

CA



THE INSTITUTE OF  
**CHARTERED** ACCOUNTANTS  
OF SRI LANKA

**Business School**

EXECUTIVE DIPLOMA  
IN  
ACCOUNTING & BUSINESS STRATEGY

**BUSINESS PROJECT REPORT**

GUIDELINE

## **Assessment Requirement**

You are required to refer the “Raffles, Singapore’s Historic Hotel” Business Case Study and prepare a comprehensive Business Case Analysis (BCA) in the form of a word processed report.

## **Points to Note**

- The report should cover all key steps of the BCA process taught in class.
- The report must be between 15 – 20 pages, word processed in Times New Roman with font size of 12 point, at 1.5 line spacing.
- You may do additional online research to support your work.
- A review/support session would be arranged by the institute, prior to your submission, to meet the lecturer for any guidance or assistance.
- Ensure you refer all the materials given in the class and apply them well in your report.
- You may use “references” as appropriate. Plagiarism (copying content directly from other sources such as internet) would be penalized.

## **Proposed Structure of The Report**

1. INTRODUCTION TO THE COMPANY & THE INDUSTRY
2. SITUATIONAL ANALYSIS
  - a. SWOT
  - b. Ratio Analysis
  - c. PESTEL
  - d. P5Fs
3. ASSUMPTIONS & MISSING INFORMATION
4. PROBLEM DEFINITION
5. STRATEGIC ANALYSIS
  - a. Vision / Mission / Goals / Objectives
  - b. Porter’s Generic Strategy
  - c. Ansoff’s Matrix
  - d. BCG Matrix
6. ALTERNATIVES
  - a. THREE alternatives fully stated with justifications
7. RECOMMENDATIONS
  - a. ONE recommendation, clearly showing how the THREE MAJOR CRITERIA was used to arrive at it
8. SUMMARY & CONCLUSION

## **Marking Criteria**

- Coverage of the entire BCA process sufficiently – 30%
- Comprehensive analysis and quality of analysis – 40%
- Presentation, structure and style of the report/writing – 10%
- Personal input – 10%
- Value additions/originality/innovative thinking – 10%

## **Submission**

- Submission of the assignment must be as advised by the institute (date, time, structure).

**-End of Guideline & Case Study to Follow-**

# Raffles, Singapore's historic hotel\*

Kulwant Singh  
Nitin Pangarkar  
Gaik Eng Lim  
Ng Seok-Hui  
National University of  
Singapore

## History

The story of Raffles Hotel really began in 1869, when, with the opening of the Suez Canal, travelling abroad for pleasure became a new passion of aristocrats and the super-rich. Together with their wives, fiancées or lovers, they took long cruises on P&O and Lloyd Triestino ships to exotic cities around the globe, where they stayed in hotels of unsurpassed class, such as Cairo's Shepherd Hotel, Bombay's Taj Mahal Hotel and Rangoon's Strand Hotel.

It did not take long for four Armenian brothers,<sup>1</sup> Aviet, Arshak, Martin and Tigran Sarkies, to see the opportunities that lay in accommodating these well-heeled travellers. On 1 December 1887, after an eight-day search, they found a favourable location – an old bungalow on the south waterfront of Singapore island. It had plenty of space for shady gardens, and was close enough to the Padang<sup>2</sup> yet remote enough from the hubbub of the harbour. A deal was struck with the bungalow's Arab owner with a yearly payment of 127 Spanish dollars. The Sarkies then began renovations to construct a 20-room hotel that was a cross between a Florentine palazzo and a French chateau. It was built using deeply coursed plasterwork with rusticated columns, arches, and a wide verandah running completely around all four sides of the building. Lofty rooms were built to suit the tropical climate.

The brothers named it 'Raffles Hotel', after the island's founder, Sir Stamford Thomas Raffles, who had established a trading post in Singapore for the British East India Company in 1819. His free trade policy had enabled Singapore to flourish as a commercial and trading centre.

The early 20th century was the golden age of world travel and Raffles Hotel soon attracted royalty, the rich and the powerful. It became a social hub of the well-heeled from the East and West – Crown princes, dukes, and local notables such as Sir Frank Swettenham and Sir Henry Keppel, along with a great many colonial military and civil bigwigs. Raffles was referred to as the 'Rendezvous of the Elite'. Tigran Sarkies, quick to capitalise on the human penchant for rubbing shoulders with the rich and famous, would publish lists of the celebrities who stayed at Raffles. Tigran was an irrepressible promoter of Raffles. Once, Rudyard Kipling, having stayed at Raffles, was prompted to write: 'Feed at Raffles and sleep at the Hotel de l'Europe'<sup>3</sup> and '... where the food is as excellent as the rooms are bad'.<sup>4</sup> Tigran blithely turned these sentiments to the hotel's advantage by extracting the words, 'Feed at Raffles – where the food is excellent.' Another brother, Arshak, loved to delight guests with jokes and party tricks. One of his all-time favourites was to balance a glass of whisky on his bald head, and waltz around the ballroom without spilling a drop.

Raffles underwent constant renovation and expansion to keep up with the business boom over the years. Its 1899 reopening was a brilliant affair. The whole hotel was illuminated by 800 bulbs and five arched lights that blazed at the main entrance. Raffles was Singapore's first hotel to have electricity, which it generated from its own dynamos. It was also the first private enterprise to have a telephone and attached bathroom with running water in each room.

During the years 1929–31, Arshak Sarkies embarked on extravagant renovations which resulted in a bankruptcy court suit. The renovation had unfortunately coincided with the Malayan rubber slump and the Great Depression. However, despite

This case was funded by a grant from the National University of Singapore.

problems with creditors, Raffles survived with the help of a few hopeful investors. Between the 1920s and 1940s, Raffles began to show its age. Guests complained about leaking roofs, broken windows, cracked pillars and peeling plaster. The Sarkies, ever sanguine, saw it differently and increased advertising in the *Daily News* that read, 'For a taste of genuine antiquity, stay at Raffles Hotel.'

On 15 February 1942, Singapore fell to the invading Japanese army. Raffles was appropriated during the Japanese Occupation and turned into military quarters for senior Japanese officers. By the 1970s and 1980s, Raffles was showing its age badly – with run-down, roach-infested rooms, creaky doors, rattling windows and leaking taps. When Roberto Pregarz, an Italian, took over as general manager in 1972, 115 out of the hotel's 127 rooms were vacant.<sup>5</sup> Raffles was also losing some S\$250 000 a year. Around it, old shophouses and colonial buildings were being razed to make way for the country's development. Raffles' seafront was soon replaced by reclaimed land for commercial development. Next to it, the Westin Stamford, the tallest hotel in Asia, soared proudly. Raffles stuck out like a derelict, decaying grandeur in the hustle and bustle of modern Singapore, and was regarded by many locals as an overrated colonial relic. There was talk of tearing down the hotel, but the intervention of a few concerned, influential individuals, as well as a growing appreciation among the nation's governing technocrats of the importance of preserving historical artifacts, led to

Raffles being officially gazetted as a historical landmark on 3 March 1987 – the grand old hotel.

Two years later, the hotel was closed for a two-and-a-half-year restoration at a cost of S\$160 million. The restoration work was a delicate affair. Care was taken to preserve the original colonial architecture of the three-storey building. Each of its 104 spacious and luxurious suites had 14-foot moulded ceilings, overhead fans, central air-conditioning, furnishings, marble bathrooms and hand-woven oriental rugs on teakwood floors. Raffles' suites, which recreated the style and ambience of the hotel's heyday at the turn of the century, had modern amenities skilfully blended in.

## The new Raffles

Raffles Hotel's suites cost between S\$650 and S\$6 000 a night in 1995 (Exhibit 1). For S\$6 000 a night, the most expensive in Singapore,<sup>6</sup> one could enjoy a colonial ambience, a luxurious 260-square-metre suite, which included sitting and dining rooms, two bedrooms, three bathrooms with a changing area, a private balcony, jacuzzis, and a 24-hour valet service. Comparatively, the presidential suites of other neighbouring top-end hotels,<sup>7</sup> which were usually taken up by heads of state, royalty, top corporate staff, celebrities and millionaires, went for between S\$2 700 and S\$4 960 a day.

Guests came predominantly from the United States (30 per cent) and Europe (30 per cent), with Japan and Australia making up about 25 per cent. Asians and visitors from a few other countries formed the remaining 15 per cent. Corporate clients represented 30

### Exhibit 1 | Suite rates at Raffles Hotel effective from 1 April 1995

Suites	S\$
Courtyard	650
Bras Basah	700
Palm Court	750
Gallery	750
Personality	800
Noel Coward	950
Somerset Maugham	950
Grand Hotel	4 000
Sarkies	from 6 000
Raffles	from 6 000

Note: All rates (except Grand Hotel) are for single occupancy and are subject to 10 per cent service charge, 1 per cent government tax and 3 per cent goods and services tax. Additional person charge S\$50 up to a maximum of two additional persons.

Source: *The Tariff Schedule*, 1995, Raffles Hotel.

per cent of all occupants, while well-heeled, prominent travellers (including celebrities and politicians) comprised 65 per cent. The remaining 5 per cent of the hotel's guests were independently wealthy and wanted to commemorate special occasions with a stay at Raffles.

### The hotel arcade

The hotel owned the Raffles Arcade which housed 12 food-and-beverages (F&B) outlets, six function areas, a mini-museum, a theatre playhouse, and 70 retail shops which included speciality stores such as Tiffany's, Hour Glass, Louis Vuitton, Jim Thompson, Hanae Mori and Donna Karan. The museum, opened free to the public, displayed photographs of famous guests such as Charlie Chaplin and Douglas Fairbanks Sr, a collection of 19th-century photographs of Singapore and Southeast Asia, and a safe in which the original maker of the cocktail concoction, the Singapore Sling, Ngiam Tong Boon, allegedly kept his secret recipe.

Raffles ran five of the speciality shops, selling a range of 500 merchandise items from coffee, spices and jams to notepads, T-shirts, shorts, caps and gold cufflinks. All these items were specially designed for the hotel and bore the Raffles name.

About 8 000 local people visited Raffles' F&B outlets each day. The food, costing between S\$5 and S\$10, was affordable and comparable to many other food centres.

### Management

Raffles Hotel was managed by Raffles International Group, a wholly owned subsidiary of DBS Land which had a 56.67 per cent stake in Raffles. Raffles Investments Limited owned the remaining 43.33 per cent. Besides managing Raffles Hotel, Raffles International also offered tourism consultancy services, including hotel development, marketing and management, heritage conservation and restoration.

After renovation, Raffles Hotel changed in more than just appearance. For the first time in its history, Raffles' general manager was a Singaporean and a woman – Jennie Chua. All previous general managers had been European males – from Italy, Switzerland and Britain. Chua, an urbane and articulate woman, held a postgraduate degree from Cornell University in the United States and had over 25 years of hotel experience.

Raffles had a staff strength of 870, including about 130 executives. Until 1987, staff and their family members used to work at the hotel for generations. With the closing of the hotel for restoration, many were

asked to leave. Hotel rules were strict – doormen, porter boys, chambermaids and waiters were required to undergo rigorous training. Doormen wore military uniforms that were meant to evoke memories of Raffles' early heyday.<sup>8</sup> Half of the staff wore designer uniforms. Others wore batik clothes with motifs of the orchid, Singapore's national flower, as well as the traveller's palm tree. Staff were trained to observe and attend to the smallest needs of individual guests – for example, a painting in a suite would be taken down if it was observed that a guest disliked it.

Raffles sought to recreate the old-world charm and ambience of its illustrious past. For Raffles, nostalgia and old-world service go hand in hand. Management's rule of thumb was 'the older the better'. Its mission was 'to delight patrons with many memorable experiences'.

### Marketing

Marketing Raffles had always involved building upon its rich history and colourful events. One poignant tale had the last tiger of Singapore shot dead under a billiard table at Raffles in 1902. The real story was that the tiger was, in fact, a circus escapee, and anyone would have been very happy to see it shot. The tiger episode was now a part of the history of the hotel and lent itself well to promoting Raffles' exoticism. Besides the tiger in that era, there had been encounters with a python, a pig and a wild boar, so much so that *The Straits Times*, Singapore's local paper, was prompted to write: 'No sportsman in Asia should miss paying a visit to Raffles ...'<sup>9</sup>

Another story Raffles used in promoting the hotel's exceptional service was that of the 70-year-old guest who refused to sleep in her room unless a mosquito net was set over her bed, just the way it was in her earlier stay at the hotel in 1937. Although the use of such mosquito nets had long been abandoned as all the suites were installed with air-conditioners, the staff nonetheless spent all night dutifully sewing her a fresh one from remnants of cloth found in a storeroom.

Raffles had been a respite for some of the most famous writers in English literature – Rudyard Kipling, Joseph Conrad and Noel Coward. Many of their handwritten letters and manuscripts were found in the hotel's museum. Raffles had used this fact to their advantage in their advertising. The hotel boasted of Somerset Maugham spending a whole morning writing under a frangipani tree in the hotel's Palm Court. Raffles continued to encourage this tradition by inviting well-known travel writers and journalists to Raffles to experience its ambience and personalised service.

Raffles Hotel, well-aware of the power of the visual medium in capturing the public imagination, had often volunteered its unique setting for films<sup>10</sup> and television productions. After all, as one writer wrote, ‘There may be a hundred other luxury hotels, Hiltons, Sheratons, and Westins; but there is only one Raffles.’<sup>11</sup> The hotel also used network marketing and word of mouth, as well as calling on prospective and current corporate clients, in selling its rooms.

### Raffles' ratings

*Institutional Investor Magazine*, in a 1993 hotel survey of the world's best hotels, ranked Raffles Hotel 18th in the world and seventh in the Asia-Pacific region.<sup>12</sup> It was rated highly for its excellent, professional service, security, and amenities such as huge American king-size beds, Persian carpets, interesting furniture, attractive bathrooms with old Peranakan-style<sup>13</sup> tiles, good disposable toothbrushes, soap and shampoo specially

### Exhibit 2 | Raffles Hotel's balance sheet at 31 December 1992 and 1993

	1993 S\$000	1992 S\$000
FIXED ASSETS	162 661	171 678
INVESTMENT PROPERTY	175 300	175 300
INVESTMENTS	2 678	2 654
DEFERRED EXPENDITURE	6 544	7 496
CURRENT ASSETS		
Stocks	1 715	1 591
Trade debtors less provision S\$189 819 (1992: S\$174 326)	3 660	3 096
Other debtors and prepayments	696	385
Fixed deposits	3 916	4 281
Cash and bank balances	128	233
	<u>10 115</u>	<u>9 586</u>
CURRENT LIABILITIES		
Trade creditors	3 746	3 558
Other creditors and accrued charges	19 646	26 186
Due to related companies (non-trade)	209	189
Provision for income tax	90	24
Proposed final dividend	243	243
Bank overdraft (unsecured)	6 614	605
	<u>30 548</u>	<u>30 805</u>
NET CURRENT LIABILITIES	20 433	21 219
NON-CURRENT LIABILITIES		
Bank loans	130 500	147 100
Loan from holding company	17 000	17 488
Loan from shareholder	13 000	13 373
	<u>166 250</u>	<u>157 948</u>
SHARE CAPITAL		
Authorised: 100,000 ordinary shares of S\$1 each	100 000	100 000
Issued and fully paid: 66 600 000 ordinary share of S\$1 each	66 600	66 600
RESERVES		
Investment revaluation reserve	89 246	87 234
Unappropriated profit	10 404	4 114
	<u>99 650</u>	<u>91 348</u>
	<u>166 250</u>	<u>157 948</u>

Source: Raffles Hotel.

packaged for Raffles by Floris of London, and fruit trays. However, Raffles did not fare well on a number of items. Drain-holes in the showers were too small and occasionally caused flooding. Rooms in the S\$600 range were a trifle small to be suites. There was no comprehensive minibar range, or coffee or tea service, while breakfast had to be ordered by phone. Toiletry items were limited (for example, body lotion, which is usually available in most hotels, is not provided) and bathrobes were oversized for women guests.

### Financial performance

Raffles Hotel reported brisk business barely a month after its reopening. Initial occupancy rate was about 60 per cent, but management reported about 79 per cent – the industry average in 1994. Its 12 F&B outlets were booked in advance to up to 80 per cent of their capacity during meal-times,<sup>14</sup> with 70 per cent of the bookings done by locals. For Raffles, 90 cents on the dollar were

earned for each room, while F&B outlets earned on average 35 cents on the dollar before taxes. At least one function a night was booked at the hotel's banquet halls until the end of the year. Raffles Hotel's balance sheet, profit and loss, and changes in financial position statements for 1992 and 1993 are shown in Exhibits 2–4.

### The Asian financial crisis

In late 1997, the vibrant economies of Asia crumbled one after another as the full force of the Asian financial crisis hit the countries of Thailand, Indonesia, South Korea, Malaysia and Hong Kong, causing their economies to dive into a recession. Currencies plunged, with the Indonesian rupiah being affected the worst, diving in January 1998 to Rp 15 000 to US\$1 from Rp 2 000 to US\$1 before the crisis. Civil and political unrest ensued in Indonesia. Singapore was not spared, although the impact of the crisis hit it less severely

**Exhibit 3 | Raffles Hotel's profit and loss statement at 31 December 1992 and 1993**

	1993	1992
	S\$000	S\$000
TURNOVER	65 682	64 446
PROFIT BEFORE TAXATION	6 623	5 903
After charging the following:		
Auditors remuneration	30	29
Depreciation of fixed assets	7 297	7 259
Director's fee	26	24
Amortisation of deferred expenditure	1 182	1 117
Provision for doubtful trade debts	36	136
Interest expense		
—holding company	512	—
—related companies	391	—
—others	4 474	6 151
And after crediting the following:		
Interest income	80	109
TAXATION	(90)	(90)
PROFIT AFTER TAXATION	6 533	5 813
Dividends	(243)	(243)
PROFIT FOR THE YEAR RETAINED	6 290	5 570
UNAPPROPRIATED PROFIT/(LOSS) BROUGHT FORWARD	4 114	(1 456)
UNAPPROPRIATED PROFIT CARRIED FORWARD	10 404	4 114

Source: Raffles Hotel.



## Exhibit 4 | Raffles Hotel's changes in financial position at 31 December 1992 and 1993

	1993 S \$000	1992 S \$000
<b>SOURCE OF FUNDS</b>		
Profit before taxation	6 623	5 903
Adjustments for item not involving the movements of funds:		
Amortisation of deferred expenditure	1 182	1 117
Depreciation of fixed assets	7 297	7 259
	<u>8 479</u>	<u>8 376</u>
<b>TOTAL GENERATED FROM OPERATIONS</b>	<b>15 102</b>	<b>14 279</b>
<b>FUNDS FROM OTHER SOURCES</b>		
Bank loans	—	11 700
	<u>15 102</u>	<u>25 979</u>
<b>OTHER APPLICATIONS</b>		
Dividends paid	243	—
Income tax paid	90	—
Purchase of fixed assets	428	4 237
Purchase of investments	24	82
Payment of bank loans	16 600	—
Increase/(decrease) in working capital	<u>(2 283)</u>	<u>21 660</u>
	<u>15 102</u>	<u>25 979</u>
<b>INCREASE/(DECREASE) IN WORKING CAPITAL</b>		
Inventory	124	437
Deferred expenditure	230	496
Debtors	875	910
Creditors	2 126	14 993
Amount owing to/by related companies	<u>841</u>	<u>1 234</u>
	<u>4 196</u>	<u>18 070</u>
Increase/(decrease) in net liquid funds:	(470)	(31)
Fixed deposits, cash and bank balances	<u>(6 009)</u>	<u>3 621</u>
Bank overdraft	<u>(6 479)</u>	<u>3 590</u>
	<u>(2 283)</u>	<u>21 660</u>
Source: Raffles Hotel.		

than other countries. Its economy contracted, with tens of thousands of workers being laid off in 1998, the trough of the recession. By 1999, the worst was over for most of the countries, although problems still remained. Many people were still unemployed, political unrest still existed and economic restructuring had yet to be completed. The tourism and hotel industry was badly hit.

## The Asian financial crisis and the Singapore hotel industry

The crisis caused a drop in the tourism industry in Singapore. It did not help that, even before the Asian financial crisis was precipitated in August, the region had experienced thick smog caused by the indiscriminate burning of forests by logging and plantation companies in Sumatra, Indonesia. In 1997 and 1998, visitor arrivals dropped to 7.19 million and 6.24 million, respectively, from 7.29 million in 1996. Total revenue from tourism dropped to S\$8.3 billion in 1998, bringing revenue back to the level in 1990.

Hotels in Singapore suffered a 32 per cent decrease in revenue per available room (RevPar) from S\$143.74 in 1997 to S\$97.97 in 1998. The RevPar registered a further decline to S\$89.86 by end-1999. However, the 1999 RevPar was accompanied by an increase in occupancy levels of 74.7 per cent – that is, a 3.4 per cent increase compared to the 1998 level. By the end of June 2000, five-star hotels enjoyed an occupancy level of 82.9 per cent. The higher occupancy levels resulting from the region's recovery from the crisis were reflected in the increased visitor arrivals in 1999 of 6.96 million. As the region continued to recover from the crisis, visitor arrivals in Singapore were expected to remain healthy.

## Raffles Hotel: Performance

In the years of the Asian economic crisis, Raffles Hotel suffered from the lower tourist arrivals in Singapore. In 1997 and 1998, Raffles Hotel registered a lower turnover and profit. In 1997, its profit declined by S\$1.2 million. The decline in turnover and profit persisted in 1998. Raffles Hotel's turnover booked a decline of S\$10.9 million. The hotel topped the industry, with an average room rate of S\$599 in 1997 and above S\$580 in 1998. In the first half of 1999, the average room rate for the industry fell approximately 17 per cent compared to the first half of 1998. Raffles Hotel's decrease for the first half of 1999 was approximately 4 per cent.

Its revenue from F&B, which had contributed significantly to overall revenues, was affected as a result of lower local spending. Rental revenue from the Raffles Hotel Arcade was also adversely affected. In spite of the recession years, capital expenditures for Raffles Hotel in 1997 and 1998 were approximately S\$2.13 million and S\$1.99 million, respectively.

Raffles continued to be rated well internationally. In 1998, it was in the *Conde Naste Traveler* list of the 'Top Hotels in the World' and was ranked among the top 25 hotels in the world in the 'Readers Select World's Best Hotels' survey in *Institutional Investor* magazine.

## Competition

Between 1996 and 1999, the vicinity of Raffles Hotel saw the completion of Suntec City, a huge complex of office buildings, exhibition centres and shopping mall; Chjmes, a sprawling turn-of-the-century convent girls' school now housing shops, restaurants and galleries; two malls, the up-market Millenia Walk and the underground mall CityLink; and two high-end hotels, the Ritz-Carlton Millenia and the Conrad International. While the new shopping malls and office buildings brought more visitors and tourists into the area, the two hotels posed new competition for Raffles.

A survey of room rates by the consulting company Arthur Anderson concluded that room rates in Singapore should be higher. In 1999, Singapore's average room rate was S\$161, compared to Hong Kong's S\$209. It should have been on a par with Hong Kong's, but for the intense competition in the hotel industry. According to Conrad International's sales and marketing director, Theresa Choo, 'Each time any hotel decides to raise room rates, a competitor hotel of a higher standard either matches or lowers theirs.'<sup>15</sup>

This situation was not helped by the fact that 65–75 per cent of total room supply in Singapore was in the up-scale and deluxe hotels – defined to be the business, business and pleasure, and meetings, incentives, convention and exhibition visitors – while the market for such hotels is limited to around 30 per cent of total visitor arrivals.<sup>16</sup>

## Ownership<sup>17</sup>

Raffles Hotel was 56.7 per cent owned by Raffles Holdings Limited, which in turn was 45 per cent owned by DBS Land Limited (DBSL), one of the largest property groups in Singapore (Exhibit 5). Raffles Holdings was listed on the Singapore Stock Exchange in December 1999.

Raffles Holdings had expanded locally and internationally. As of 1999, it owned 2 626 deluxe hotel rooms and suites representing approximately 10 per cent of the deluxe hotel rooms available in Singapore. Its international expansion was marked in 1997 by the purchases of hotels in London and Hamburg, in Germany, as well as the establishment of two hotels in Cambodia. Among the hotels owned by Raffles Holdings, the Raffles Hotel Singapore was positioned as the flagship product (Exhibit 6).

In building its hotel portfolio, Raffles Holdings developed a three-tiered branding strategy. All of its hotels were marketed using the Raffles International master brand, capitalising on the distinctive Raffles name. However, there were some distinctions among the hotels' targeting and positioning strategies. Hotels marketed under the Raffles brand were targeted at affluent and leisure travellers and were luxury landmark hotels or distinctive properties located in gateway cities. These included Raffles Hotel; Brown's Hotel, London; Hotel Vier Jahreszeiten, Hamburg; and Hotel Le Royal, Phnom Penh, Cambodia. In 1994, Raffles Hotel formed a joint venture with the owner of the 19th-century Galle Face Hotel, Colombo, Sri Lanka, to restore and redevelop the historic hotel. A year later, the deal was called off because the cost of the facelift was more expensive than estimated. The distinctive positioning of the hotels belonging to this category, vis-à-vis other top international hotels, was their 'memorable experience'.

The Raffles Resort brand comprised luxury resorts in locations with strong appeal to the leisure market, including individual, family, incentive and special interest travellers. The resort hotels were designed to

take their distinctive form and character from their local culture, history and natural environment. Raffles Holdings owned and operated the Grand Hotel d'Angkor, a Raffles Resort in Siem Reap, Cambodia, near the Angkor Temple complex, and was developing Raffles Resorts in Mallorca, Spain, and on the islands of Bali and Bintan in Indonesia.

The third category was marketed under the Merchant Court brand name and targeted at the middle and upper mid-level market segments and designed to appeal to both business and leisure travellers.

Besides hotels, which contributed approximately 70 per cent to the group's turnover, Raffles Holdings also owned and managed the Raffles City complex, a 337 384-square-metre mixed-use property located in Singapore's central business district. The Raffles City complex comprised the Westin Stamford and Westin Plaza hotels, the Raffles City Convention Center, and a retail and office complex. These two hotel properties were leased out to RC Hotels through Raffles Holdings' wholly owned subsidiary, Raffles City (Pte) Limited. Raffles City (Pte) Limited received rental fees from RC Hotels. The Westin Hotel Company managed and operated the two hotels under the Westin brand name and received a management fee based on a percentage of gross operating profits.

Raffles Holdings' strategy was to 'build upon the Raffles international master brand name to create a diversified group of luxury hotels and resorts in strategic locations throughout the world'.

In addition to expansion, they also formed a cross-marketing alliance with three top-ranked hotels in Europe. Raffles Holdings was also part of Global

### Exhibit 5 | Raffles Holdings' hotel portfolio, June 1999

Hotel	Location	Total no. of rooms
<b>Raffles Brand</b>		
Raffles Hotel	Singapore	104 suites
Brown's Hotel	London, England	118
Hotel Vier Jahreszeiten	Hamburg, Germany	158
Hotel Le Royal	Phnom Penh, Cambodia	208
<b>Raffles Resort Brand</b>		
Grand Hotel d'Angkor	Siem Reap, Cambodia	128
<b>Merchant Court Brand</b>		
Merchant Court Singapore	Singapore	476
<b>Asset Managed Hotels</b>		
Westin Stamford	Singapore	1 263
Westin Plaza	Singapore	783

Source: Raffles Hotel.

Exhibit 6 | Raffles Holdings Limited, principal operating companies

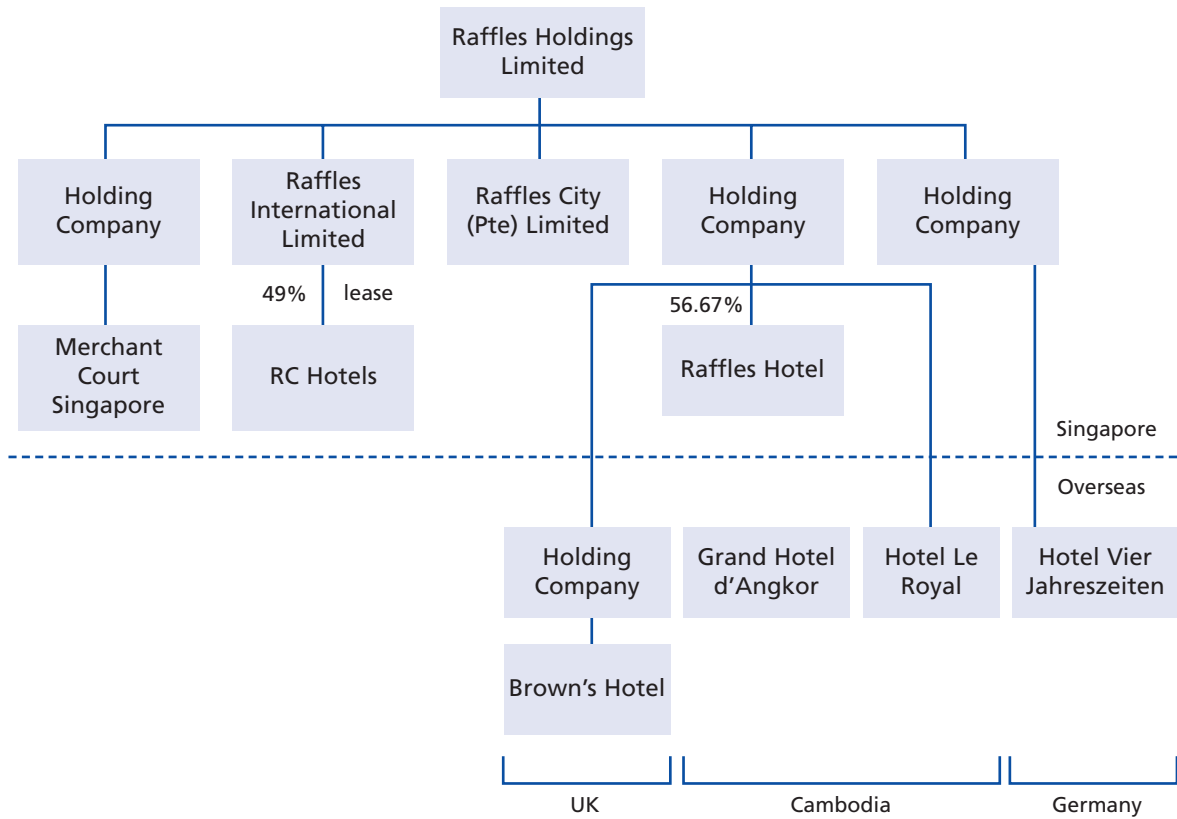


Exhibit 7 | Distribution of visitor arrivals by residence, 1993–8

Residence	1993	1994	1995	1996	1997	1998
Americas	6.06	6.20	5.97	6.30	6.40	6.82
Asia	69.57	71.30	73.30	72.94	72.26	67.67
ASEAN	30.71	31.62	31.15	31.30	32.56	30.12
China	3.51	2.39	2.83	3.11	3.27	4.70
Hong Kong SAR	3.93	3.93	3.92	3.96	3.68	4.38
Japan	15.58	16.08	16.52	16.07	15.20	13.52
S. Korea	3.09	4.20	4.92	5.27	4.15	1.59
Taiwan	6.65	7.40	7.89	7.25	6.94	5.81
Others	6.10	5.68	6.07	5.98	6.46	
Europe	15.87	14.74	13.53	13.75	13.72	15.74
Oceania	6.97	6.29	5.98	5.91	6.43	8.33
Africa	1.52	1.46	1.22	1.09	0.98	1.27
Not stated	0.01	0.01	0.00	0.00	0.21	0.18
Total %	100	100	100	100	100	100
Total arrivals	6 425 778	6 898 951	7 137 255	7 292 521	7 197 963	6 242 153

Note:  
 \* Oceania includes Australia, New Zealand and other countries in Oceania.  
 Source: Singapore Annual Report on Tourism Statistics, 1998, Table 3.

## Exhibit 8 | Statement of operations based on number of rooms, 1998

	Less than 350 rooms Ratio to revenue	351 to 500 rooms Ratio to revenue	501 rooms & above Ratio to revenue
<b>Revenues</b>			
Room department	56.1%	54.8%	55.1%
Food department	27.8	28.9	29.2
Beverage department	8.4	8.6	10.3
Telephone department	2.0	1.4	1.6
Other operated department	1.0	1.0	1.1
Rentals and other income	4.7	4.6	2.6
<b>Total revenues</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Departmental costs &amp; expenses*</b>			
Room department	24.9%	28.1	20.6
Food & beverage department	78.7	85.6	73.0
Telephone department	113.7	111.9	103.4
<b>Total cost &amp; expenses</b>	<b>44.8%</b>	<b>49.8</b>	<b>42.2</b>
<b>Total operated departments income</b>	<b>55.2%</b>		
<b>Undistributed operating expenses</b>			
Administrative & general	10.7%	14.4	27.0
Marketing & guest entertainment	5.9%	5.9	4.0
Property operation & maintenance	5.4%	6.0	8.7
Energy costs	5.4%	5.4	4.0
<b>Total undistributed expenses</b>	<b>27.3%</b>	<b>26.1</b>	<b>55.7</b>
<b>Income before management fees &amp; fixed charges**</b>	<b>28.0%</b>	<b>19.5%</b>	<b>34.6%</b>
<b>Notes:</b>			
* The ratio of departmental costs and expenses to revenues generated by the respective departments. For example, the costs and expenses of the room department amount to 24.9 per cent of revenues generated by the room department for hotels with less than 350 rooms.			
** Fixed charges include property tax, insurance, rent, interest, depreciation, etc.			
Source: 1998 Singapore Hotel Industry Survey of Operations, Singapore Hotel Association			

Distribution Systems, a major reservations system used by travel agents for flights and accommodation.

Raffles Holdings believed that it should capitalise on its management expertise and master brand name through securing management contracts for properties owned by third parties. By securing management contracts, it could improve its return on capital and enhance its management fee income.

F&B and service were considered critical to its success. As such, it established the Culinary Academy at Raffles Hotel, which served as a test kitchen for Raffles Holdings' new food concepts and as a training site for its culinary employees. It also provided F&B appreciation programs to hotel guests as well as interested locals. It developed a proprietary training program, 'Excel Through Training', which was used in

its training centres in Singapore, Cambodia and Germany. It recently collaborated with the Cambodian government to establish the Cambodia Hotel and Tourism Academy to provide training in the hotel industry.

## The future

Raffles Holdings believed that there was really no competition for Raffles Hotel, although it acknowledged that their hotels competed for guests with other hotels in the highly competitive lodging industry in various countries. How can Raffles Holdings help its flagship hotel, Raffles Hotel, compete better in this very competitive industry? How should Raffles Holdings itself pursue its growth strategy?

## Exhibit 9 | Labour cost, 1998

	Hotel industry (\$)	Ratio to revenue (%)	Analysis by number of rooms		
			Less than 350 rooms Ratio to revenue (%)	351 to 500 rooms Ratio to revenue (%)	501 & above rooms Ratio to revenue (%)
*Labour cost per available room					
Room department	5 287	8.1	8.5	9.6	5.8
Food & beverage department	9 828	14.8	13.8	16.5	12.5
Telephone department	310	0.5	0.5	0.5	0.4
Administrative & general department	3 441	6.3	6.3	5.5	4.1
Marketing department	1 467	2.2	2.2	2.6	1.7
Property operation & maintenance department	1 519	2.3	2.5	2.6	1.7
Total labour cost	21 852	34.2	33.8	36.7	26.2

Note:  
\* Total payroll and related expenses (salaries and wages, including vacations and employees' benefits).  
Source: 1998 Singapore Hotel Industry Survey of Operations, Singapore Hotel Association.

## Exhibit 10 | Comparison of rates of selected hotels, 2000

	Single/double rooms	Suite
Raffles	—	\$650–\$6 000
Four Seasons	\$435–\$500	\$580–\$4 500
Shangri-La	\$375–\$550	\$500–\$3 200
Westin Stamford	\$340–\$380	\$450–\$1 700
Westin Plaza	\$360–\$400	\$700–\$2 100
Hyatt Regency	\$450–\$530	\$1 200–\$3 800
Ritz-Carlton	\$430–\$475	\$550–\$5 000
Conrad International	\$360–\$400	\$550–\$3 300

## Endnotes

- \* This case was first published as two separate cases ('Raffles Hotel (A)' and 'Raffles Hotel (B)') in Kulwant Singh, Nitin Pangarkar and Gaik Eng Lim (eds), 2001, *Business Strategy in Asia: A Casebook* (Singapore: Thomson Learning).
- The Sarkies brothers also owned the Strand Hotel in Rangoon.
  - A large rectangular assembly ground for national events in those days, enclosed by important government administrative buildings and commerce buildings on its northern side and the waterfront on its southern side.
  - A European competitor hotel of Raffles, also in the vicinity of the waterfront.
  - At that point in time, Raffles had previously served as a boarding house for schoolgirls.
  - N. Ghosh, 1989, 'The selling of Raffles', *Business Times*, 9–10 November.
  - 'Raffles Hotel will boast the dearest suites in August', 1991, *The Straits Times*, 27 March.
  - Top-end hotels are equivalent to five-star hotels based on the amount of amenities and quality of services provided. In Singapore, hotels are categorised according to the number of rooms they have. Examples of top-end hotels include the Westin Stamford & Westin Plaza, Four Seasons, Shangri-La and Hyatt Regency.
  - 'Re-opening of Raffles will see most staff in designer uniforms', 1991, *The Straits Times*, 22 July.
  - K. Chopard, 1987, *The Tiger's Tale* (Singapore: Landmark Books).
  - One such film is *Pretty Polly*, which starred Trevor Howard and Hayley Mills in 1967.
  - I. Sharp, 1986, *There is Only One Raffles* (London: Souvenir Press).
  - 'Raffles Hotel voted one of the world's best', 1993, *Business Times*, 12 October.
  - Tiles that affect the style favoured by Peranakan Chinese (that is, Chinese born in the Straits Settlements of Peninsular Malaysia).
  - 'Rooms 79% occupied, F&B outlets 80% booked at meal-times', 1991, *Business Times*, 14 October.
  - K. Boo, 2000, 'It's a price war out there in the hospitality industry', *The Straits Times*, 30 August.
  - C. Khoo, 2000, 'Address hotel sector's imbalance holistically', *Business Times*, 31 August, p. 12.
  - Raffles Holding Limited Prospectus, 1 December 1999.