



*Autken Spence*  Hotels



 Group Project

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# INTRODUCTION TO MANAGEMENT

IS1005

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# |Introduction

## 1.1 Purpose

The purpose of this report is to provide a comprehensive idea of what Aitken Spence Hotels (Pvt) Ltd does and to analyze their organization and also to provide recommendations for improvement.

## 1.2 Background

The report was commissioned by Prof. Shiromi Arunathileka and the objective was to provide the students with a better understanding of working with practical scenario-based situations and also to work as a team by respecting each other's opinions.

## 1.3 Method of investigation

The necessary data and information were gathered by conducting an interview with Mr. Mangala Wijesekara, the Chief Operating Officer of the foreign sector of Aitken Spence Hotels. References were also made from books and websites.



# | Company Background

Aitken Spence hotels PLC was founded in 1868 by Patrick Gordon Spence, Thomas Clark, Edward Aitken and S.R. Aitken. The headquarters is situated at Colombo, Sri Lanka. Aitken Spence hotels has expanded their businesses in hotels, travel, maritime services and logistics sectors. The group also has a significant presence in printing, plantations, power generation, financial services, IT, BPO/KPO sector, elevator agency services, garments, and property development. Aitken Spence hotels PLC group provides jobs to more than 130,000 employees in both Sri Lanka and overseas.

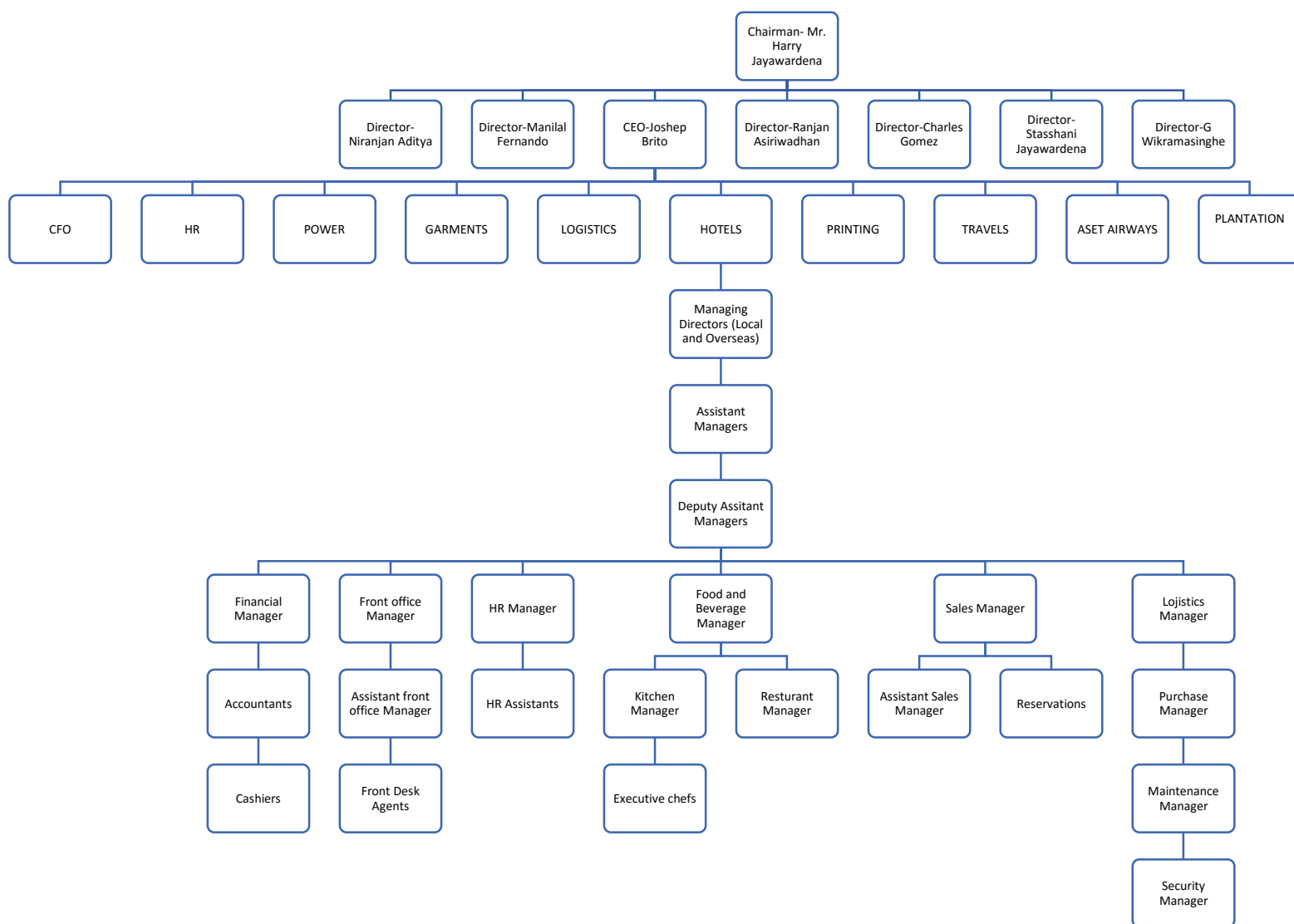
For three consecutive years Aitken Spence has been recognized by Forbes as one of the most successful publicly traded companies with annual sales under US\$1 billion outside of the United States. In 2012, Aitken Spence was adjudged the top winner of the Best Corporate Citizen Award 2012

presented by the Ceylon Chamber of Commerce and Aitken Spence PLC is one of the first has retained the title for 11 consecutive years. Signatories to the UN's Global Compact in Sri Lanka.

The current Chairman of Aitken Spence hotels is Mr. Harry Jayawardena. The current panel of Board Directors includes Mr. Rajan Brito, Deputy Chairman/Managing Director; and executive directors Dr. Rohan M Fernando, Dr. Parakrama Dissanayake, Ms. Stashani Jayawardena; and the non-executive directors Mr. G.C. Wickremasinghe, Mr. Charles Gomez, Mr. Niranjana Deva Aditya, Mr. Manilal Fernando, Mr. Rajan Asirwatham and Mr. A.L. Gooneratne (Alternate to Mr. N.J. De S. Deva Aditya)■



**Figure 1- Aitken Spence Towers, Corporate Headquarters of Aitken Spence hotels Group, in Colombo. 02.**



**Table 1 - Organizational Structure of Aitken Spence Hotels**



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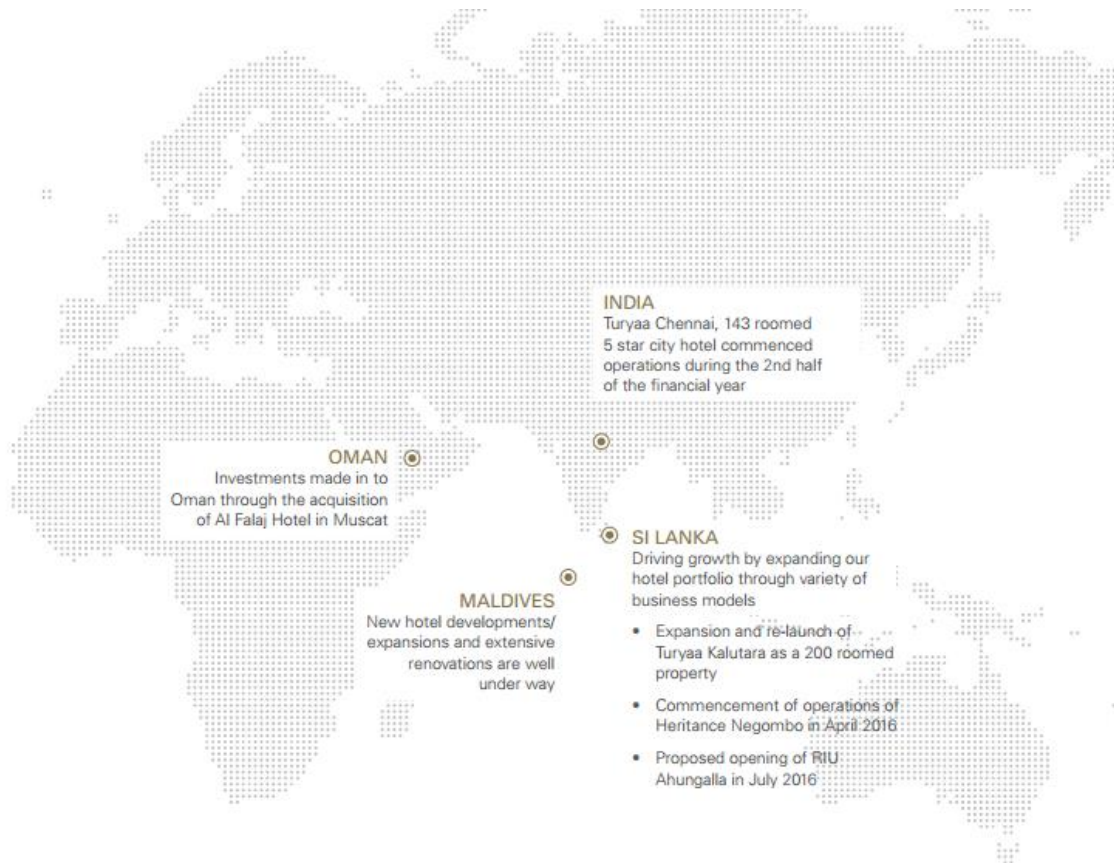
For over 30 years, Aitken Spence Hotels has been growing in value, setting the standards in the hospitality industry and winning recognition worldwide through distinctive portfolio of hotels and resorts in Sri Lanka, Maldives, Oman, and India. Aitken Spence Hotels' focus on world class service, industry innovation and dependable value, sets apart regionally in the leisure and hospitality sector. Aitken Spence Hotels operates a chain of 22 hotels and resorts in four countries: Sri Lanka, Maldives, India and Oman with a room inventory of over 2000 rooms of capacity. Its portfolio includes beach resorts and water villas, Ayurveda holiday resorts, and eco and culture resorts in the 3 to 5 star category. Brands of Aitken Spence hotels include "Heritage Hotels and Resorts", "Turyaa by Heritage", "Aitken Spence Hotels and Resorts" and "Adaaran Hotels and Resorts".

Aitken Spence hotels is currently one of the largest resort operators in Sri Lanka. Those hotels are Heritage Ayurveda Maha Gedara, Heritage Kandalama, Heritage Tea Factory - Nuwara Eliya, Turyaa in Waskaduwa, Kalutara, which was formerly known as "The Sands by Aitken Spence hotels", Ayurveda Maha Gedara, Heritage Kandalama, Heritage Tea Factory Hotels", "Ramada Kalutara" and "Golden Sun". Aitken Spence Hotel

Hotels and Resorts currently operates the following hotels in Sri Lanka: Bandarawela Hotel, Earl's Regency - Kandy and Hotel Hilltop – Kandy. Browns Beach Hotel – Negombo, another Aitken Spence hotels hotel, is currently being reconstructed and is scheduled to open in 2015, rebranded as Heritage Negombo.

Aitken Spence hotels was the first Sri Lankan resort operator to embark on overseas resort operations having acquired Bathala Island Resort of Maldives in 1993. In 1996, Aitken Spence entered Bangladesh through Aitken Spence hotels Cargo with its shipping services. A decade later, in 2006, Aitken Spence hotels entered the Indian hospitality sector, having secured management contracts for five hotel properties in India. On the same year, the company broke new ground by becoming the first Sri Lankan company to venture into port efficiency management outside of Sri Lanka, when it undertook to improve efficiency of ports in the African continent. The company increased its global presence even further by obtaining the management of four hotel properties in Oman in 2007. In 2013, Aitken Spence hotels announced its proposed venture into Fiji to manage the Ports of Suva and Lautoka in a public private partnership with the Government of Fiji.

The Group has expressed interest to further diversify its investments in Fiji, venturing into hospitality, power and printing sectors. Currently, the company has operations in seven countries.



**Figure 2 - Operating Geographies of Aitken Spence Hotels**

2 .COMPANY PROFILE > 2.2.VISION

## | VISION

To achieve excellence in all our activities, establish high growth businesses in Sri Lanka & across new frontiers & become a globally competitive market leader in the region■

# | Chain of Hotels

## ■ Sri Lanka

### ◀ **Heritage Ahungalla**

Heritage Ahungalla is the perfect luxury base from which to go on a river safari along the Madu Ganga, visit the Kosgoda turtle hatchery or take in the culture and history of Galle and Sri Lanka's coastal villages. Originally designed by legendary Sri Lankan architect Geoffrey Bawa, Heritage Ahungalla is a five-star luxury hotel with 152 rooms, located on 12 acres of beachfront on Sri Lanka's southwest coast■

### ◀ **Heritage Kandalama**

Is another architectural masterpiece by Geoffrey Bawa, overlooking the rock fortress of Sigiriya. The hotel's stylish bedrooms and suites offer wonderful views over the Kandalama Lake and it is recognized for fine dining and a range of activities and excursions to help guests learn more about the local wildlife and community and Sri Lanka's amazing heritage■

### ◀ **Heritage Ayurveda Maha Gedara**

Heritage Ayurveda Maha Gedara has 64 rooms on three floors with private balconies overlooking the pool and sea. The hotel is sited on the island's southwest coast, near the village of Beruwala. Guests can relax in a tranquil atmosphere and enjoy ayurvedic treatment and therapies carried out by trained therapists and highly qualified ayurvedic doctors■

### ◀ **Heritage Tea Factory**

Heritage Tea Factory has 54 rooms and is sited high in a mountain range considered to be the birthplace of the world's best tea. The original tea factory was constructed in the days of the British Raj■

### ◀ **Heritage Negombo**

The ambience at Heritage Negombo is luxurious and chic. The former Browns Beach Hotel was demolished to build up the new 139 roomed five star beach property, The hotel is located on 6.5 acres of beach front in Negombo - a resort town with sandy beaches, busy fish markets and a thriving strip offering nightlife, entertainment and food■

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## ■ Overseas

### □ Maldives

#### ■ *Adaaran Prestige Vadoo*

Adaaran Prestige Vadoo is a luxury resort with its own fabulous coral reef teeming with vibrant aquatic flora and fauna. 50 elegantly appointed villas are set amongst landscaped gardens with a magnificent swimming pool and exclusive spa facilities, making this resort a particular favourite for honeymooners who enjoy the exotic and romantic ambience of this luxurious hideaway■

#### ■ *Adaaran Club Rannalhi*

Adaaran Club Rannalhi sits at the tip of the South Male atoll. Its unique location offers access to pristine beaches, excellent scuba diving with access to the capital city of Male. Bask in the golden sun and laze in the warm ocean waters as you experience the tranquil tropical luxury of this exotic island getaway■

#### ■ *Adaaran Select Hudhuran Fushi*

### □ Oman

#### ■ *ut Al Falaj Hotel - Muscat*

Al Falaj Hotel is a 150 roomed 4 star hotel conveniently located in the heart of Muscat with easy access to both the business district and local tourist attractions. The hotel is a pleasant 35 km drive from the Muscat International Airport and is the finest business hotel Oman has to offer■

#### ■ *Desert Nights Camp - Al Wasil*

The Desert Nights Camp in Oman is two hours away from Muscat. The camp is sprawled across 10-acres of silken sands, secluded 11km within the vast isolation of the Omani desert. 30 sumptuous Bedouin style tents with en suite baths offer a world of unparalleled luxury and comfort■

#### ■ *Ruwi Hotel – Muscat*

#### ■ *AlWadi Hotel –Sohar*

#### ■ *Sur plaza Hotel – Sur*

### □ India

#### ■ *Turyaa Chennai*

Conveniently located in the IT corridor of Chennai and a short drive away from the heart of the city, Turyaa is one of the best new hotels in Chennai, an ideal amalgamation of business and leisure. Whilst primarily a business hotel, Turyaa Chennai transforms into an idyllic sanctuary in the evening, with a poolside rooftop that opens out to the bustling city■

# | Porter's Five Forces

Porter's Five Forces model, named after Michael E. Porter, identifies and analyzes five competitive forces that shape every industry, and helps determine an industry's weaknesses and strengths and also determines the competitive power in a business situation (Harvard Business Review 57, March – April 1979)

These forces (shown in figure 3 below) are:

1. Rivalry among existing firms
2. Threat of new entrants
3. Bargaining power of suppliers
4. Bargaining power of customers
5. Threat of substitute products or services

Frequently used to identify an industry's structure to determine corporate strategy, Porter's model can be applied to any segment of the economy to search for profitability and attractiveness■

This analysis points out whether a certain force is high or low considering certain core factors

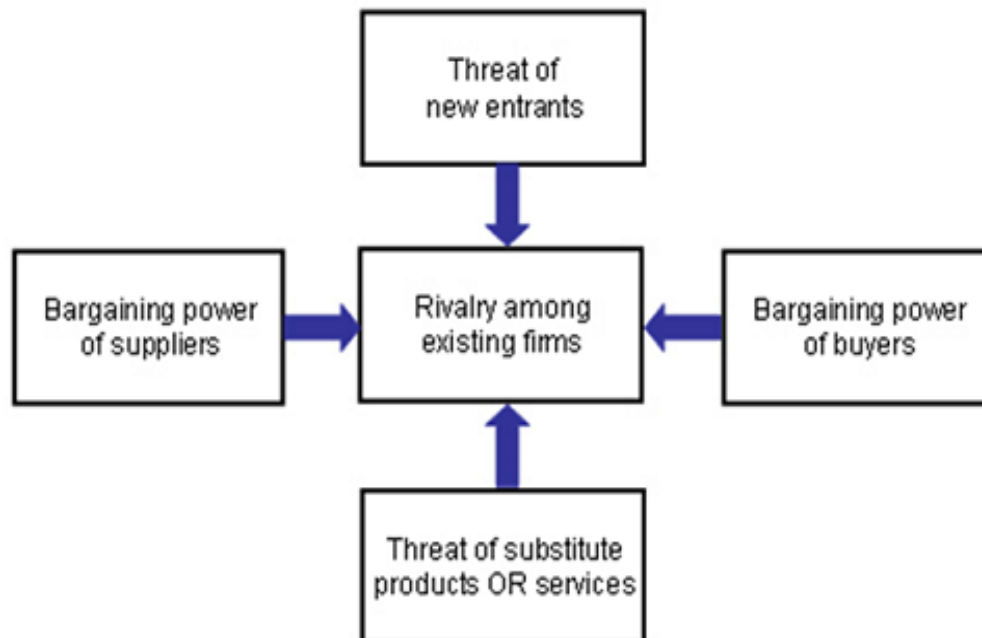


Figure 3 - Porter's Five Forces



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Each force will be explained further relating to Aitken Spence Hotels below:

### ① Rivalry among existing firms

This refers to the competition that takes place among Aitken Spence Hotels and other existing hotel chains which act as rivals. For example; Cinnamon Hotels, Jetwing Hotels, Amaya resorts and spas are their main competitors

The strength of this force is determined by the following:

**\* Less number of competitors and their product capacity is equally attractive**

Aitken Spence Hotels have considerably less number of competitors, and the products offered by them are equally attractive. Therefore, they face relatively low competition in the market and thus result in high profits.

**\* The customer switching cost is high**

This is analyzed by looking at the company's switching cost. Aitken Spence's switching cost is said to be high since a large sum of money is invested initially. When the company's switching cost is high, the rivalry among existing firms is said to be low.

Therefore it can be concluded that this company does not have a high intensity of the rivalry■

### ② Threat of new entrants

This refers to the new hotel chains entering into the hospitality industry which is a threat for Aitken Spence Hotels.

The following factors will determine the strength of this force:

**\* Entry and exit barriers**

Entering the tourism and hospitality industry isn't something that can be done overnight and that means the barriers to entering are somewhat complex. And therefore, the threat of new entrants is low.

**\* Well-known brands**

Aitken Spence brand name is not only limited to one or two countries but is identified all over the world and therefore even if new hotels enter the market, it's very difficult to take over the market share which they already own.

As a conclusion, it can be derived that the threat of new entrants is low■

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### ③ Bargaining power of suppliers

Bargaining power of suppliers refers to the pressure suppliers can exert on businesses by raising prices, lowering quality, or reducing the availability of their products. When analyzing this force, the industry analysis is being conducted from the perspective of the industry firms, in this case, referred to as the customers

The factors affecting the intensity of the force are explained below:

#### **\* Number of suppliers are low**

When it comes to suppliers of Aitken Spence Hotels, the local suppliers are given priority. They include food & beverage ingredient manufacturers, bathroom manufacturers, furniture suppliers, software companies, lighting etc. Aitken Spence purchases raw materials from a specific company, for example, soap is bought from Amami Suppliers.

The number of suppliers is low compared to buyers, for this company, since they purchase material from one specific company. Therefore, the supplier bargaining power is low.

#### **\* Buyer switching cost is low**

This refers to the cost of switching from one supplier's product to another supplier's product. If the cost is high, the bargaining power of suppliers is high. But, when it comes to Aitken Spence Hotels, the buyers do not have to incur a large amount of switching cost since the other rival hotels offer the same service at a similar price.

#### **\* A large portion of supplier's sales represented by the buyer**

If the buyer represents a large portion of the supplier's sales, the bargaining power of suppliers is low. Aitken Spence buys raw material and ingredients at a very large scale. And therefore the suppliers do not have the capacity to influence the buyer's decision.

When considering the above factors, it is concluded that the bargaining power of suppliers is of a low magnitude■

### ④ Bargaining power of customers

This explains the pressure consumers can exert on businesses to get them to provide higher quality products, better customer service, and lower prices. When analyzing the bargaining power of buyers, the industry analysis is being conducted from the perspective of the seller

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The following factors determine the strength of the bargaining power of the customers:

**\* Number of buyers is high**

In this scenario, the buyers are customers of Aitken Spence Hotels. And a relatively large number of buyers can be seen in comparison to the number of suppliers. Therefore, the customer bargaining power is low.

**\* Backward integration is not possible**

If buyers can easily backward integrate, that is; to begin to produce the seller's product themselves, the bargaining power of customers is high. But, since Aitken Spence Hotels is a service providing organization and it brings together many aspects, the customers can't produce the product themselves. Therefore, the bargaining power of buyers is low.

As a conclusion, it is said that the bargaining power of customers is of low intensity■

## ⑤ Threat of substitute products or services

Porter's threat of substitutes definition is the availability of a product that the consumer can purchase instead of the industry's product. A substitute product is a product from another industry that offers similar benefits to the consumer as the product produced by the firms within the industry

The strength of this force is determined by the following:

**\*Low switching cost**

The consumer switching cost is low since the same product is offered by other hotel chains at an equal or lesser rate. Therefore, the threat of substitutes is said to be high.

**\* Substitute products are cheaper than industry products**

The substitute hotels of Aitken Spence offers the same service at a considerably low rate which makes the substitute force go high.

It can be concluded as that the threat of substitutes is high, considering the above-mentioned factors.

By thinking about how each force affects Aitken Spence Hotels, and by identifying the strength and direction of each force, we can quickly assess the strength of their company position and their ability to make a sustained profit in the industry■

# | Stakeholder Analysis

A 'Stakeholder' is any person or organization who can be positively or negatively impacted by, or cause an impact on the actions of a company. (Freeman, 2010) Hence, analysis of such stakeholders is of utmost importance to an organization, as they should take decisions with the best interest of their stakeholders in mind, so as to have more favorable and positive effects to the organization and to minimize the negative impacts of the stakeholders. According to the Annual Report 2015/16 of Aitken Spence, stakeholders related to their organization and the reasons and methods of engagement are as follows (Refer Table 2).

Stakeholder	Reason for Engagement	Methods of Engagement
○Employees	○Employees play a key role in the implementation of operational strategies of hotels and maintaining the requisite standards	<ul style="list-style-type: none"> <li>○Open door culture</li> <li>○Newsletters and intranet</li> <li>○Performance reviews</li> <li>○Employee satisfaction survey</li> <li>○Employee events &amp; suggestion schemes</li> <li>○Grievance handling mechanism</li> <li>○Annual General Meeting</li> <li>○Investor feedback form</li> <li>○Annual report and quarterly reports</li> <li>○Media, including web and social media</li> <li>○Direct dialogue</li> <li>○Customer feedback forms</li> <li>○Guest satisfaction surveys</li> <li>○Tent cards creating awareness on how they can manage their environmental footprint</li> <li>○Supplier performance reviews</li> <li>○Contracts and agreements</li> <li>○Seminars and workshops to sensitize them on standards expected towards sustainable action</li> <li>○Direct dialogue and site visits</li> <li>○Reports and submissions, including compliance documentation</li> <li>○Direct dialogue and meetings with policymakers and regulators</li> <li>○Participation in events and forums</li> <li>○Dialogue with policy makers and regulators</li> <li>○Reports on compliance with standards and regulations</li> <li>○Meetings with experts, environmental NGO's and lobby groups</li> </ul>
○Investors	○Investors and the Investment community as well as banks and financial institutions are critical to obtain the financial resources needed to ensure the continuity of the business	
○Guests	○To ensure business continuity and create sustainability consciousness	
○Suppliers	○To ensure that the Business maintains predetermined standards of service and to transpose the sustainability ethic along the supply chain	
○Regulators	○To build trust and constructive partnerships through compliance and proactive action, to obtain the permits to operate	
○Environment	○To ensure protection of the environment and resources for future generations and business operations	

**Table 2 – Stakeholder Analysis**

# | SWOT

<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"><li>✓ A good reputation</li><li>✓ Well trained employees</li><li>✓ Effective communication among managers and employees</li><li>✓ Making decisions reflecting the core values of the organization</li><li>✓ Online booking</li></ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"><li>✓ They have not established hotels in Colombo as well as the suburban areas.</li><li>✓ Does not cater the tourists visiting Sri Lanka, who belongs to the middle income earning level.</li></ul>
<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"><li>✓ They have located their hotels where tourists are mostly attracted.</li><li>✓ They have extended their company's businesses into the foreign sector as well.</li></ul>	<p><b>THREATS</b></p> <ul style="list-style-type: none"><li>✓ New Entrants</li><li>✓ Competition arising from prevailing hotel corporations</li><li>✓ Inflation acting as a barrier due to increase in cost of living</li><li>✓ Employee unions and satisfying their demands</li><li>✓ Natural disasters</li></ul>

Figure 3 - SWOT Matrix

**SWOT** analysis is where we identify and analyze a company's strengths, weaknesses, opportunities and threats. The primary objective of a SWOT analysis is to help organizations develop a full awareness of all the factors involved in a decision (It, 2017). SWOT analysis determines what assists the firm in accomplishing its objectives, and what obstacles must be overcome or minimized to achieve desired results: where the organization is today, and where it may be positioned in the future.



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## ■ Strengths

Strengths are the internal factors which make the organization excel in the industry and have a competitive advantage over its competitors. The strengths are identified from the internal environment such as; owners, managers, employees, organizational structure, values etc.

Some of the strengths are;

### ■ A good reputation

Aitken Spence Hotels have been a leading hotel chain in the Hospitality industry over the past two decades. And has won many national as well as international awards for their food and beverages as well as for their high-quality service. They are well reputed both locally as well as internationally.

E.g.: - Heritance Kandalama won an award for the Most Outstanding Culinary team in 2013

### ■ Well trained employees

Aitken Spence hires the best out of the best and conducts intensive training programmes very often in order to maintain high-quality service. They award the employees for their dedication towards the company and make them motivated.

### ■ Effective communication among employees

The communication among the managers and employees are done using memos, circulars, and e-mails. And that results in effective communication and leads to a strong relationship among them.

### ■ Making decisions reflecting the core values of the organization

They operate with cooperate governance, transparency and strong ethical values when taking managerial and strategic decisions.

### ■ Online booking

Aitken Spence Hotels offers the facility of online booking where the customers can place their bookings while at home. Customers can simply visit their website and click on 'book now' to reserve their night's stay at any one of the 21 hotels in Sri Lanka, Oman, Maldives or India.

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## ■ Weaknesses

Weaknesses are the drawbacks identified from within the organization and these should be minimized to remain competitive. Since they are failures of the internal environment, they can be controlled.

Some of the weaknesses are;

### ■ **They have not established hotels in Colombo as well as the suburban areas**

When studying the company, a great drawback we came across was that they have not established hotels near Colombo. Many businessmen reside in Colombo when they visit Sri Lanka for their commercial activities and thus is in need of commercial hotels etc. But the company has failed to satisfy their needs.

### ■ **Does not cater the tourists visiting Sri Lanka, who belongs to the middle income earning level.**

Sri Lanka is mostly visited by the tourists of middle-income-earning category and may not be willing to pay excessive amounts on food and lodging. Aitken Spence Hotels offer their service at a higher rate for foreigners rather than locals and they might not have the financial ability to spend so much.

## ■ Opportunities

Opportunities are a set of circumstances or things that makes it possible to do something

### ■ **They have located their hotels where tourists are mostly attracted.**

The hotels they have located are mainly where tourists are mostly attracted and thus tourists may seek lodging neighboring these tourist sites. This is a great advantage to Aitken Spence hotel group since their main target market is tourists.

E.g.: - Kandalama is situated adjoining the Dambulu rock and Sigiriya; two key tourist attractions.

### ■ **They have extended their companys' businesses into the foreign sector as well.**

Aitken Spence Hotels have expanded their hotels into Maldives in 1993, India in 2003 and Oman in 2008. And by this, they have a high chance of capturing the foreign markets and by that increasing the market share.

## ■ Threats

These are the events that could result in a loss or become a challenge for the company

### ■ New Entrants

The demand for hotels was rather minimum during the time of war in Sri Lanka and investors refused to start u their hotels during this time. But there was a notable change in the demand as well as supply in the hospitality industry during the post-war era and new hotels were booming up, challenging the Aitken Spence Hotels ever than before.

### ■ Competition arising from prevailing hotel corporations

The major competitor of the Aitken Spence Hotels is John Keells Holdings group of hotels and the service, food, and beverages they offer, act as the main threat to the Aitken Spence Hotels.

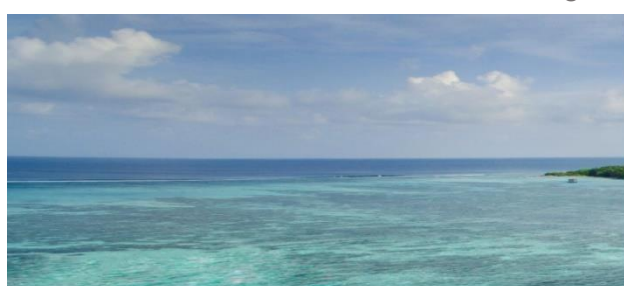
### ■ Inflation acting as a barrier due to increase in the cost of living

Inflation, a common problem in most of the economies which is defined as a continuous rise in the general price level. And due to this, consumers may not have money to allocate for their leisure activities and stays at hotels. Therefore, it is a threat for the Hotels group.

### ■ Natural disasters

Another major threat faced by the Aitken Spence Hotels is natural disasters since most of the hotels are situated near the coastal areas in Sri Lanka as well as in Maldives.

An example dates back to 2004 when the tsunami hit Sri Lanka and one of the leading hotels at that time named 'Triton' was drastically affected. It was later refurbished and re-named as 'Heritance Ahungalla'.



# | PEST Analysis

PEST analysis is a framework or tool used by marketers to analyze and monitor the macro-environmental factors that have an impact on an organization. The result of which is used to identify threats and weaknesses which is used in a SWOT analysis. Created by Harvard professor Francis Aguilar in 1967, PEST can work alone or be used in combination with other tools, such as Porter's Five Forces and SWOT analysis, to determine an organization's overall outlook (PEST Analysis: Definition, 2017).

PEST stands for:

**P** - Political

**E** - Economical

**S** – Social

**T** – Technological

Each of the macro-environmental Factors are explained below:

## Political factors

- \*Political situation of the country and how it can affect the industry is very crucial. The political state of the country during the administrative era of the government impact highly for hospitality and tourism industry of any country impacting Aitken Spence hotels.
- \*Tourism related infrastructure development- government has taken steps to improve the infrastructure facilities of the country .ex: highways, ports, power, etc.
- \*Introduction of new tourist attractions and strategic promotional campaigns-government and the private sector conducted promotional campaigns helped to achieve the highest ever arrivals of from all major regions.
- \*Specific strategic marketing plan developed by the Sri Lanka Tourism Promotion Bureau (SLTPB)- government with SLTPB focusing on 20 key markets that would promote the unique island treasures of nature, culture and adventure, , which will entice people to visit and re-visit Sri Lanka.

## Economical factors

- \*When it comes to the local market, if GDP of the country is in a favorable position then per capita income of the citizens will increase. Then the standard of living of the people will increase and they can spend more money to enjoy their leisure time at hotels.

- \*Sri Lanka's earnings from tourism increased by a significant 22.6% to US Dollars 2,981 Million supported by the continued increase in tourist arrivals as well as spending by tourists leading attracting more tourists for Aitken Spence hotels .
- \* Lowering of international oil prices and the decline in motor vehicle imports resulted in greater flexibility in the determination of exchange rates .ex: due to fluctuations in exchange rate lowering of ticket prices and all other costs causing more arrivals of tourists.
- \*Increase the tourism related employment from 125,000 in 2010 to 500,000 by 2016 and expand tourism based industry and services all island causing creating more employment opportunities for locals through Aitken Spence hotels.
- \*Any countries stability of Macro Economical variables are very important to Aitken Spence hotels since they do ownership as well managing hotels both Sri Lankan and overseas.

## Social factors

- \*Provide employment opportunities for local community-The Aitken Spence Hospitality Training School launched in Ahungalla. The school provides training, to youth, on hospitality aspects such as housekeeping, F&B and front office operations. Upon the successful completion of the training course, students are equipped with a certificate and over 90% of them are absorbed by hotels.
- \*Promoting uniquely Sri Lankan crafts and skills and of providing them a link to markets overseas.  
  
E.g.:The craftsmanship being demonstrated include Palm weaving, Dumbura weaving, Lace making, Wood carving and Mask painting.. The Arts and crafts, brassware, coconut shell carving, batik painting produced are available for purchase by guests, with all profits being credited to the craftsmen and women to promote their creations and livelihood.
- \*Sharing traditions and culture of country - which tourist can have most of different varieties of food which is very unique to Sri Lanka with quality spices and tea.

## Technological factors

- \*Investments into technology; as Digital technology will be a key driver of enhanced service delivery, marketing.
- \*Technological investments focus on online marketing and yield management.  
  
E.g: Social media allows things to blow up or whittle away faster than ever. Aitken Spence hotels doing well with using social media to for online marketing
- \*Aitken Spence hotels messaging technology for convention and business travelers  
  
E.g: inform convention guests as to meeting room and schedule changes for their events.



# | Market Segmentation

A target market is the market a company wants to sell its products and services to, and it includes a targeted set of customers for whom it directs its marketing efforts. Target marketing is about attracting customers who will buy what you're selling. (Kerr, 2017)

Aitken Spence Hotels falls under the tourism industry and the hotels are of five stars as well as four stars. The 'Heritage' brand, which is well-known for its architecture and landscaping is of five stars. Whereas the brands. 'Adaaran' and 'Thuryaa' are four-star brands.

The target market segmentation of Aitken Spence can be done under the following categories:

1. **Geographic segmentation**
2. **Demographic segmentation**

## ■ Geographic Segmentation

The hotels of Aitken Spence are situated in many countries Sri Lanka, Oman, Maldives as well as India■

### Country where the hotels are situated

Sri Lanka

Oman

Maldives

India

### Nationality of tourists attracted

Sri Lankan, British

Chinese

Americans, Lebanese

Arabs

**Table 3 – Geographic Segmentation**

This separates a market into different geographical boundaries which can impact the marketing mix of product, price, promotion, and channel to market. Aitken Spence attracts tourists of different nations to the hotels situated in the region.

The Aitken Spence Hotels targeted the Western European market before 2010 but with time, they have shifted the target market to China as well as some other Asian and Middle East countries. China has a middle-income-earning population category which is starting to travel. Korea, China, middle-east, and India are emerging markets into the Aitken Spence Hotel chain.

2 years back, Russia was a major target market for the Hotel chain but after the financial crisis which occurred in the country, they lost that market. But, studies reveal that they are gradually picking up in this market again.

The USA is a target market for the hotels in Maldives in a minor way and they believe that there is a tremendous growth potential for this segment. And they work towards improving this market segment to earn higher profits.

### ■Demographic segmentation

It separates a market by demographic indicators including gender, age, household type, education level and income. Simply put, the type of products we buy, how much we spend, and how we buy them are largely determined by demographic factors.



The following categories can be identified as demographic segments:

- Businessmen
- Tourists (Local and foreign)
- Adventurers
- Wedding couples
- Families

Aitken Spence offers a range of business hotels which attract businessmen from all over the world. For example, there's a hotel in Oman named 'Al Falaj Hotel' which targets mainly on local corporates. Even hotels in Sri Lanka attracts a noticeable number of customers for business conferences to hotels such as; Thuryaa Kalutara and Earl's Regency Hotel Kandy.

Tourists who visit some countries in order to see the tourist attractions, visit hotels and seek for logging. For example, tourists who visit 'Temple of the sacred tooth relic' also known as 'Dalada maligawa' will obviously seek for a place to spend the nights and Aitken Spence offers them with 'Hilltop Kandy' which gives the visitors a view of the temple from their rooms itself. Some visit certain countries to seek adventure. For example, in Oman, there's a night camp named 'Desert Nights Camp', the only luxury desert camp in Oman. It is an ideal base for those who have a passion for camping.

The segment of wedding couples and families plays another major role in the demographic segmentation. And when it comes to Aitken Spence Hotels their wedding packages are unique and are not offered by any other hotel chain. They let you add your own personalized menus and therefore many weddings take place. So this can be considered as a target market of their hotel chain. Families come to spend few days during the vacation as well as on weekends and they are offered with special buffets each day and also luxurious suites■

# | Competitive Edge

## ■ Location

The locations chosen by Aitken Spence have more tourists and visitor attraction over other hotels. Most of the locations they have chosen are nearer to the places which are historically and culturally having a prior importance. The best example is the Hotel Heritance Kandalama. It's situated adjoining the historic place Dambulu rock and the location has nearer places which are visited by the tourists and locals. So it attracts more tourists. Heritance Ahungalla, Heritance Ayurveda Maha gedara, Heritance Tea Factory and Heritance Negombo are the other locations chosen likewise. Also, Aitken Spence has chosen locations which are attracted through nature. Amethyst Resort Passikudah, Bandarawela hotel, earl's regency, hotel hilltop and Thuryaa Kalutara are such locations. Those locations attract more nature lovers. Therefore Aitken Spence has a competitive advantage in the chosen locations than the competitors■

## ■ Services Provided

The services provided by the Aitken Spence Hotels are following the accurate standards & more satisfying. Aitken Spence Hotels have been awarded for their services.

### > Heritance Kandalama

- \*A gold award in Presidential award for travel and tourism for 5-star resorts by the Ministry of Tourism in 2009

- \*Tourism award in best green practice in accommodation by Ministry of Tourism in 2011

- \*Winner of the Sustainable development in tourism awards- Diversey special recognition award by Skal International in 2013

### > Heritance Ahungalla

- \*Most outstanding hotel-Culinary Art by Chefs Guild of Si Lanka in 2013

- \*Best hotel team by Chefs Guild if Sri Lanka in 2011

### ➤ Earls Regency

- \*Finalist in best hotels & resorts in Asia by Asia Pacific hotel club

Aitken Spence Hotels are highly recognized for their quality services. Therefore the quality services they provide has gained more advantages over the competitors. The talented and well-trained staff is the main reason for their quality services.

### ■ Food & Beverages

Aitken Spence Hotels have been recognized for the good food and beverage supplied. Providing a good quality standard, tasty food and beverage have attracted the customers. Aitken Spence Hotels have been awarded for their supply in food and beverage.

### ➤ Heritage Kandalama

- \*Good food award by SAGA in 2005

### ➤ Heritage Ahungalla

- \*Partners in Excellence Award in Best Thomas cook property by Thomas cook in 2003

## 3. COMPANY ANALYSIS > 3.7. ANSOFF MATRIX

# | Ansoff Matrix

The Ansoff Matrix was developed by H. Igor Ansoff and first published in the Harvard Business Review in 1957, in an article titled "Strategies for Diversification." It has given generations of marketers and business leaders a quick and simple way to think about the risks of growth. It is sometimes called as the Product/Market Expansion Grid. (Mindtools.com, 2017).

The matrix (Shown in Figure 5) shows four strategies used to grow. It also helps to determine the risks related to each strategy.

The matrix shows that each time you move into a new quadrant, risk increases. But the company must decide the strategy that would exploit strengths, opportunities, or to reduce the threats or weaknesses. There are four strategies where the company can adopt to gain better outcomes from a business process■



**Figure 5 - ANSOFF Matrix**

Each quadrant is explained further below:

### ① Market Penetration

Market penetration, in the upper left quadrant, is the safest of the four options. Here, you focus on expanding sales of your existing product in your existing market.

When using this strategy, the company can;

- \* Expand their share of the market by increasing sales of their existing services.
- \* Can develop marketing strategies to encourage people to use your product
- \* Introduce price and other promotions.

Eg: - Aitken Spence Hotels offer a discount of 50% for HNB credit card holders

Here the main objectives are increasing the market share of a current product, make it extremely difficult for new competitors to gain new market share and increase usage of existing customers. This they have achieved by popularizing the brand name by expanding and investing in more and more hotels. The Group concertedly sought to maintain its development drive whilst also continuing to focus on setting standards in a bid to maintain its position of leadership as a global hospitality provider■



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## ② Product Development

Product development, in the upper right quadrant, is slightly more risky, because you're introducing a new product into your existing market.

When using this strategy, the company can;

- \* Extend their product by producing variants or repackage existing products
- \* Develop related products
- \* Improve customer service or quality

## ③ Market Development

With market development, in the lower left quadrant, you're putting an existing product into an entirely new market. You can do this by finding a new use for the product, or by adding new features or benefits to it.

When implementing this strategy the company should first conduct a PEST analysis, since they are entering a market which has never been tested by them before■

When using this strategy they can;

- \* Open up new hotels in countries where they have not already established.
- \* Target the middle-income-earning category of developed countries such as the USA, In order to gain higher profits
- \* Establish hotels island-wide including in areas such as Trincomalee, Anuradhapura, Polonnaruwa where tourists are mostly attracted.

Eg: - When Aitken Spence Hotels established a hotel in India named; "Turyaa Chennai". It was an existing product but a new market■

## ④ Diversification / Market Extension

Diversification, in the lower right quadrant, is the riskiest of the four options, because you're introducing a new, unproven product into an entirely new market that you may not fully understand.

There are two types of diversification. There is related diversification and unrelated diversification. In related diversification, this means that the business remains in the same industry in which it is familiar with. In unrelated diversification, there are usually no previous industry relations or market experiences.

Eg: - When Aitken Spence Hotels established "Desert night camps" in Oman. This is a new service offered to a completely new market■

# | Findings, Recommendations & Strategies

## ■ Findings

- \*There are no Hotels in Colombo.
- \*The online presence of Aitken Spence Hotel is really low.
- \*There are no hotels in the Northern part of Sri Lanka.
- \*The risk of investing in Maldivian Islands

## ■ Recommendations & Strategies

### ***Building of a Hotel in Colombo***

Colombo, being the commercial capital of Sri Lanka, has been the main hub of all tourists coming to Sri Lanka. There are already plenty of Hotels in this region such as Cinnamon, Hilton, Kingsbury which seem to reaping many benefits due to being a hotel in Colombo, especially through the business tourists that come on business trips. According to the Interview with Mr. Mangala Wljesekara, he too considers this as a lost opportunity as they were not willing to invest in a hotel in Colombo due to lack of tourists visiting the island mainly because of the height of war at the time. And at that time, organizations like John Keels were willing to take the risk and that is why they are where they are today. But it is never too late to start on a hotel in Colombo as Aitken Spence do have all the needed the resources required to compete with the currently established hotels in Colombo. Aitken Spence do target the upper middle class and high class as well and the attraction of Business people to the commercial capital too is seen as a great opportunity to increase their revenue■

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### ***Increase the online presence of Aitken Spence Hotels***

Internet is one of the most heavily used and relied on technology in today's world. So the internet and the features offered by it could be utilized in a way that could be advantageous to the company. That is by doing online marketing via facebook, youtube, Instagram & other social media. Facebook ad campaigns could be launched in order to raise the awareness among the public about the company and their properties.

Ads could be posted on travel blogging videos on the Youtube. By that the company could showcase their uniqueness to the local public as well as the potential customers in foreign countries. Instagram is one very famous example for a social media website that hooked among the people pretty quickly. In Instagram mostly videos & photos are being shared. So by being active on Instagram the company could gain more popularity among the crowds by showcasing their stunning locations with the addition of nice photography & video clips. Though the current Instagram profile which is maintained by the Aitken Spence Hotels has 1.7K followers, that account doesn't seem to be attracting many followers or likes and popularity. So that has to be improved. Everybody uses a mobile device these days. And they use applications to get things done on their mobile devices. There are well known 2 major mobile platforms as ios & android. In there also they have left out the platform that the majority of the Sri Lankan mobile device users are living on. Aitken Spence Hotels has an app for ios that is just only for the IPAD. There is a high percentage of iphone users compared to ipad users so it's a major drawback because the iphone users don't get to feel any presence of Aitken Spence Hotels in the sense of apps. By developing an iphone app as well as giving something or providing a service that the other hotel apps don't might give the company a kick start and a good competitive advantage in the sense of marketing as well.

### ***Building of a Hotel in the North***

Due to the prolonged civil war, investment in the North was close to impossible. However although it's been almost 8 years since the end of it, investors have taken a back seat in investing in the area, even though there has been a wide increase in the number of tourists to the area. Most of the major hotel corporations still have not taken an initiative to invest in the North. Therefore doing so would reap massive benefits to Aitken Spence Hotels. Jaffna being the capital city of the north is a good place to start with. Unique in nature, not only tourists but even locals can get a very exclusive experience in Jaffna. A bastion of hindu tradition, art and creative culture, it is thoroughly a rewarding place to discover the Sri Lankan Tamil culture. The palms that spread across in acres and acres of lands, the lagoons that surround the peninsula, port of Jambukola of historic value, the twin ponds, and the very many Hindu Kovils gives this area a truly endemic value. Aitken Spence could take steps to invest in the area in order to improve the experience of the tourists. They could build a hotel exclusive to the area reflecting their traditions and art■

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### **Reduce the investments made on the Maldivian Islands**

The Maldivian islands are merely two meters above mean sea level, making them the world's lowest country in elevation. In 2004, tsunami swallowed two-thirds of the country. As a result, over 20 islands were permanently erased from the map. The Earth is currently undergoing a climate change of historic proportion, with sea levels rising noticeably from the melting of glaciers and icebergs. If the trend continues, the Maldives will be completely submerged in 30 years. (News.bbc.co.uk, 2017) One should start planning soon as the Maldives is disappearing under the ocean. According to the chairman of Aitken Spence Hotels (Pvt) Ltd Mr. Harry Jayawardena, Aitken Spence Hotels are expanding their business in the Maldivian islands and investing on new projects which is a long term risk. The resort in the island of Aarah in Raa Attoll is currently under construction, and the company is planning to establish a new resort in the island of Raafushi by next year. Therefore further investments to expand their business in the Maldivian islands can be considered as a huge business risk.

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