



Raffles Hotels marketing strategy

Contrary to the way many companies try to grow their bottom line, the mantra for hospitality group Raffles Hotels & Resorts is slow and steady. And according to its President John M. Johnston, that has served this boutique luxury hotel chain just fine.

Though currently operating six properties worldwide -- modest by comparison to sister companies, the Fairmont and Swissotel groups -- Johnston says that for Raffles to match the same number of properties over the next five to seven years, would be considered "a significant number".

"The goal is to grow the brand slowly and steadily in markets that are complementary to each other," he told INSEAD Knowledge before addressing MBA students in the Global Leader Series held recently at the school's Asia campus in Singapore.

Though he reveals that Raffles will open three hotels in China, France and Saudi Arabia this year, he says the plans had already been in the pipeline for the last two to three years.

This conservative stance may have something to do with the recent financial crisis, which Johnston says adversely affected the Raffles Group.

"Like all businesses, and like the hotel industry in particular, we've been impacted in a fairly major way in the last 15 months. So business has been off across the board, in the 15-20 per cent range. There has been a shift in momentum in travel patterns. Some of the corporate clients that would normally

meet two or three times a year, either cancelled last year or have cut back in their travel. Some leisure travel has shifted from segment to segment downwards or the business has fallen off."

"Revenues are down, earnings are down and everybody has to share the burden. And it clearly has not been an easy time for any of the constituents. It hasn't been easy for our owners, our guests, or for employees."

However, he believes there are "pockets of optimism", especially in Asia. Already, the Raffles Hotels in Singapore, Cambodia and China are seeing a steady pick-up in occupancy.

And while Asia may continue to be the cash cow for a brand that originated in Singapore, Johnston reveals that Europe and the Americas are also on the radar for Raffles' next phase of expansion.

"Clearly with our small base and our Asian base, plus the properties that we have in the pipeline, if you think of the cities where we currently operate -- Singapore, Beijing, Dubai (and) we're about to open in Paris -- it seems that the target cities for the Raffles brand, where we can make a difference and we can put a hotel that would be distinctive and high value

creation for an owner and fee creation for us, the primary cities that fit would be London, New York, Shanghai (as well as) Tokyo and Hong Kong.”

While “cautiously optimistic” but at the same time “bullish and positive” about the industry, Johnston is upbeat about how parent company Fairmont Raffles Holdings International can pull through from this temporary setback.

“I think the hotel industry is a particularly resilient industry in cyclical times. I think rate flexibility, efficiencies, cost-sharing and saving opportunities are features of efficient and good hotel operators. Maximising revenue through global distribution systems is something that the larger, well-structured operators can do and I think it stands them in good stead against the smaller competitors.”

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