5121 two-star hotels and 354 one-star hotels. While in 1978, there were only 415 foreign-related hotels in China, which can accommodate only 208 foreign guests. From this we can see that the number of Chinese-star hotel is steadily growing. During the "Eleventh Five-Year "period, the average annual growth rate of star hotels is 5.5% and 6.3% of star hotel rooms. From the star in terms of structure, high-star

hotels growing much faster than the low-star hotels. During the "Eleventh Five-Year Plan "period, the average annual number of five-star hotels increased by 16 percent, far higher than the overall average (Shi-Jun and Kai-Ling, 2011).

In terms of regional distribution, economic developed areas and tourist developed areas own more and high grade star hotels. Star hotels in eastern China account for half of the total number, more than 6 percent of which are high-star hotels. In the developed eastern provinces, high-star hotels have been "settled" county-level cities, towns and even in some areas, such as Sanya, Hainan, Guangdong, Dongguan, Suzhou, Hangzhou, Thousand Island Lake and so on, has formed a high-star hotel group (Shi-Jun and Kai-Ling, 2011).

In terms of business conditions, from 2008 to 2009, China's tourism and hotel industry has experienced a severe test of the global financial crisis. In 2009, the country's average rate of room occupancy in star hotels is 57.88%. By the end of 2010, the whole industry had basically get out of the shadow from the financial crisis (Shi-Jun and Kai-Ling, 2011).

As for the operations situation during the "Eleventh Five-Year " period, star hotels contribution ability in the tourism industry's and its value continues to be enhanced and strengthened, in the comparison of national enterprises comprehensive strength, including star-rated hotels, travel agencies, tourist attractions and other tourism enterprises, star hotels accounting for 28% of the total number of tourism enterprises, 53% of the total fixed assets, creating a total revenue of 40%, absorbing 61% of tourism employment and contributed 72% sales tax (Shi-Jun and Kai-Ling, 2011).

Boom is mixed with blessing for the high-star hotels to enhance the quality of real estate investment: During the "Eleventh Five-Year Plan "period, China has meet a long-term good economy, ample liquidity, RMB appreciation and other macroeconomic context. The high-star hotel highlights the value of real estate. Although the experience of the international financial crisis, overall, the lending institutions, equity investors, hotel management companies and most institutional investors in China's hotel industry are all optimistic about the investment environment and considered them the ideal form of real estate investment: First, high-star hotels, as the supporting real estate project, can improve the overall quality of the project; Second, the high-star hotel itself reap real estate appreciation and also provide a stable cash flow for the developers; Third, the high-star hotel projects are favored by local government and often get some preferential policies; Fourth, as a symbol of strength, the financial and high-star hotel helps to enhance the corporate image of developers. During the "Eleventh Five-Year" period, the investment boom of high-star hotels have emerged, whose

degree is as much as the real estate industry and its infrastructure. On decreasing number, the degree of high-star hotel is far higher than the overall growth (average annual growth of five-star hotels is 16% and the star hotels is 5.5%); On regional distribution, high-star hotel projects have developed from first-tier cities to second and third tier cities, from developed districts in the east to the less developed regions in the west.

But it should be noted that the investment boom can also bring some worries to the development of the industry. For example, the future of the high-end hotels business in some areas are not optimistic. In Shanghai, China, for instance, during the global financial crisis from 2008 to 2009, Shanghai high-star hotel has been significantly impacted, whose main source markets was the international high-end market. In 2009, Shanghai's five-star hotel occupancy rate dropped to an average of nearly 10 years lowest point (53%), the average price fell to its lowest point in 2003 (975 yuan). "Expo "concept in the early period has been overstaffed, which means the future market performance is not optimistic. The factors of high-star hotel operating margins decline, lack of qualified human resources and the developer's attitude of think highly of construction while lightly of management and so on will be the industry's future challenges of sustainable and healthy development (Shi-Jun and Kai-Ling, 2011).

Despite of the healthy development of hotel management groups, the high level of grouping is still a long way to go: According to the relevant information issued by China National Tourism Administration Regulatory Division, to end of the "Eleventh Five-Year" period, hotel management groups have accelerated the rate of expansion in the country, whether it is domestic or international hotel management group. According to incomplete statistics, more than 40 existing international hotel management groups and more than 70 hotel brands are entering the Chinese market, managing nearly a thousand restaurants. What's more, the world's top 10 international hotel management companies have entered the Chinese market. International Hotel Management Group has been not only see up distribution points in the first-tier cities, many groups have entered the second and even third-tier cities. Zhouji group, the world's largest hotel has reached 286 hotels including China manage ones and in building ones, which has 97000 rooms in total (Shi-Jun and Kai-Ling, 2011).

From the operation during the "Eleventh five years", the gap between domestic hotel management groups and international ones is narrowing. Especially after the test of the international financial crisis in 2008 and 2009, the decreasing rate of RevPAR (the average price of each room available for rental) and GDP (the operating gross profits of each room available for

rental) of five-star hotels in the charge of domestic management groups are lower than that of international management ones. The advantages of GDP of international groups are not evident any more (Zheng-Bin, 2009).

However, the collectivizing level of Chinese hotels is completely low, compared with developed countries in Europe and America. The collectivizing standard of Chinese star hotels didn't reach 15%, according to the data issued by National Tourism Administration Regulatory Division early this year. From this, the market influence of Chinese hotel's brand remains weak. Even though the ranking of guest rooms' total number has been climbing up, the brand building is lagging behind and most of them are regional brand or industry brand, which hasn't been widely recognized by consumers and the market and lacks national hotel brand. Their brand influence especially international influence is extremely weak (Zhou, 2009).

The survival of many single-star hotels are worrying: Seeing the bright side of China's hotel industry, we should also be highly concerned about the survival and development of the most single-star hotels. Considering the operation position, star hotels of better positions are mainly the member hotels emphasizing on group. Single-star hotel is an independent star hotel, which is owned and operated by individuals, enterprises or organizations. It scatters in cities and regions and markets and manages independently. It doesn't belong to any hotel groups (company), nor does it join any alliances in any forms. In other words, it's traditional hotel. Monomer-star hotel is the main body of China's hotel industry. Statistics from China National Tourism Administration Division of Supervision and Management show that among the star hotels, the number of hotels using group management is less than 15% of the total number. That is to say, more than 12,400 of the 14,691 tour star hotels are monomer (Wen-Xian, 2009).

The market competition is increasing fierce, large hotel group is expanding crazily and the resources of hotel industry is integrating rationally. As a result, the single-star hotel, in its development, is most challenged by hotel group. Compared with monomer hotel, hotel group has unparalleled advantages like advertising, subscription, training, procurement and financing, which involving brand, size, chain, net and modernize beside, on standard of choosing hotels, foreign guests concerned brand and position most, while monomer hotel is obviously weak in these aspects (Li and Sha-Sha, 2009).

SINGLE STAR HOTEL 'S GENERAL CONDITION OF THE OPERATIONS

Product quality of the single-star hotel leads to a vicious cycle because of the aging facilities and

equipment: Everything in the world has a life cycle. General speaking, after 5 years of a fully opened hotel, it should be partial re-decorated or re-renovation step by step. The reality of the situation is, mostly single-star hotels do not. Some even didn't do so after 10 years. One important reason of this phenomenon is the cost of renovation. The investment of single-star hotel cannot pay back in time, but re-investment is required in re-renovation. Source of funding is bound to become the biggest obstacle. As a result, Hotel wallpaper off, the top ceiling turning yellow and cracking, pipes leaking air conditioning becoming less effective, these kinds of problems trouble continuously. Because of these problems, naturally, product quality will be seriously affected which leads to a vicious cycle.

Human resource are tending to lack: Staff in the single-star hotels are usually with extreme low qualification and high turnover, some even exceeding 50%. Resulting, hotel training will be significantly reduced. Employees some tar-hotel recruit go directly to the post without necessary training, which cannot guarantee the quality of the service, even not to mention foster talents. Especially in terms of management level, it particular lacks professional managers who can take hotel management as a career, manage a hotel or a department of a hotel utilizing systematic modern hotel management knowledge and management experience and achieve work performance. This situation has in fact been seriously affected the operation and development of the hotel. Moreover, most hotel staff members are new employees because of the high turnover and they have little service experience and poor practical ability. Hotel running and management often just follow the ideas and models of the original or other hotels to operate and it is very difficult to innovate for hotel itself based on the real situation and need, both of which are extremely unfavorable for the future development of the single-star hotels.

The anti-risk ability of the single-star continues to weaken as the number of the competitor goes up: The phenomenon of living in the hotel and eating in the restaurant does exist in many places for the lastest years. This shows that the alternative industry is going to swallow star hotel market. In addition, as the macro-control of the authority is out of control, a large number of social hotels enter the hotel market, building high-grade apartments in the city center and various training centers and internal hostels receive guests in the name of the hotel, thus tourists have been greatly scattered. All of the above are a more and more serious threat for the survival and development of the star hotel.

In the more than thirty years after the reform and opening up, there exists 415 star hotels, which were called foreign tourist hotels at that time and Actually referred to the star hotels (Chinese star management began in the bottom 1988) in the current sense, in early

1978 in China and up to 14691 in the end of 2010. It is considerable speaking from number, but the level of grouping is extremely low, that is to say, the vast majority of them are single-star hotels. However, the hotel group management continues to show advantages of the driving force, which is absolutely reverse for single-star hotels. Therefore, the market share of single-star hotel is going to shrink because of the hotel group recognizable brand effect. Market segment and evolution in hotel industry is tending to be tragic and cruel.

Increasingly high operating costs make the single-star hotel profit margins continue to shrink: For the operations of the hotel, suppliers who have a great impact on mainly are involved in the hotel facilities and equipment, food raw materials, a variety of low-quality consumables, advertising, media and hotel employees. Nowadays the price of advertising and media goes higher and higher, especially cost of food raw materials rockets rapidly. Both of them constantly influence the profit of the star hotel. Besides, with high turnover, some even exceeding 50%, bargaining power of hotel employees, especially key employees, on wages and bonuses and other aspects improves. Thus hotel employee's especially key employees, as a unique supplier form an increasing threat to the hotel's improving cost.

STRATEGIES ABOUT THE EXISTENCE AND DEVELOPMENT OF THE SINGLE STAR HOTELS IN CHINA

Generally speaking, collectivization is the best way for the single star hotel to get out of the dilemma. However, if the chain operation cannot be achieved under the conditions, what should we do? The solutions will change as the different situations of the single star hotels are in. However, I think, under normal circumstances, single star hotels want to resolve their own single star hotels' difficulties and contradictions. Under the premise of the government departments' strengthening macro-control of the hotel industry, they should emphasize the following three aspects in the process of management and operation.

Focus on customer perception, enhance the popularity and reputation of the hotel: A good enterprise must have good products. Service is the product of the hotel industry. Excellent products and satisfied service are not formed in any reason, but people produce. Under the more difficult conditions, the more should the single-star hotels do make employees understand the deep meaning of service, switching the service from a simple labor to a cultural creative act, showing the service with attention and integrity. Then create a story makes guests moved and

attached and form a kind of irreplaceable spirit to improve their popularity and reputation continuously. Thus, single-star hotels have to focus on the following four areas:

First, fulfill the commitment to the customer in order to ensure good corporate reputation. This commitment depends on the continuous efforts of hotels and it will also affect customer's expectations and judgments of the hotel in the future. The realization of the commitment depends on the enterprise' action and the process of fulfilling the commitment is the process of establishing corporate reputation. Single-star hotels can win customers' trust by consistently carrying out its commitments, and then the hotel's popularity and reputation will be enhanced.

Second, implement the innovation of management and service actively. Basic commitments to the customers are realized by the hotel, which have been recognized by customers, but this just has reached the most basic requirements. Only the management and service innovation centered on the hotel brand positioning can make customers more satisfied. And its reputation is created in contrast with other hotels. Hotel service creation including services projection, service mode, service personnel and service facilities etc. However, the management innovation, which includes the management system and service processes and other aspects, plays a supporting role in service innovation and changes with the service innovation.

Third, eliminate and deal with customer complaints and incidents effectively. In real operation in hotel, it is impossible that hotels have no complaints and what they should do is to reduce it to minimum. Customers will accept that, but the point is the hotel how to handle the problems Occurred. In fact, it is more convincing than everything smoothly that the problem solved successfully, and it will be easier to get customers' recognition. In this way the hotel's reputation has been improved. After that, the most important is making an effective communication, negotiation, apology, compensation or other treatment methods, with a serious and responsible attitude and the courage to take responsibility and not to delay, avoid or using excuses.

Activate the effective financing channel to maintain and improve the level of single-star hotel hardware:

For financing problems of single-star hotels' facilities aging and promptly renovation, in the condition that they cannot handle it themselves, it is a practical way to solve the financing problems of comprehensive renovation that the hotel authorizes outside contractors to operate the service projects except the lobby and rooms, like dining, leisure, entertainment and etc. On one hand, the contractor comes to renovate with fund, that is to say, the hotel no longer worries about financing and the bounden of the debt won't be increased. Besides, the expense of employees' wages

and benefits in this project is out of hotel's consideration. On the other hand, it is more to gain the rental profitability of the hotel. As a result, the operation cost of the hotel has been greatly reduced. As to this kind of operation, the successful practice of Fulihua hotel a four-star-hotel in Changsha, Hunan province, has demonstrated it.

Fulihua hotel was evaluated as a four-star-hotel by Chinese Tourism Bureau on January 31, 1997, which is the first four-star-hotel of Changsha city. It was honored as the best travel star hotel in Hunan province, the unit of civilization demonstration, the unit consumers can rely on and so on for many times. But several years after its opening, Catering business went into trouble. The management department of the hotel determined to contract dining project out, after extensive market research. And they chose Zhongshan Hengxing Industrial Group Co., Ltd, to cooperate with via careful selection. The catering turned out to be a great success, which was the glitter of the hotel. On the basis of the successful practice, scientific and effective holistic management should be carried out when contracting hotel projects out. It is the fundamental requirement for the operation and running in star hotels, especially high star-rated hotels. Therefore, in the management process of leasing and contracting-out, the hotel must abide by "three basic principles" and always adhere to "five unified managements".

The so-called abiding by the "three basic principles" strictly is for star hotels i how to carefully select the appropriate contractor as their partner in real operation. In order to guarantee the successful cooperation, hotel management departments in choose partners, must emphasize practically on three aspects, that is, strictly abide by the requirements of the "three basic principle" : one is to emphasize the partners must own abundant management experience; Two is to stress the cooperators must have strong economic strength; Three is to require they urge to develop the local market. The success of Fulihua's contracting-out relied on observing the three principles. After the management departments made the determination to contract the dining room out, they finally chose Zhongshan Hengxing Industrial Group Co. Ltd, among multitudinous cooperators by meticulous selection. It was a company of considerable strength. Tits business covered real estate, entertainment, and food, etc, among which Chinese food named Fulin delicious food was particularly successful. After years of local business, it had formed a set of relatively mature and perfect mode of management of Chinese food and The company had owned a considerable number of professional employees in catering. Zhongshan Hengxing Industrial Group Co. Ltd took a fancy to the brand effect of four-star of Fulihua and the market share it had captured. It hoped to expand catering market in Hunan via mutually beneficial cooperation. Facts have proved that it is correct to comply strictly with the "three basic principles" and it is absolutely necessary.

The so-called always adhering to the "five unified management", it is in the process of contracted management after picking out the partner. That is to say, the hotel and the partner should make it completely clear that both of the parties share the risks and benefits, which is a new mode of cooperation, when they sign the contract. In the contract, some stipulations about ensuring service quality and maintaining the figure of the hole hotel ought to be fixed, in order to the hotel control and manage the contractor efficiently. So it is necessary to comply with the "five unified management" all the way, Otherwise, it is easy to lead to the situation of standing at their own position and harmonizing difficultly:

- The first is to insist on a unified accreditation and supervision.
- The second is in the united training, rewards and punishment.
- The third is to stick to the same uniform and logo.
- The fourth is to stick the unification marketing and promotion.
- The fifth is the united control and checks.

Strengthen human resource development in order to cultivate outstanding single-star hotel staff: It is an intellectual insurance of the implementation of enterprises' development strategies to develop a high-quality workforce. Whether a hotel can survive and develop depends on it that if it owns an excellent group of employees. Therefore, when controlling the cost in human resource management, cost benefit of human resource management should be improved and optimizing the quality of staff and structural optimization ought to be realized. To achieve this goal, serval stuffs as follows are recommended (Li and Sha-Sha, 2009).

- **Take the measure that professional manager administrate the hotel:** It is the inevitable trend of future development to implement professional manager management in hotel as they are much experienced in hotel management, able to organize and carry out operational and managerial activities, Responsive to market and of high ability in having insight into the market and capturing business opportunities. They know how to choose the right person for the specified position, how to unit people and get cohesion of human heart, how to make decision scientifically and how to determine the effective strategic development objectives of enterprises and lead the staff complete it actively. Besides, they do well in coordinate and improve the external environment of the enterprise and posses fairy good ability of innovation. Only this kind of talent are employed, can it is possible that the enterprise is to be energetic and prosper, bigger

and stronger. Management departments lack professional managers, especially senior management ones in the actual operation of the single-star hotel. For this reason, it is of great significant to employ professional managers to operate and running hotels.

- **Establish good incentive mechanism:** Willuan James, the famous scholar of the Harvard University, points out that enterprise can tap the potential of the staff by 20 to 30% if they are paid by the hour in the enterprise operation in his book Behavior Management. But when the staffs that are fully incent, the result can reach to three to four times of the above. Now we can see how important it is to establish good incentive mechanism. As an enterprise, the hotel produce a special product. It is determined more of a manual labour by the simultaneity of produce and consume. So, people call the hotel product as service product habitually. I think the incentive mechanism should emphasize more on the two basic types-Positive and negative incentives because of the particularity of the hotel enterprise.

In the process of hotel operation, we have to stick to the "Three basic principle" and choose the effective way to carry out the Positive and negative incentives if we want to form it. First, we have to begin from the global goals to do it. Second, in the process, take positive incentives

As main and negative incentives as supplementary. Third, rules, regulations and performance evaluation system of the hotel must be perfected scientifically. Choosing the effective way to carry out the Positive and negative incentives means the management layers must hold it scientifically on three aspects mostly as follows: First, the difference of the incentive object should be cogently held. Second, the management led by example. Third, the consistency problem should be fully considered, in other words, the positive incentives are supposed to take after the negative incentives, which is good for the staff to improve performance improvement and work efficiency consciously.

- **Perfecting the hotel staff training mechanism:** The staff training and improvement ought to be a important content for the Human resources management and development of the hotel. From the view of the staff, effective and systematic training help them excavate and give full play to their own protential, achieve their own value and enhance their belonging and responsibility to the hotel. To the hotel, the enterprise perform its responsibility, on the other hand, it benefit for the hotel to reduce accident effectively, lower the cost, improve the work efficiency and economic benefit in the operating process, thus improve the market competition ability of the hotel. Effective and systematic training emphasizes the new staff of the hotel must get the qualify before the mount guard, it also include in-service training work. The hotel staff training refers to the centralized and unified training before the mount guard, and it is the only way to join the hotel service. In-service training work is the deepening process of pre-service training, which should always accompany hotel staff in the entire process. Only in this way, can a better foundation be achieved for the hotel service quality.

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