



Bringing zest to China's hospitality market

By offering travellers chic boutique hotel amenities at budget prices, Chinese entrepreneur Wu Hai is now enjoying the fruits of his success, setting up a chain of 16 hotels in China in just three short years since 2006.

Wu, 40, is the founder and CEO of the fledgling Orange Hotel Group, which seeks to emulate the hip and trendy appeal of computer and technology giant Apple Inc. Indeed, the name of the hotel group is an indirect nod to the popularity of Apple in the mainland.

“Orange is easy to be remembered,” says Wu, who is completing his EMBA at INSEAD. “If Apple can be a computer, why (can’t) Orange be a hotel?”

Speaking to INSEAD Knowledge, Wu says he decided to set up the hotel group, which has hotels in the major cities of Beijing, Ningbo, Hangzhou, Nanjing and Tianjing, because while there were high-end and budget hotel chains in China, there were no budget boutique hotels in the mid-end market.

The impetus came from his travel experiences in the US, where he was impressed with the boutique budget hotels he stayed in.

And as hotels in China are “pretty much the same nowadays”, Wu saw an opportunity to stand out from the crowd.

“In big cities like Beijing, Shanghai, and Shenzhen,

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when people have more in the way of disposable income, they want to try something different; they want to be unique, they want to be different from the others.”

“Here lies the opportunity. I can do something different. I think it’s pretty much a brand thing. You need to build up a brand to let people know that ‘I’m different from the other guys’.”



Judging by the decor of his hotels, Wu doesn't appear to have scrimped on the furniture and fittings. But the room rates (for online reservations) can be as low as RMB150 a night (US\$22) for a single room, rising to RMB318 for a deluxe suite. The average room rate is around 255 RMB.

Wu concedes that while he could charge higher prices given the premium positioning of Orange Hotels, it's not the time to do so. But in order to maximise profits, Wu has decided to take the "no frills" route by not having big conference rooms and restaurants in some of his hotels.

"We are still at the stage of getting into the market. I think the most important thing is to get more customers to experience our hotels and spread good (comments by) word of mouth."

"And since I can get a bigger customer base, that's the most important thing: build the brand."

Orange Hotels does not make public its annual turnover numbers, but Wu says the group has achieved, on average, an 85 per cent occupancy rate this year, despite the economic downturn.

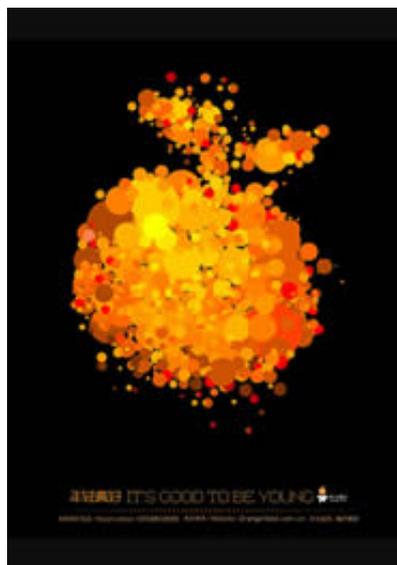
Currently, some 90 per cent of Orange Hotel customers are mainland Chinese, and most of the local customers are young business professionals.

Prior to becoming a hotelier, Wu enjoyed a successful career in the online travel industry where he started up two online travel businesses: SmartTravel (in 1997) and FortuneTrip (in 2002), which he subsequently sold to BizExpress and Sina respectively.

After selling SmartTravel in 1999, Wu joined Ctrip, a major online travel company, as senior vice president of sales and marketing and worked there for almost two years.

Following that, he started up FortuneTrip in 2002, which online travel company eLong.com later acquired from Sina. Wu then joined eLong.com in 2005 as vice president of sales, staying for almost a year, before starting up Orange Hotel Group shortly afterwards.

When asked why he decided to switch from working in the online travel industry to becoming a hotelier, Wu explains that he doesn't see a major difference between the two industries. At the heart of both businesses is understanding and meeting the needs of customers, Wu says. He adds that his corporate experiences in the online hotel reservation business have helped him 'a lot' in understanding customers' needs.



While he concedes that running hotels is different from operating websites, he stresses that the needs of customers are the same, and sees an opportunity to use technology such as social networking tools and search engines to his advantage. This is especially as 'old hotel guys' don't understand how to use these tools to boost their business.

However, Wu admits it's important to find people who are good at running hotels to join the group.

As an entrepreneur, Wu describes himself as being very open to trying new things, as he likes to "see things from different angles". But in his career, he says he has made some "childish mistakes" such as communicating poorly with investors and board members.

"I need to keep on communicating with them (using) different skills. I was very straightforward."

If "I have got no response, I'll just say 'hey, forget it, I'll go.' That kind of thing was very stupid. You've got to be more open, more sophisticated."

Wu says in dealing with international investors from different cultures, he has learnt to communicate with them in the way they are accustomed to.

In building up the Orange Hotel Group, Wu hopes to emulate the Starbucks strategy in China of initially focusing on major cities such as Beijing and Shanghai to build up its national brand profile. When people from other cities visit Starbucks, they would then tell their friends and families back home about experience, which would then allow the coffee chain to enter smaller cities and charge premium prices for its products.

While Wu certainly has ambitious plans for his hotel group, he aims to focus on the mainland market for now, although he may consider expanding to Southeast Asia in three to four years' time. He also

plans to seek a public listing for the hotel group in Hong Kong or the US, as most of his investors are international investors.

Besides plotting the future direction of the hotel group, Wu is also currently embroiled in a lawsuit against Alibaba, the parent company of Yahoo China. The Orange Hotel Group is accusing Yahoo China of selling the “Orange Hotel” name as a commercial search keyword to rival Green Tree Inn, whereby users are sent to the competitor’s website. In addition, at the top of the search results list is a sentence which reads: “Instead of booking Orange Hotel, you’d be better off coming to Green Tree Inn.”

Wu says this is a rare case of “unfair competition”, the first of its kind on the internet where a company buys the keywords of its competitors. Wu adds that Yahoo China “needs to take responsibility for that”. A lawsuit for RMB100,000 in damages is now pending before Chaoyang District People’s Court.

“Because our competitor used our brand as key words, that will confuse our potential customers,” Wu says.

“I can definitely talk with our competitors. I can definitely talk with Yahoo; actually I did so. At the very beginning, they did not pay much attention to that. At the same time, I’d like to take this opportunity to warn the other guys, including Google and Baidu, to prevent them from doing the same thing to me.”

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