Extended essay cover

Candidates must complete this page and then give this cover and their final version of the extended essay to their supervisor.

Candidate session number	
Candidate name	
School name	
Examination session (May or November)	May	Year	2015

Diploma Programme subject in which this extended essay is registered: Bus & Man

(For an extended essay in the area of languages, state the language and whether it is group 1 or group 2.)

Title of the extended essay: To gain competitive cost advantage in the hospitality Industry, should Starwood group introduce Keyless Check-ins in all their Sheraton Hotels?

Candidate's declaration

This declaration must be signed by the candidate; otherwise a mark of zero will be issued.

The extended essay I am submitting is my own work (apart from guidance allowed by the International Baccalaureate).

I have acknowledged each use of the words, graphics or ideas of another person, whether written, oral or visual.

I am aware that the word limit for all extended essays is 4000 words and that examiners are not required to read beyond this limit.

This is the final version of my extended essay.

Candidate's signature: _____ Date: 6/1/2015

Supervisor's report and declaration

The supervisor must complete this report, sign the declaration and then give the final version of the extended essay, with this cover attached, to the Diploma Programme coordinator.

Name of supervisor (CAPITAL letters) _____

Please comment, as appropriate, on the candidate's performance, the context in which the candidate undertook the research for the extended essay, any difficulties encountered and how these were overcome (see page 13 of the extended essay guide). The concluding interview (viva voce) may provide useful information. These comments can help the examiner award a level for criterion K (holistic judgment). Do not comment on any adverse personal circumstances that may have affected the candidate. If the amount of time spent with the candidate was zero, you must explain this, in particular how it was then possible to authenticate the essay as the candidate's own work. You may attach an additional sheet if there is insufficient space here.

This was a very interesting topic as was the student (self admitted in the viva) made the classic initial mistake of picking a list like a HLIA. This was partly due to the initial difficulties she had sourcing secondary Research and in our meetings I kept reminding her she chose the subject, affirmed it was interesting as posted on the IB EE Programmes! I will add here that she certainly Rose to the challenge and her pleasure and pride is that EE evolved to its finished state as she continually adabt to its content and explored Business models (she started and abandoned many before the end product) was more than satisfying for me to see as supervisor. _Can not read_

This declaration must be signed by the supervisor; otherwise a mark of zero will be issued.

I have read the final version of the extended essay that will be submitted to the examiner.

To the best of my knowledge, the extended essay is the authentic work of the candidate.

As per the section entitled "Responsibilities of the Supervisor" in the EE guide, the recommended number of hours spent with candidates is between 3 and 5 hours. Schools will be contacted when the number of hours is left blank, or where 0 hours are stated and there lacks an explanation. Schools will also be contacted in the event that number of hours spent is significantly excessive compared to the recommendation.

I spent | 4·5 | hours with the candidate discussing the progress of the extended essay.

Supervisor's signature: _____ Date: 6/1/2015

Assessment form (for examiner use only)

Candidate session number	

Achievement level

Criteria	Examiner 1	maximum	Examiner 2	maximum	Examiner 3
A research question	1	2		2	
B introduction	1	2		2	
C investigation	2	4		4	
D knowledge and understanding	2	4		4	
E reasoned argument	1	4		4	
F analysis and evaluation	2	4		4	
G use of subject language	2	4		4	
H conclusion	1	2		2	
I formal presentation	2	4		4	
J abstract	1	2		2	
K holistic judgment	2	4		4	
Total out of 36	17				

(handwritten annotations alongside criteria: A "Vague question too broad?"; C "lacked appropriate sources"; D "not an academic research"; F "what and relevant analysis"; H; J "Both")

Name of examiner 1: _____ Examiner number: _____
(CAPITAL letters)

Name of examiner 2: _____ Examiner number: _____
(CAPITAL letters)

Name of examiner 3: _____ Examiner number: _____
(CAPITAL letters)

IB Assessment Centre use only: B: _____
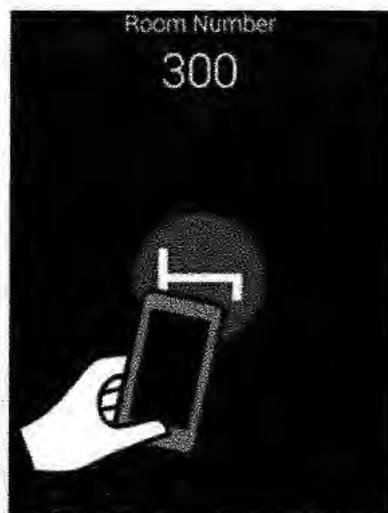
IB Assessment Centre use only: A: _____

To gain competitive and cost advantage in the hospitality industry, should Starwood group introduce keyless check-ins in all their Sheraton hotels?

The difference?

IB Business Extended Essay 2015

Word Count:

Abstract: 300/300

Essay: 3999/4000

Acknowledgments

I would like to thank   for agreeing to be my extended essay supervisor and for helping me throughout the process of writing this report.

I would also like to thank   for letting me interview him and for being extremely helpful when answering my enquiries.

Abstract:

      The constant development of technology stimulates/compels companies to change and adapt to current trends and demand in various markets. Therefore, it is an obligation to keep pace and offer clients the latest innovative technology in order to remain competitive. This is particularly vital in the hotel-industry which is a dynamic and competitive sector. Part of this technological innovation is **Keyless Check-in,** currently being adopted by **Starwood** hotels group, which is being excessively researched and investigated. **Keyless Check-in** is a system created to facilitate the process of hotel checking in reducing the amount of time customers wait to access their rooms. This service has implications for costs but also for efficiency and customer interface. It is slowly being introduced in the hotel sector and currently explored by the mid luxury level such as **Starwood's** Group and specifically their portfolio of **Sheraton** hotels. Utilizing IB business models this report will examine the different aspects of the service product and whether **Starwood** hotels should inaugurate the new concept into all its **Sheraton** hotels. These models are the following:

> SWOT analysis
> Marketing Mix
> Porters 5 Forces
> Porters Generic Strategies,

The SWOT analysis audited the current situation whilst the Marketing Mix provided a clearer understanding of the service product. Porters 5 Forces outlined in sharper focus the level of competition within the hospitality industry and Porters Generic Strategies further facilitated understanding of how **Keyless Check-in** product was categorized in the focus on cost and differentiation.

      From this report, it will be demonstrated that introducing the product to **Sheraton** has limitations especially in the customer interface relationship aspect but in the long-run would be beneficial to the company as the disadvantages proved less significant than the

advantages. It can be concluded that **Starwood** should implement the ***Keyless Check-in*** system in all its **Sheraton** hotels.

Contents

1.0 Introduction

1.1   In today's hospitality industry, competitiveness is growing both rapidly and annually. As hotel companies enter and leave the industry, they are continuously searching for new and improved ideas to cut costs and yet simultaneously fulfil customer wants/ needs. With continuous technology advancements hotels are enabled to discover ways to provide for their customers as well as offering them a premium service. A recent innovation in the hospitality industry is the **Keyless Check-In** system driven to enhance the possibility to allow guests to check-in/check-out efficiently with a parallel reduction in *variable costs*, as it eliminates reception personnel, and delays as guests can directly access rooms. One customer segment, apart from overall budge/premium is attracting young travelers who may wish to evade reception desks[1].

Keyless check-in door-lock retailers have developed technology allowing smartphones key function s which the hotel industry is experimenting[2]. Growth data is hard to track currently as market size remains small since it is still in being developed/ tested. **Hilton hotels**[3], a major competitor, are the first (with **Starwood**), to have applied mobile check-ins, allowing customers to have unprecedented choice and control[4]. Additionally **Starwood** is the first major hotel group offering the '*smartphone as a room key*' process in two hotel chains, which **Hilton** won't be offering until 2016[5].

1.2   **Starwood**[6] Hotels and Resorts is an American company with over 1,100 hotels in more than 100 different countries, making it one of the world's leading leisure and business travel companies. The firm consists of nine internationally well-known brands including *St. Regis, Le Meriden, The Luxury Collection, W hotels, Westin and Sheraton at*

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[1] "Smartphone keyless check-in arriving in Australia," Keep on travellin, accessed November 13, 2014, http://keepontravellin.com/smartphone-keyless-check-arriving-australia/.
[2] "Going keyless is the key: The hotel room key goes mobile," USAtoday, accessed November 12, 2014, http://www.usatoday.com/story/travel/hotels/2014/06/26/hotel-room-key-goes-mobile/11418971/.
[3] See Appendix A page #28 for information on competitor, Hilton.
[4] "Online check-in, keyless entry at Hilton," The Business of Accommodation, accessed November 13, 2014, http://www.hotelmanagement.com.au/2014/07/30/online-check-keyless-entry-hilton/.
[5] "Online check-in, keyless entry at Hilton," The Business of Accommodation, accessed November 13, 2014, http://www.hotelmanagement.com.au/2014/07/30/online-check-keyless-entry-hilton/.

the higher end to Aloft, Element and Four points in the budget range. Additionally, **Starwood** is the creator of the award-winning loyalty program called ***Starwood Preferred Guest (SPG)***. [7] ***SPG*** is a program which allows member customers to obtain ***Starpoints***, which can be used for room and flight upgrades on more than 350 airlines. *~ Rebou/? How?*

Recently (2014), **Starwood** introduced the **'Keyless Check-in'** in two of its nine hotel chains globally, **aloft** and the **W** hotels, being the first hotel-company to enable customers to use smartphones as a room-key. Currently competitors facilitate guests to *word* check-in using mobile devices before arrival but still require pick up keys at the front-desk, a process which **Starwood** has eliminated. The system allows customers to check-in with smartphones without traditional reception but is currently restricted to ***SPG*** members (around 50% of **Starwood's** customers). *Based on?*

Not a report.

(1.3) **Sheraton[8]**, one of **Starwood's prominent** hotel chains, is a global-icon an upper socio-class hotel which caters to a wide demographic covering leisure to business travel. Currently, **Starwood** is analyzing whether they should implement this system in all **Sheraton** hotels. To date, customer response has been positive[9], as it gives guests another way to personalize their experience and keep abreast with recent trends. This report will examine whether **Starwood** hotels should/should not apply the ***Keyless Check-in*** system to **Sheraton**, as they have done with **aloft and W hotels**. Secondary research sources have been consulted and complemented with some primary interviews with **Starwood's** associate director of rooms and hotel managers.

Any possible reasons as to why not?

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[7] "Travel inside the world of SPG," SPG, accessed October 20, 2014,
http://www.starwoodhotels.com/preferredguest/about/index.html?categoryId=brand.benefits.overview.
[8] With more than 400 hotels in over 70 different countries primarily catering to family and business travelers
[9] **Articles:**
"Starwood Launches Keyless Mobile Entry at Some U.S. and Asian Properties," Skift, accessed November 11, 2014,
http://skift.com/2014/11/03/starwood-launches-keyless-mobile-entry-at-some-u-s-and-asian-properites/.

2.0   Research and Findings

2.1 SWOT Analysis[10]

No, should be done in an on site. Not an option.

The SWOT analysis provides an overview of the keyless check-in product at Starwood, with a focus on Sheraton. The Strengths/Weaknesses will provide analysis for the **internal aspects** while Opportunities/Threats will provide analysis for **external aspects.**

2.1.1 Strengths

Strengths:

- **Global presence/location, high market presence**
- **Winner of several awards**   *Implication ,*
- **Good Brand recognition image and reputation**
- **One of the largest hospitality industries in the world, market leader**

Service-Product:

- **Prevents customers from having to wait in lines**
- **Unique selling point**   — SQS Why   *Un Substantiated claim*
- **Quick & easy adapting to current customer demands**   ✓
  So!

Location: **Sheraton** has high market-presence, [11] offering more than 60 different resort types ranging from beach hotels to casino and business hotels.   So !

Awards: **Sheratons *SPG*** program (Starwood), recognized globally is known as the '*world's most award-winning guest loyalty program*'[12]. [13] In 2014 the program won

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[10] Paul Hoang, *Business and Management* (n.p.: IBID Press, n.d.), [Page #86].
[11] "Sheraton News," Sheraton, accessed October 8, 2014,
http://www.starwoodhotels.com/sheraton/about/news/news_release_detail.html?id=2008-05-01-SI&language=en_US.
[12] "Frequently Asked Questions: Starwood Preferred Guest," SPG, accessed October 4, 2014,
http://www.starwoodhotels.com/preferredguest/support/faq/index.html?language=en_US.

ten awards at the 20th annual *Freddie Awards*[14], including most international awards such as *'Hotel program of the Year'* in the Asia Pacific region for the 10th time consecutively and in the Europe, Middle East and Africa region for the 2nd year.

[15]Also, in 2014 **Starwood Preferred Guest** was rewarded with *'Program of the Year'*, *'Best Customer Service'* and *'Best Award Redemption'*. *[handwritten: clvs its pro suppose success system with its now system too.]*

[handwritten: How does the alox answ to the queston.]

Reputation: Due to awards **Sheraton** and *SPG* program received and high market presence a good reputation is maintained resulting in excellent customer service enabling a guaranteed wide customer base and brand-loyalty. *[handwritten: So ?]*

Market Leader: **Sheraton** is **Starwood's** largest and second oldest brand and caters to a wide customer range from high socio-economic families to international business-execs and have a competitive advantage to hotels catering to niche markets. Introducing 'keyless' check-in would allow an even higher competitive advantage/USP putting them ahead of the competition. *[handwritten: = Saved that is what has to be no sense]*

Product: *Keyless Check-in* would bring benefits cutting customer process time at reception and help staff reduce customers needing assistance. This product is also very effective for business-customers as it allows rapid check-in process. *[handwritten: Based on ?]*

[handwritten: Doth. Real or here ?]

[handwritten: The requirement is in a clear laps of the CC. extremely basic.]

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[13] "Sheraton News," Sheraton, accessed October 8, 2014,
http://www.starwoodhotels.com/sheraton/about/news/news_release_detail.html?id=2008-05-01-SI&language=en_US.
[14] **Freddie Awards:** The oldest and most prominent recognition award for frequent traveler reward programs.
[15] "Sheraton News," Sheraton, accessed October 8, 2014,
http://www.starwoodhotels.com/sheraton/about/news/news_release_detail.html?id=2008-05-01-SI&language=en_US.

2.1.2 Weaknesses

Weaknesses:

- **Extremely big hotels**
- **Not enough attention given to each customer**   *Say up!*

Product:

- **Lack of human contact**
- **High start-up costs**
- **Only available for SPG members**
- **New entrants**

<u>Lack of human contact:</u> Due to **Sheraton's** hotels being extremely large[16], customers who like personal attention might perceive they won't receive this since the hotels are so immense. This could deter customers and potentially be a negative outcome of introducing **Keyless Check-in** as it further reduces human contact and personal relationship.   *Any need of academic no search. Models' opinion?*

<u>Start-up Costs:</u> With **Keyless Check-in**, **Sheraton** would have to change room locks and even possibly the entire door which would be very expensive initially.   *Any ref Research? <— idea?*

<u>Availability:</u> **Starwood** hotel chains which have already adopted **Keyless Check-in** system only offer it to **SPG** members. If **Sheraton** were to introduce system, they too would only make it available for **SPG** members meaning not all customers who wish to use it - can. However, this can also be seen as an opportunity since **non-SPG** members who would like **Keyless** system might become members allowing them to do so. This would consequently raise **SPG** membership further strengthening loyalty.   *Where are the findings? All assumptions.*

<u>New entrants:</u> As **Starwood** hotels are the first hotel company to introduce **Keyless Check-in**, there is no competition but this early mover advantage cannot last. So far, the system has been successful in **Starwood's aloft** and **W hotels**, meaning that if it continues to be so, the market will attract new entrants. Therefore, leading to that

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[16] Sometimes with over 1,000 rooms, several 'meeting' rooms and plenty of restaurants and bars.

Sheraton might lose its advantage. If **Sheraton** introduces it successfully, it is likely competitors will adopt also.   *Limited.*

2.1.3 Opportunities

Opportunities:
• **Attracting new clients** • **Differentiation from competitors** • **First mover advantage** • **New generations who have grown up with technology will be looking for new ways to be able to use their smartphones** • **Cost cutting** • **New SPG membership**

<u>New clients:</u> As **Sheraton** would be the first higher socio-economic group to introduce this product, it is likely they may attract customers staying in competitor hotels to make a brand switch. In addition, as the product is only available for customers that are part of **Sheraton's** loyalty program, there may be an increase in membership.   *Says who?*   *should have been treated as an academic research*

<u>Differentiation:</u> *Keyless Check-in* is an opportunity for **Sheraton** as it would allow them to gain competitor advantage as they will be the first hotel group to use this product. Not only will this differentiate them from competitor hotels but it will also possibly be a form of product development and attract new customers. *Always state above.*   *Says who?*

<u>First mover advantage:</u> **Starwood** is the first major group to use the *Keyless Check-in* function in its hotels (**aloft** and **W hotels**) with first mover advantage. This means they will always have recognition as innovative and pioneering with technology. First mover advantage may also provide a better image, reputation, and industry pace setters. They should be able to benefit from these factors. *for how long through.*   10

Says who?   Evidence of any academic research

Advanced technology: With new generations those who have grown up with technology look and demand more advanced technologies. One demand is to use the smartphone for everything. As it is already utilized for reading books, maps, watching movies and airport

Changes in smartphone ownership, 2011-2013
% of all U.S. adults who own...

Figure 1

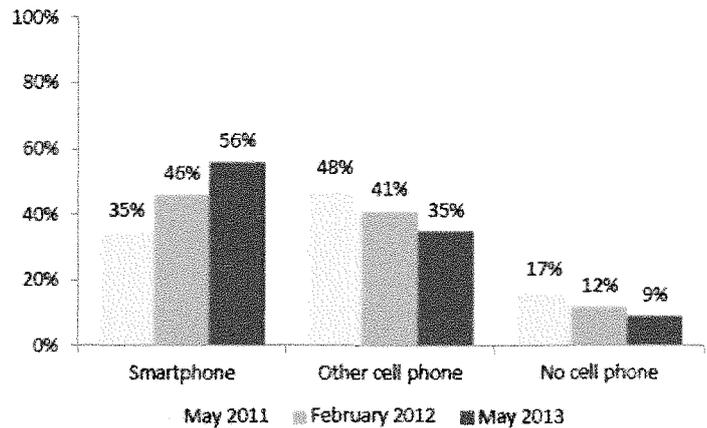check-in, so **Sheraton** would be responding by now offering hotel keys. Figure 1[17] illustrates that throughout designated years smartphone usage has rapidly increased. This demonstrates that the scale is widening to a larger customer base meaning that the availability would follow this trend.

Cost cutting: Although this system may require major changes to the hotels doors and locks which would be expensive re VC, in the long-run it will cut VC costs. This could possibly reduce the number of staff and technology and material for making new keys gaining EOS also.

2.1.4   Threats/external

Threats:

- **System failure**
- **Hackers**
- **Customers could lose the product**

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[17] "Smartphone ownership reaches critical mass in the U.S.," CNET, accessed November 6, 2014, http://www.cnet.com/news/smartphone-ownership-reaches-critical-mass-in-the-u-s/.

(handwritten: Re-sended or just asserted?)

<u>System failure:</u> Since this product is relatively new and hasn't been implemented much to date **Sheraton** could experience technical difficulties. With virtual technology, if one disruption occurs, the whole system could go down. Additionally, the event of a power cut could possibly cause difficulties in system operation. Therefore, this could affect the brand image if they can't perform successfully. *(handwritten: Says who?)*

<u>Loss of product:</u> A huge concern is 'fraud'. Since the key is on the customer's smartphone, if lost not only would they lose their phone but also their room key. Thus, making it easy for someone to falsify identity, and use the key leading to possibility of danger.

<u>Smartphone:</u> It should be made clear that the product is only available on smartphones. *(handwritten: Unsubstantiated. I'm afraid.)*

2.1.5 Evaluation

The situational audit depicts that **Starwood** hotels is the first major hotel group to introduce *Keyless Check-in* providing them with a new USP and- however temporary - to stay ahead of competitors. Internal factors indicate that **Starwood** has a good reputation supported by numerous sector-awards received. By responding quickly to customer demands, they will be able to maintain this reputation by introducing *Keyless Check-in* to *(handwritten: but nothing has been resended - or asserted.)* decrease waiting time, VC and possibly promote brand switching. However weaknesses demonstrate that a lack of personal relationship could affect customer experience and brand image. Although some strengths are common to other competitors such as high market presence and global locations, by applying it for only members of their loyalty program, this product is exclusive with a specific target market.

(handwritten: straight) External factors are vital to assist development. **Starwood** would benefit from a first-mover advantage by applying system to all their **Sheraton** hotels. Consequently, this would differentiate them from competitors attracting new clients. Additionally, with today's tech generation, access to advanced technology has become an essential component to the business world. However, this opens up possibility of system failure and hacking

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dangers. Despite the possibility of cutting costs, the threats show that the overall chance of *key-loss* is increased as being on a smartphone increases vulnerability.

Still. Just assertions.

A very basic 'research' so far. ✓
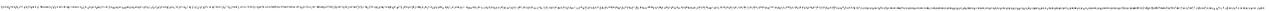
2.2 Marketing Mix

A marketing mix is a combination of elements needed to successfully market a product. It is used to review and develop marketing strategy and is at the heart of marketing planning.[18] The market mix consists of the traditional 4 P's, product, price, place, and promotion as well as people, process, packaging and physical evidence. This marketing mix will only use product, price, place, promotion, process and people.

2.2.1 Marketing Mix Evaluation

Product:

The product explored in this MM is *Keyless Check-in* system which is being actively used in 2 out of 9 **Starwood** hotel chains (**Aloft** and **W hotels**). The aim is to streamline/reduce time customers take checking-in, making the process faster and smoother, thus giving certain clients what they want. According to a study conducted by **Starwood**, customers were looking for a quicker/easier access to rooms, which they are now responding to However, this option is only available for *SPG* members (**Starwood Preferred Guests**) meaning that ca 50% of customers have access option. Yet, out of this 50% (around 19 million) only 7 million of those are active members, meaning that the reception is still an important aspect for the check-in process for guests who are not part of the *SPG* program.

Price:

Since the *Keyless Check-in* offer is only available for the *SPG* program members, **Starwood** cannot use price differentiation as not all customers can benefit. Instead, they have kept the introduction phase free (to SPG members) as it could discourage people from testing the system.

Introducing this system will be costly due to having to change room locks with the updated technology (in this case smartphones apps). In an interview conducted with

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[18] Paul Hoang, *Business and Management* (n.p.: IBID Press, n.d.), [Page #400].

[19]*Stefan Lorch*, Starwood Associate Director of Rooms, they might even have to replace entire doors depending on the hotel. In addition, they would also have to keep in mind maintenance costs to avoid any system fail possibilities. On the other hand **Starwood's** VC will decrease as less reception personnel are necessary.   *Some real data ?*

Place:

Keyless Check-in was firstly tested in two of **aloft's** hotels, **Aloft Harlem New York** and **Aloft Silicon Valley California**. [20] According to the *Wall Street Journal*, **Starwood** then decided that if the trials were successful, they would expand to all **Aloft** and **W hotels** by the end of 2015.[21] As these trial hotels are the first to use this system already, competitors are watching closely to see whether system is successful - or not.   *So ?*

Since **Sheraton** hotels have not yet introduced the **Keyless Check-in**, there is no specific *ok* place or hotel which currently uses it.   *But the la. question is shall ... introduce;*

Promotion:

Promotion in the hospitality industry is essential in order to launch an organization or a product, as well as to generate sales. At start of 2014 **Starwood** released an ATL promotional campaign to announce **Keyless Check-in** product expansion, as promised, in all **aloft** and **W hotels**. Using ATL.TV to promote a company's product has been very beneficial for companies due to the ability to reach a global audience by launching just one effective advertisement, as well as the ability to use technology to combine sounds and images to send powerful messages.   *Does not really say much.*

      Circlong ?

People:

      Asended.

By introducing the **Keyless Check-in** staff might have difficulties adjusting to the changes which come along with the implementation of the system. This could mean that

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[19] Stefan Lorch, interview by the author, Brussels, Belgium, June 24, 2014.

[20] "Starwood Hotels' 'Keyless Key' Lets Guests Check Right Into Their Room," Huffington Post, accessed October 4, 2014, http://www.huffingtonpost.ca/2014/01/28/hotel-smartphone-key_n_4680150.html.

[21] "Starwood Hotels' 'Keyless Key' Lets Guests Check Right Into Their Room," Huffington Post, accessed October 4, 2014, http://www.huffingtonpost.ca/2014/01/28/hotel-smartphone-key_n_4680150.html

employees who normally work behind the reception may have to change position and work elsewhere. This is because the percentage of staff needed behind the desk would decrease since customers may no longer need assistance from the reception. To avoid staff complications, **Sheraton** will need to offer employee training as well as technological training to ensure that they are prepared when the system is initially introduced.

Process:

Currently customers can already hotel check in/ via apps in hundreds of hotels but actually activating the door lock requires vast changes to the locks themselves.[22] According to **Robert Cole**, founder of **RockCheetah**, a hotel marketing strategy and travel technology consulting company, depending on the door lock; it is possible that the whole door has to be replaced to get the **Keyless** function to work[23]. The procedure for this system would include the key being activated through a smartphone app, allowing hotel to send guests room numbers, when they check-in. The smartphone will then be enabled to act as a virtual key, removing reception check in[24]. A wireless sensor on the door is activated via Bluetooth on the guest's phone, and the lock is unlocked through a button or gesture. The sensors are battery-powered, so they'll be able to alert hotel staff when power reserves are low.[25] However, risks of using this technology include hackers which can attack the system. Therefore **Starwood** would need to address bugs and security updates as quickly as possible to prevent difficulties.[26] Additionally, the hotel doors should still be able to open in the traditional ways in case of emergencies or system failures.

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[22] "Hotels testing keyless entry via smartphone app," CNBC, accessed November 11, 2014, http://www.cnbc.com/id/101370934.

[23] "Going keyless is the key: The hotel room key goes mobile," USAtoday, accessed November 12, 2014, http://www.usatoday.com/story/travel/hotels/2014/06/26/hotel-room-key-goes-mobile/11418971/.

[24] "Going keyless is the key: The hotel room key goes mobile," USAtoday, accessed November 12, 2014, http://www.usatoday.com/story/travel/hotels/2014/06/26/hotel-room-key-goes-mobile/11418971/.

[25] "Hotels testing keyless entry via smartphone app," CNBC, accessed November 11, 2014, http://www.cnbc.com/id/101370934.

[26] "Hotels testing keyless entry via smartphone app," CNBC, accessed November 11, 2014, http://www.cnbc.com/id/101370934.

2.3 Porters Five Forces

"The Porter's Five Forces is a tool that analyses the nature of competition within an industry."[27] It is composed of five sections including the bargaining power of buyers, the bargaining power of suppliers, the threat of new entrants, the threat of substitutes and the extent of rivalry amongst existing competitors. These traits will be assessed regarding **Starwood's** *Keyless Check-in* product/service. Ultimately, this will predict the level of competition in each sector, enabling us to see the potential benefits and drawbacks of launching the product.

Very easy to say?
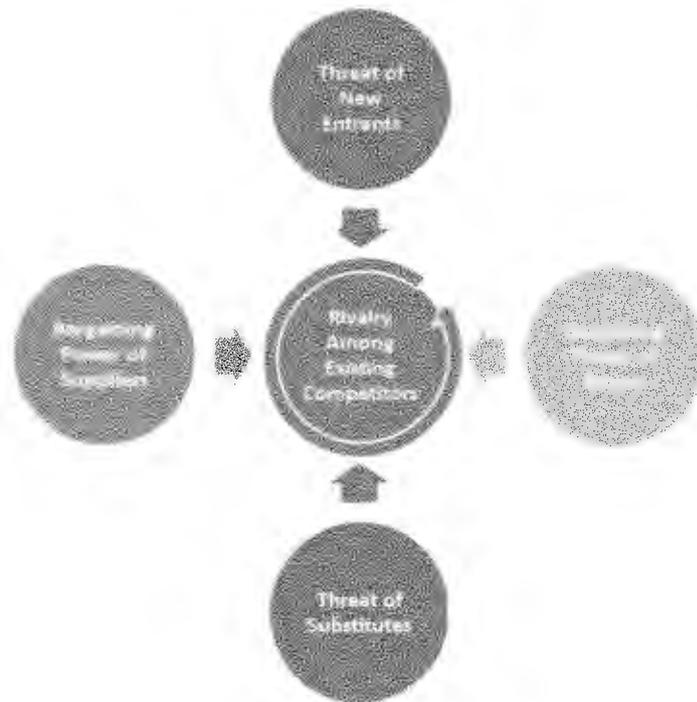
should it be done on option.

2.3.1 Evaluation

Power of supplier:

Starwood Hotels has partnered with *Assa Abloy*[28] a specialist door lock system company to create the keyless product. *Assa Abloy* is helping **Starwood** upgrade their key

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[27] Paul Hoang, *Business and Management* (n.p.: IBID Press, n.d.), [Page #407].
[28] "About us," Assa Abloy, accessed September 10, 2014, http://www.assaabloy.com/en/com/About-us/.

locks to allow **Keyless Check-in** as well as supporting software application to manage the process. In this case, the power of the supplier is **relatively high.** There are other suppliers for hotel guest room key systems but not all of them can service a global organization such as **Starwood**. According to **Stefan Lorch**, 'technology is key to success, guest experience and our ability to deliver consistently'. This means if suppliers were inadequate **Starwood** would be potentially vulnerable and face additional costs and challenges to switch suppliers. If **Sheraton** were to introduce the system, they would most likely use the same suppliers but would be dependent on **Assa Abloy**. This could be problematic because if there was an issue - making **Starwood** even more reliant on **Assa Abloy**[29].

Power of buyer:

In the hotel industry, the bargaining **power of buyers will/are always high**. This is because the customers are the industry's only and most important source of revenue. Everything hotel companies do, every new idea, is done with a focus on the customers, trying to make them as happy as possible by giving them exactly what they want.

As customers of **Starwood** hotels, the bargaining power of buyers is relatively high since it is their choice whether or not they want to use the **Keyless Check-in** option. In addition, due to large competitor dynamics and s presence more will begin providing the product/service, meaning that the power of buyer will increase even more since customers will have a bigger choice of hotels.

Starwood, as a buyer, has a high bargaining power over **Assa Abloy** (the suppliers) since they are an extremely large company, and could move their business to another competitor. However, this is not very likely, as there aren't that many other options for **Starwood** to choose from – *see power of supplier.*

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[29] It is assumed that this technology supplier gap will be filled but in the meantime there is a heavy reliance on one supplier.

Threat of substitutes:

In the hospitality industry, the threat of substitutes will always be high due to the myriad of accommodation choices available to customers. However, in terms of hotel **Keyless Check-in**, **Starwood** is one of the first companies to have currently introduced the **Keyless Check-in** system providing a competitive advantage. This will attract business travelers in particular maybe encouraging overnight stays rather than in and out daily city visits

Threat of new entrants:

For the moment, the threat of new entrants is relatively low due to a few barriers of entry such as the products expense. Additionally, it is also fairly new meaning that not many hotels are certain as to whether or not the system would be successful or not. However this advantage will not last if system proves successful - as we embark further into this technological era the probability of the product being provided in more hotels is large due to an extremely vast market.

As the product develops, it is likely that more competitors will increasingly employ **Keyless Check-in** consequently providing interested customers a greater number of choices in choosing which hotel they would prefer to stay in. If **Sheraton** were to introduce the system in their hotels, as soon as new entrants enter this specific market, **Sheraton** will no longer have this as their USP. However, by not introducing it, they'll be at a disadvantage since customers who want **Keyless Check-in** system will stay at hotels which offer it.

Additionally, **aloft** and **W hotels** (**Keyless Check-in** users of **Starwood**) only offer the **Keyless Check-in** system for customers who are part of their **SPG** program. Therefore, if competitors start to use the same **Keyless** system, **non-SPG** members who don't want to become members, may stay at competitor hotels. However, this is not a direct threat of entry due to the fact that, as mentioned before, **Starwood** hotels are one of the first to

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introduce this system, meaning that for the moment the rate of competitiveness is still fairly low.

Level of rivalry:

Based on,

The level of rivalry is the [30]*'degree of competitiveness in an industry'*. In this industry, the overall level of rivalry will not be greatly affected by whether or not a hotel provides **Keyless Check-in** or not but this is temporary as only **Starwood** provides it. In addition **Starwood** has made it only available for a targeted audience/SPG (ca 7 million active loyalty program customers). However, it is inevitable rivalry will increase. Once all competitors offer this it will no longer be used as a component for competitiveness but an expectation demand from customers, much like Wi-Fi has evolved.

Note: Starwood hotels are stated to be the sole providers of **Keyless** system. Although this remains true, there are other competitors such as **Hilton** which use a similar concept but small alterations set them apart[31].

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[30] Paul Hoang, *Business and Management* (n.p.: IBID Press, n.d.), [Page #407].
[31] See appendix A page #28

Perhaps more is less !

2.4 Porters Generic Strategies

"The Porters Generic Strategy is a tool used to outline the ways that a business can gain a competitive advantage."[32] It's divided into four parts: cost leadership, differentiation, cost focus and differentiation focus. This Porters Generic Strategy will be used to determine which category **Starwood's** *Keyless Check-in* product falls under.

Porter's Generic Strategies

Target Scope	Advantage	
	Low Cost	Product Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (low cost)	★ Focus Strategy (differentiation)

2.4.1 Evaluation

Starwood's *Keyless Check-in* product would be placed in the **Focus Strategy for differentiation** as it is for a narrow market segment with a unique product. Since the hotels owned by **Starwood** are the only which have used this system under these particular circumstances, it allows the product to remain a USP for **Sheraton**. Additionally, as the product's availability is for *SPG* members, this demonstrates its differential exclusiveness. Thus, this would place the product under a narrow scope. With a product that contains both the characteristics of being unique and found in a narrow scope allows

But the the question is hi all

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[32] Paul Hoang, *Business and Management* (n.p.: IBID Press, n.d.), [Page #113].

for the following; less of a risk, near to none long term influence on the business (if it were to fail) and low financial costs compared to if it were for a large target market.

Overall, this category is found to be the best fit for the products and business's mutual success which it would most likely not achieve if it were categorized elsewhere.

3.0 Conclusions and Recommendations

3.1 Conclusion

- Used single, unsubstantiated assertions

Through a large amount of research and investigation, it has been concluded that **Starwood** hotel group **should** implement *Keyless Check-in* in all **Sheraton** hotels. The results from the SWOT analysis, Porters Five Forces and Porters Generic Strategies proved that the product would bring overall a greater amount of benefits than limits. Therefore this application would be the most suitable decision for **Sheraton.** *No evidence!*

With the use of the SWOT analysis, the positive outcome of the internal and external factors and their weight on the concept, confirmed that it would differentiate them from their rivals. Thus, this would give them a competitive advantage. This would then, raise the image of **Sheraton** hotels as they are responding to customer demands. Additionally, out of these customer demands, those staying at competitor hotels would be tempted into brand switching. *Only assertion. No competitors analysis was carried out.*

As **Sheraton** would be the first higher class hotel (excluding **W hotels**) to integrate such a system, the level of rivalry would appear to be almost inexistent in the Porters Five Forces. Therefore, taking initiative sooner would be more beneficial due to time advantage. *but best?*

Porters Generic Strategies demonstrated that this innovative product was categorized as a focus strategy (differentiation). The result of having a unique product in a narrow market will decrease the amount of jeopardy on the company. Knowing that the product has been successful under the same circumstances ensures a similar success rate for **Sheraton** hotels.

To conclude, the positive outcome of each individually explored model supports the choice of launching the *Keyless Check-in* system amongst the four hundred and thirty three **Sheraton** Hotels[33]. *but really? lots of security issues mentioned*

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[33] "About us," Starwood Hotels and Resorts, accessed August 11, 2014, http://development.starwoodhotels.com/about/.

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3.2 Recommendations

To make the product as beneficial as possible, **Sheraton** should consider the following:

- ➤ With the integration of this innovative system, **Sheraton** should keep it optional. This way, customers who enjoy receiving traditional and personalized service can continue to do so.

- ➤ Secondly, the product should remain exclusively for **Starwood's SPG** members. This allows **Sheraton** to focus on a smaller target market therefore less risk of affecting the business on a larger scale if the concept were to fail.

- ➤ Utilizing **SPG** the product/service should remain free of charge because as a hotel firm you want to ensure your clients receive their money's worth (best value for money).

- ➤ To promote the product, **Sheraton** should focus on a specific market segment. This should encompass technological innovators and early adopters. Some of these characters could be segmented by age and income.

- ➤ Lastly, the **Keyless** product should be made as simple and easy to use as possible while still ensuring strong security firewall around it.

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Appendices

Appendices A: Competitors

Hilton hotels have had a rich history in innovative discoveries in the hospitality industry. The company piloted an initial version of the digital check-in more than 5 years ago. They were also the first company to introduce a software application which allows customers to have some control over their hotel stay. However, with **Starwood's** new innovation to use smartphones as a room key, **Hilton** has fallen behind its biggest competitor. Consequently, **Hilton** has currently begun to slowly follow in the footsteps of **Starwood**. In early August of 2014, **Hilton** announced that their guests will be given the opportunity to have choice and control over their entire hotel stay. They will have the ability to choose the exact room of their choice, as well as purchasing upgrades and making special requests from their mobile phones, tablets and computers. Guests will also be able to check-out using these different devices, and by the end of 2014, digital check-in and room selection will be available in more than 4000 **Hilton** hotels worldwide.[34]

By the end of 2016, **Hilton's** objective is to allow customers to use their smartphones as a room key, following the trend set by **Starwood**.

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[34] "Online check-in, keyless entry at Hilton," The Business of Accommodation, http://www.hotelmanagement.com.au/2014/07/30/online-check-keyless-entry-hilton/.

Appendices B: App offering the program

Starwood Hotel Group has recently (October 2014) released the app which allows guests to use their smartphones as a room key. It's called the SPG app, permitting all members of Starwood's loyalty program who are staying at any aloft or W hotel, to access their room by mobile. With this app, customers can connect to what they need, whenever they need it. This includes the latest SPG offers and promotions, hotel information related to your travel plans, the ability to store your hotel room number so you never lose it and around-the-clock assistance from the SPG support team.[35]

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[35] "SPG: Starwood Hotels & Resorts," Itunes, accessed November 6, 2014, https://itunes.apple.com/app/id312306003.

Appendices C: Sheraton[36]

For more than 70 years **Sheraton** has enjoyed a history as vibrant and spirited as the travelers we welcome. The world has changed, but one thing hasn't – travel is about bringing people together.

1937 – The origins of **Sheraton** date back to 1937 when the company's founders. *Ernest Henderson* and *Robert Moore* acquired their first hotel in Springfield, Massachusetts. Within two years, they purchased three hotels in Boston and soon expanded their holdings to include properties from Maine to Florida.

1947 – **Sheraton** Corporation of America becomes the first hotel chain to be listed on the New York Stock Exchange.

1949 – With the purchase of two Canadian hotel chains, **Sheraton** expands internationally and grows rapidly around the world.

1958 – The company launches *"Reservatron"*, the industry's first automatic electronic reservations system.

1961 – The first **Sheraton** in the Middle East debuts with the opening of the Tel Aviv **Sheraton** in Israel.

1963 – The **Macuto Sheraton** Hotel opens in Venezuela, becoming the first **Sheraton** hotel in Latin America.

1965 – **Sheraton** opens the door to is 100th hotel – The **Sheraton Boston**.

1970 – The company is the first hotel chain with a toll-free 800-number for direct guest access which is still in use today.

1985 – **Sheraton** achieves an important milestone becoming the first international hotel chain to operate a hotel in the People's Republic of China.

1998 – **Starwood Hotels & Resorts** Worldwide, Inc. acquires **Sheraton**.

2002 – **Sheraton** introduces the Sweet Sleeper Bed.

2006 – The *Link Sheraton* experienced with *Microsoft* debuts at five hotels around the world. The *Link Sheraton* is the connectivity hub of our lobby experience, allowing guests to work, relax, socialize or grab a snack.

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[36] "Sheraton History," Starwoodhotels, accessed November 17, 2014, http://www.starwoodhotels.com/sheraton/about/history.html?language=en_US.

2008 – Sheraton Fitness programmed by *Core Performance* is introduced, created in partnership with world-renowned personal training experts *Core Performance*, our fitness program is designed to keep guests at their peak at all times.

2008 – Sheraton boasts a portfolio of more than 400 hotels in 70 countries, including a stellar portfolio of more than 60 resorts in stunning destinations worldwide.

Appendices D: Interview

Interview with Starwood's Associate Director of Rooms: Stefan Lorch date.

ES: What are the strengths and weaknesses of Sheraton?

SL: Strengths: Global distribution, strong brand name recognition / Weakness: Large companies are often slow to adjust and adopt to change.

ES: Which hotels already have the system and has the keyless check-in system been introduced to ALL aloft and W hotels, or just some?

SL: The W and aloft hotels have the system already, and it will be available at all W and Aloft hotels before the end of the year.

ES: What have been the benefits and/or drawbacks in having keyless check-ins at aloft and W hotels?

SL: In general, the benefits are offering guest another way to interact and engage with us. Keyless check-in is all about personalizing your stay experience by integrating technology used by the guest in their day to day live. It's intuitive and easy to use. W and Aloft hotels attract a tech savvy guest demographic and therefore needs to stay cutting edge and ahead of global trends. Keyless check-in helps us to set the trend.

ES: Who would supply Sheraton with the 'keyless' check-in system?

SL: We are partnering with Assa Abloy / Vingcard on this program which is a company specialized in guest room door lock systems. This company is among the largest supplier of hotel guest room lock systems in the world and helping us to upgrade key locks to allow for the keyless check in as well as supports the software application to manage the process.

ES: What would be the price for the keyless check-in system?

SL: Our cost is approximately $22.00 per room per year as an ongoing fee and the cost of upgrading the guest room locks which depends on the hotel. We are not passing down the cost to our hotel guest but making it initially only available as a benefit to our SPG members

(loyalty program members). By doing this, we are strengthening and driving more business to our loyalty program which in turn drives revenue as we know that our SPG members are more profitable than non-members.

ES: Are there any other above the line or below the line promotions you have done to promote the product, apart from the advertisement you showed me in our meeting?

SL- Not at this time but there will be more advertising to SPG members once this is deployed and active at all Aloft and W.

ES: What percentage of Sheraton customers would be available for using the keyless check-in?

SL: SPG members make up approximately 50% of our business so this would be likely the target number