

The 6th International Forum on China Hotel Brand Development

16 May 2013

Hotel ICON, Tsimshatsui, Hong Kong

Vice-President Nicholas Yang, Dean Kaye Chon, Mr Martin Craigs, dear guests and friends,

Good afternoon. First of all, I must thank the United Nation World Tourism Organisation (UNWTO) and The Hong Kong Polytechnic University ("PolyU") for arranging and inviting so many dear friends in the industry to attend this forum.

Domestic tours as a major growth driver of tourism in China

Now in its 6th edition, this forum has witnessed the rapid development of tourism and the hotel industry in China since recent years. The growth of domestic tourism has been particularly encouraging, with 3 billion tourist arrivals recorded in 2012.

The domestic tourism market continues to grow as Chinese nationals enjoy higher income, following the migration of rural residents to cities and towns in the process of urbanisation in tandem with China's economic growth. Being closely related to tourism, the hotel sector has also benefited from this trend, and local and international hotel brands are seizing the opportunity to expand their business.

City sight-seeing and business tourism as major trends

China's magnificent landscapes are well-known around the world. In earlier years, most tourists tended to visit Yunnan, Jiuzhaigou, the Great Wall and temples and palaces in various regions. Subsequently, city sight-seeing, a new pattern in tourism, emerged in the wake of China's economic boom and urbanisation.

Domestic and foreign tourists alike are visiting large cities such as Beijing and Shanghai more frequently than before. Apart from sight-seeing, they typically stay for a few more days and

spend time at shopping malls or hotels. Following the hosting of the Beijing Olympics and the Shanghai World Expo in recent years, the latest tourism model of metropolitan sight-seeing, namely, attracting tourists with the organisation of mega events, has emerged in China.

Tourists looking for new experiences in entertainment and lesiure

In this process, requirements for tourism have evolved from mere sight-seeing and accommodation to the experience of entertainment. Therefore, a hotel must follow this trend and provide hardware and services that would give patrons a positive experience while preserving its unique characteristics, if it wants to distinguish itself from the competition and establish its own brand name. Meanwhile, given China's rapid economic development, an increasing number of travelers are coming to China from abroad or commuting between different Chinese cities, giving rise to the demand for business tourism. While the travelling businessmen may need different things in their trips as compared to sight-seeing tourists, the expectation for a positive experience is basically the same. Hence, the assurance of positive customer experience has become an important subject in the race to succeed in this expanding market.

Hotel and tourism industry as drivers for national economic development

Meanwhile, the massive number of tourist arrivals means that tourism has become a much more important industry for the nation. A tourist's first impression of China is inevitably derived from its tourist facilities and services. China's tourism sector is the first window through which foreigners judge the nation's strengths, institutions, cultural qualities and servicing standards. These could be the factors affecting their decision to visit again, and for purposes other than sightseeing, such as investing and doing business. Hence, tourism could have a profound impact on a nation's economic and trade development, while positive experiences of tourists visiting China could contribute to our economic development in subtle ways.

“East-meets-West” hotel management model

Many international hotel brands have made plans long time ago to launch domestic hotel brands targeted at domestic tourists and operated according to systematic hotel management regimes, offering facilities and services tailored to the preferences of Chinese tourists to give them a heartwarming and memorable experience. China is just starting in the long-term process of hotel brand-building. The management regimes need to be improved and adjusted in a timely manner. In this regard, we may draw inspirations from the systematic hotel franchising model commonly adopted in Western countries with proven track records and formulate our own brand positioning, marketing and promotion strategies in an all-rounded manner.

I built my first hotel in Hong Kong 30 to 40 years ago under a franchise arrangement, which was a brand new concept at the time, as we in Hong Kong were not experienced enough to provide high-standard hotel management. Subsequently, K. Wah Group’s hotel business was expanded to North America, Macau and the Mainland, and we continued to apply this management model which integrated Chinese and Western approaches.

More recently, we have successfully forged our own hotel and holiday resort brands in StarWorld Hotel and Galaxy Macau™ based on the “Asian Heart” service philosophy, building our reputation by providing tourists with new experiences of unique world-class entertainment.

Regional tourism conducive to hotel brand-building

A new trend for travelling in relation to Macau has recently come to my attention. Most foreign tourists enter Macau from Hong Kong or Zhuhai, meaning their trips often include destinations other than Macau. This pattern of regional travels has been developing for a while in the Pearl River Delta region and the Yangtze River Delta region, and is becoming quite common as well in other parts of China, such as Beijing and its outlying cities. Hence, if a domestic brand succeeds in building reputation on a regional basis, it could seize business opportunities with strong potential, while testing its ability to grow into an international

brand.

Tourism as lifeline of Hong Kong's economy

As for Hong Kong, I have always believed that tourism is a lifeline for the city's economy that should be given more support in development. As a metropolitan city where Chinese and Western cultures meet, Hong Kong has always been a major attraction for tourists from around the world, and the city's tourism sector has been underpinned by natural advantages such as its deep-water harbour, as well as thriving commercial activities and convenient transport access. In the past we prided ourselves as a shopping heaven and a traditional destination for sightseeing, the Pearl of Orient. Nowadays, we have grown into a centre for conventions, exhibitions, commerce and trade, following a process of economic transformation that has involved long-term planning in relation to land use, transportation, training of human resources, renovation of scenic spots, retail, dining and accommodation.

Many other places in the world have set up tourism bureaus to deal with complex issues relating to the sector. I believe that Hong Kong should also consider the institution of a tourism bureau focused on bringing Hong Kong's advantages into greater play.

PolyU's contributions in the training of hotel professionals

After all, people are the cornerstone to successful hotel brand-building. A high-calibre team can run a hotel and consolidate its brand name by introducing new services and facilities ahead of others based on astute market sensitivity.

As a pioneering force in the training of hotel professionals, the School of Hotel and Tourism Management of The Hong Kong Polytechnic University has incorporated brand management and franchised hotel operation in its programme since earlier years, perceiving market needs in this regard. More recently, PolyU has launched a doctorate programme in hotel and tourism management in association with Zhejiang University as the first doctorate programme of its kind in the Mainland, in anticipation of increasing domestic demand for high-calibre hotel professionals.

A good university programme does more than the teaching of theories. It also trains students on business trends, technological developments and applications, national and international prospects, etc. It comes as no surprise that PolyU, which has always excelled in this regard, ranks 2nd among the world's tertiary hotel management programmes. I have no doubt that the said doctorate programme will groom many more high-calibre hotel management professionals for the domestic hotel industry.

Last but not least, may I thank PolyU again for its relentless effort in helping to drive the development of the hotel and tourism industries, organising campaigns and activities from time to time to bring the top hotel managers together for mutually beneficial exchanges and facilitate progress in hotel brand-building, such as the forum we are having today. I look forward to vigorous sharing of thoughts and ideas for the benefit of hotel brand-building in China, which I believe will soon be breeding hotel brands with international standing.

Thank you.