

# Analysis on the Business Transformation for Bulgari Hotel Beijing under COVID-19

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## ABSTRACT

At the end of 2019, the spread of Corona Virus around the world caused the shutdown and economic losses of many industries, especially for Hotel industry due the low mobility of population. This paper studies the COVID-19 epidemic development strategy of Bulgari Hotel Beijing based on SWOT, and it identifies the internal environment of Bulgari epidemic strategy reform as well as the role of organizational leadership and strategy development, aiming to provide more hotels with solutions to cope with the side effects of the overall economic sinking of the market in the context of COVID-19. In the analysis of the profit model transformation of the case hotel, it is found that Bulgari Hotel Beijing needs to carry out a positive transformation on catering business and choose a practical model to deal with the high turnover rate.

**Keywords:** Hotel, SWOT, Organizational Leadership, Covid-19, Strategy development.

## 1. INTRODUCTION

Due to the impact of the COVID-19 epidemic, the nationwide shutdown and other preventive measures will not have much impact on large manufacturing enterprises because they are all prepaid but will have a more noticeable effect on the service industry such as restaurants, entertainment and hotels. A series of epidemic prevention measures will cause consumers to be unable to go out for consumption, thus causing a sharp drop in consumer demand in the short term, which will bring tremendous pressure on the survival of the service industry. Due to the epidemic's impact, tourism and other service industries such as the hotel industry went into an immediate shutdown [1]. Most of the chain hotels and low-end hotels chose to close their stores due to the lack of corresponding epidemic prevention measures, while the high-end hotels, which represent the highest level of the hotel industry, with their perfect handling procedures and rich emergency experience, were spared from closing their stores and able to stay open during the epidemic.

The Bulgari Hotel in Beijing was chosen as a case study for this paper. Bulgari Hotel belongs to Marriott International Group, the world's most famous hotel management company with rich experience in hotel management, and has faced many emergencies like this epidemic [2]. Combining the elements of the existing profit model of Bulgari Hotel Beijing and its

characteristics, this paper uses the SWOT analysis method to analyze four aspects of Bulgari Hotel Beijing's transformation: strengths, weaknesses, opportunities and threats, and to evaluate the measures taken by the hotel for digital transformation. Finally, the successful experience of this hotel's change and its inspiration for converting profit models of other mid-to-high-end hotels are summarized.

## 2. BACKGROUND ELEMENTS OF THE PROFITABILITY MODEL OF BULGARI HOTEL BEIJING

The Bulgari Hotel Beijing is located in Beijing Liangmaqiao, close to Beijing Sanlitun, and the hotel was designed by Italian architectural firm Antonio Citterio Patricia Viel [3]. The hotel has 119 rooms and 1500 square meters of spa, gym, and other supporting facilities, and all the furniture is Italian luxury brand Maxalto [3]. Beijing Bulgari hotel is the fourth-star hotel globally, belonging to Marriott, off the famous Italian jewellery brand group [3]. The hotel room layout is carefully designed. Different from most traditional hotels, Bulgari Hotel Beijing provides private jet, yacht, exclusive shopping consultant, exclusive fitness consultant and other customized services, with two domestic stores in Shanghai and Beijing. Bulgari's six hotels have accumulated 9,615 reviews, with an average positive

feedback rate of 97.8% [3]. Its market positioning is the highest-end luxury hotel in Beijing. The target group is a high-end niche group of customers seeking unique experiences. The hotel owner is Beijing Qihao Group, and the hotel management company is Marriott International, which belongs to the profit model of entrusted management profit model [3]. During the hotel's construction, Marriott International Group carries out design preparation and other work, and the hotel belongs to the profit model of consulting management. At the same time, Bulgari Hotel Beijing is a hotel built in cooperation with Marriott International through a franchise contract signed between Bulgari Jewelry Company and Marriott International Group, which belongs to the franchise profit model [3]. As the Bulgari Hotel Beijing has the characteristics of having three mainstream profit models of entrusted management profit model, franchise profit model and consulting management profit model, it is representative since it has the profit model that most mid-to-high-end hotels have at present.

The market positioning of Bulgari Hotel Beijing is a high-end luxury hotel, aiming to serve customers who pursue high quality of life, so the main customers of the hotel are high-end niche consumer groups, such as corporate executives, celebrities, wealthy people, etc. They can mainly be divided into three types:

- (1) Staying guests: mainly celebrities and tycoons, and the rest are self-publishers.
- (2) Banquet guests: mainly for celebrities, tycoons, and companies holding meetings.
- (3) Afternoon tea guests: mainly for celebrities and self-publishers and fans of self-publishing traffic to bring about the follow-on effect.

The main business of Bulgari Hotel is to rent rooms and to cater to two significant companies. The rooms include short-term and long-term rooms; catering is divided into banquets, take-out and afternoon tea. The hotel can undertake large meals because of the professional catering facilities and team. For the Bulgari Hotel, catering is the first important profit point. Secondly, in today's popular self-media, the "Web celebrity" is a key that cannot be ignored, the Bulgari Hotel is located near the private garden, and the hotel room facilities are incredibly luxurious, attracting much self-media personnel to drink afternoon tea "card" here. The hotel is located near a private garden, and the hotel rooms are exquisite, attracting a large number of self-publishers to come here for afternoon tea. There will be a steady stream of guests visiting the hotel with self-promotion. So afternoon tea is the second important profit point. The third profit point is the hotel room business. Bulgari Hotel is a luxury hotel. Its main customers are the world's top 500 corporate executives, tycoons, celebrities, etc. and hotel can provide high-

quality hotel services so that customers are loyal to the hotel brand, thus generating consumer stickiness.

### **3. SWOT ANALYSIS OF BULGARI HOTEL'S PROFIT MODEL TRANSFORMATION**

#### **3.1 Strengths**

**Environmental advantages:** The Bulgari Hotel Beijing was built with the goal of a green hotel, which meets the requirements of the green hotel proposed by the Beijing Hotel Association.

**Management advantage:** Bulgari Hotel Beijing belongs to Marriott International Group, one of which is the three major hotel groups with globally senior hotel management experience, which can bring effective management to Bulgari Hotel Beijing.

**Geographical advantage:** Beijing Bulgari is located near Liangmaqiao in Chaoyang District, in the heart of Chaoyang District, which ensures the hotel a large number of customers.

**Distributor relationship advantage:** Bulgari Hotel Beijing has a strong brand advantage, attracting many suppliers and distributors of high-quality products and establishing a long-term relationship.

**Social media advantage:** Bulgari Hotel Beijing has a strong media influence, with 9615 cumulative reviews on Bulgari's six OTAs and an average positive feedback rate of 97.8% [3]. It has a huge following on the three largest foreign social media platforms.

**Product advantages:** Bulgari Hotel Beijing has top-notch hotel facilities and excellent services, bringing guests the best accommodation experience and providing unique products that competitors cannot offer. Bulgari Hotel Beijing also has a comprehensive hotel management system to ensure the hotel's internal and external operations efficiency.

#### **3.2 Weaknesses**

The brain drain is one of the biggest weaknesses of Bulgari Hotel Beijing. The hotel industry has a high demand for service personnel engaged in basic operations such as security and cleaning. They are involved in work necessary for hotels and simple to operate, so they are not required a high level of education or relative experience as simple and systematic training can get them to work. The Bulgari Hotel Beijing is located near Liangmaqiao, a part of Beijing's Chaoyang District, where there is the most significant foreign population. Additionally, the Bulgari Hotel Beijing has established partnerships with some of the colleges and universities, allowing students from the partner colleges to work as interns at the hotel and then stay on as regular employees after the internship

period. However, Bulgari Hotel Beijing has a high turnover rate of 27%, with 33% in the food and beverage department and 20% in the guest room department [4]. Excessive staff turnover and changes can lead to the loss of human and material resources and funds spent on training staff, thus causing disruptions in the company's internal operations.

### **3.3 Opportunities**

On February 7, 2020, the Ministry of Finance issued a document entitled "Announcement on Tax Policies Related to Support for the Release of the COVID-19 Epidemic", proposing that the maximum carryover period for losses incurred by enterprises under challenging industries affected by the epidemic in 2020 has been extended from five to eight years, including the hotel industry [5]. During the COVID-19 period, the national policy can reduce the pressure on the hotel to a certain extent, providing a corresponding guarantee for the hotel to do the work of profit model transformation. After the hotel completes the transformation work in the post-epidemic era, it can first become a benchmark enterprise in the industry, attracting many investments and providing a guarantee for the enterprise to bring other strategies. Secondly, the transformed hotel can attract more guest sources, further increase its market share, and improve the business income for the hotel.

### **3.4 Threats**

For Bulgari Hotel Beijing, carrying out the profit model transformation has certain blindness. There are no reference or transformation norms. At the same time, during the epidemic, the hotel's cash flow is tight, and there is a possibility that the capital chain may break, so the hotel's transformation can be carried out with a specific danger and blindness. Moreover, the transformation of the profit model must be upgraded to the hotel. Upgrading the hotel needs the Internet of Things, big data, and many other emerging technologies to support it [6]. First, the information technology development is not perfect and is still under constantly evolving. The hotel not only needs to invest in itself, but also there is a reinvestment in the applied technology, which invariably increases the cost of the hotel. Secondly, to create an intelligent hotel, or in other words, to upgrade the old hotel. There is a need to upgrade all the equipment in the hotel, and to train the management staff on the use of relevant equipment as well as the transformation of the hotel business thinking. Profit model transformation is not a short-term construction and decoration problem, but a long-term and arduous project. The hotel, relative to this technology industry, is held back downstream of the supply chain, and subject to upstream Technology companies.

## **4. SUGGESTIONS ON THE TRANSFORMATION MEASURES AND EFFECTIVENESS OF BULGARI HOTEL'S PROFITABILITY MODEL**

### **4.1 An increase on the catering business**

Bulgari Hotel Beijing's F&B is divided into the banquet, afternoon tea and dine-in. Of the F&B revenue, banquet revenue accounts for 35%, dine-in revenue accounts for 50%, and afternoon tea revenue accounts for 15% [3]. Dine-in is currently serving Italian food only, excluding Chinese food, because Bulgari Hotel is from the Italian brand. According to the China Tourist Hotel Association, there are 16,800 Chinese restaurants in Beijing in all districts and counties, accounting for about 56% of the total, while there are only 834 foreign restaurants in Beijing, accounting for about 11% of the total [7]. According to the research, 21.52 million people are living in Beijing, and there are about 250,000 foreigners, accounting for 1% of the total (Ma, 2020). According to the survey statistics, the number of Chinese people who prefer Chinese restaurants for dining accounts for about 85% of the surveyed people, and only 15% of the participants prefer foreign restaurants [8]. Similar results also show among foreigners. About 75% of the foreigners surveyed would choose Chinese restaurants, and only 25% of foreigners would select foreign restaurants for dining [8]. With the above data, it can be concluded that Bulgari Hotel Beijing has a large potential market in the catering segment as it does not conduct Chinese restaurant business. Since Bulgari Hotel Beijing has a part of foreigners among its guests as well as in its chef team, and is experienced in entertaining foreigners, it can design an improved version of the Chinese restaurant that is suitable for both Chinese and foreigners as a way to increase the business revenue of the restaurant.

### **4.2 An adoption of the OTA platform for business expansion**

Because of the outbreak, restaurants in Beijing have chosen to close or ban offline dine-in to prevent cross-contamination of the population and focus on online take-out. Bulgari Hotel Beijing did not previously focus on takeaway business, but the outbreak's revenue generation has led the hotel to revisit the takeaway channel and adjust its policies to join the general trend of takeaway business. Through the observation at Bulgari Hotel Beijing and the analysis of questionnaires from guests visiting the hotel, nearly 85% of afternoon tea guests thought the hotel's meals were delicious, with 72% of customers choosing to return. The option of adding takeaway was selected by 78% of respondents as one of the measures they would like the hotel to improve. It shows that carrying out takeaway is a way to increase

business revenue. The takeaway business usually consists of three processes: receiving orders from consumers, production by the food and beverage department, and delivery by the delivery staff. The hotel only needs to sign a contract with the platform to complete the order receiving, production, and delivery personnel. They only need to pay the platform an annual fee for its use.

#### ***4.3 The use of big data for pricing optimization***

The hotel industry is seasonal, and its room prices fluctuate according to the hotel's low and high seasons. The Bulgari Hotel Beijing is positioned as a high-end luxury hotel, and if the pricing strategy is too flexible, it will be directly related to the hotel's reputation and brand [9]. So playing price war to increase sales is not the right way. Bulgari hotels should adopt a more seasonal floating pricing strategy to ensure that the hotel has stable revenue in all seasons. For one thing, Bulgari hotels should adopt differentiated pricing and use their service advantage and brand effect to gain more market share to establish differentiated prices. In addition, Bulgari hotels should take advantage of their profit sources and hire influential people such as resident celebrities to convey their quality services and products to consumers [10]. Secondly, it is also a good way to invite net celebrities on social media to visit the hotel and shoot a vlog related to it for promotion, so as to increase the attention and awareness toward the hotel. For another, Bulgari Hotel Beijing should use digital marketing strategies to expand its hits on the internet, such as opening advertisements on mainstream websites and creating phrases on search engines.

#### ***4.4 An enhancement to the cooperation with schools***

The case hotel should consider increasing the cooperation with hotel-related professional colleges to solve the talent drain problem. Currently, several universities in Beijing offer hotel majors, such as Beijing Second Foreign Language Institute, China Institute of Labor Relations, and Beijing Union University. China's Ministry of Education requires students of universities and colleges to participate in social practice before graduation, and students of hotel majors need to go to hotels for internships to complete social procedures [11]. Therefore, hotels can take this opportunity to cooperate with schools to establish the cooperation terms of "careful training and priority admission", which solves the school's requirement for graduates' employment rate and the hotel's employment problem [12]. Students who go to the hotel for an internship already have theoretical knowledge of the hotel profession during their school life, so they can quickly start working there. In addition, because the contract signed between the school student and the hotel is an internship contract, the hotel is not required to pay full social insurance for the intern

according to the labour law, so the cooperation with schools can also reduce the labour cost of the hotel.

## **5. CONCLUSION**

In the analysis of the profit model transformation of the case hotel Bulgari Hotel Beijing, it can be concluded that the hotel needs to respond positively to the impact brought by the epidemic and make a positive transformation. Firstly, Bulgari Hotel Beijing is supposed to increase its catering business, since there is a large potential market in the catering segment if it conducts Chinese restaurant business. Secondly, it should choose to expand its profit points by cooperating with OTA platforms based on the original F&B and launching takeaway for its popular high-selling afternoon tea. Thirdly, big data analysis of profit sources can be used for user and potential user information for data mining, precision marketing implementation, and hotel traffic. Finally, to solve the problem that threatens the profit barrier and the problem of high staff turnover in the hospitality industry, Bulgari Hotel Beijing should consider enhancing the cooperation with colleges and universities to prioritize the admission of interns for offline testing to deal with the high turnover rate. Specifically, the key to the success of the Bulgari Hotel Beijing is to correctly choose a practical profit model based on market changes before and after the COVID-19 epidemic.

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