

Innovation for Survival : A Case Study on Cassia's Alternative Accommodation Model Amidst the Rise of the Sharing Economy

นวัตกรรมเพื่อความอยู่รอด : กรณีศึกษารูปแบบโรงแรมทางเลือกใหม่ โรงแรม Cassia ท่ามกลางการเติบโตของระบบเศรษฐกิจแบบแบ่งปัน

Edward Koh

เอ็ดเวิร์ด โค

Pipatpong Fakfare*

พิพัฒพงศ์ ฟักแพ

Bangkok University

มหาวิทยาลัยกรุงเทพ

*pipatpong.f@bu.ac.th

Abstract

The establishment of Airbnb in 2008 was a bell warning of the threats that existing hotel players would face from new entrants. This case study focuses on Banyan Tree's innovative new brand Cassia. In this case, a combination of primary and secondary data were used for research analysis, including an interview with Cassia Phuket's key executive, and extensive secondary research on Banyan Tree's strategy which led to innovations on and within Cassia Phuket. The focus of this study is to illustrate the innovative solutions and options that hotel players could adopt to tackle the disruptive innovation by competitors. It also illuminated how innovation as a tool could help companies to be better sharpen and adapt for survival in the future market.

Keywords : hotel industry, disruptive innovation, sharing economy

บทคัดย่อ

การก่อตั้งบริษัทแอร์บีเอ็นบี ในปี พ.ศ. 2551 ได้สร้างสัญญาเตือนใจแกโรงแรมต่าง ๆ ที่มีอยู่ในตลาดถึงการมีภัยคุกคามจากผู้แข่งขันรายใหม่ การศึกษานี้ให้ความสำคัญกับโรงแรมแบรนด์ใหม่ในเครือโรงแรมบันยันทรี และได้ใช้ข้อมูลทั้งในส่วนที่เป็นข้อมูลปฐมภูมิ ซึ่งรวมถึงการสัมภาษณ์กับทางผู้บริหารโรงแรม และข้อมูลทุติยภูมิที่ได้ทำการศึกษากลยุทธ์ของโรงแรมบันยันทรีซึ่งนำไปสู่การสร้างนวัตกรรมในการสร้างแบรนด์ใหม่ ได้แก่ โรงแรมแคสเซีย ภูเก็ต ดังนั้นการศึกษานี้จึงเป็นการศึกษาที่ชี้ให้เห็นถึงวิธีการ รวมถึงทางเลือกที่โรงแรมต่าง ๆ สามารถนำไปใช้ในการจัดการนวัตกรรมทางธุรกิจ เพื่อตอบสนองจากการคุกคามทางธุรกิจโดยคู่แข่ง นอกจากนี้การศึกษานี้ยังชี้ให้เห็นถึงประโยชน์ของนวัตกรรมซึ่งเป็นเครื่องมือที่โรงแรมสามารถนำมาใช้เพื่อปรับตัวเพื่อการอยู่รอดในโลกธุรกิจสมัยใหม่ แต่มีความพลิกผันสูงจากการพัฒนาของเทคโนโลยี

คำสำคัญ : อุตสาหกรรมโรงแรม นวัตกรรมทางธุรกิจ เศรษฐกิจแบบแบ่งปัน

Introduction

Large scale and widespread commoditization of ordinary consumers' assets for use by other consumers gave rise to the term "sharing economy" in the early 2000s. From the perspective of limited resources, this peer-to-peer sharing of goods and services optimises resources and overcomes supply constraints. To existing commercial players in industries affected however, this trend of peer-to-peer sharing constitutes a fundamental threat from within, which could spell the death knell for current players who fail to respond.

The establishment of Airbnb in August 2008 was not exactly the ringing of the bell to signal the imminent collapse of the hotel industry, but it was a bell warning of the threats that existing hotel players would face from new entrants. The added challenge was that these new entrants are not new commercial entities, but rather, consumers themselves in a change of role, aided by intermediaries like Airbnb. This model of alternative accommodation- a disruptive innovation, opened up a whole new world of options, with more intermediaries like HomeAway, VRBO, TravelMob and Vacation Rental entering the fray. Clearly there was room for these players, and even though this isn't a zero-sum game considering continued growth in the travel and tourism industry (and thus continued increase in demand for accommodation), the hotel industry's turf was clearly under attack.

The topic of how hotels can respond to the sharing economy has been discussed considerably. Quoting Peter Weill, Chairman of the Center for Information Systems Research and MIT Sloan Senior Research Scientist who spoke at the MIT CIO Symposium

2014, “The defense against disruption is to be great. You need to be great with the products and information you have; you need to offer a multi-product customer experience; and you need to understand how to use new platforms to deliver these products and services in a fun, friendly, and integrated way” (MIT Sloan Executive Education, 2014). This is where the battle of innovations begins.

This case study focuses on Banyan Tree’s innovative new brand Cassia, which includes an interview with Cassia Phuket’s key executive, and extensive secondary research on Banyan Tree’s strategy which led to innovations on and within Cassia Phuket—the very first Cassia property to be launched. Therefore, the objectives of this study are to :

1. Illustrate the innovative solutions and options that hotel players could adopt to tackle the disruptive innovation by competitors
2. How innovation as a tool could be better sharpen and adapted for survival in this very innovative, and yet, disruptive world.

Literature Review

Traditional Accommodation and Alternative Accommodation

Accommodation is recognised as one of the fastest growing sector in the tourism industry. For its importance in catering to one of the fundamental needs of tourists, Fletcher et al. (2013) stated that accommodation is considered to be a major link between other sectors within the tourism industry, for example; transportation, attraction and tourism intermediaries.

Traditional accommodation generally refers to hotels, the most popular and common form of accommodation for visitors in the past decades (Radder & Wang, 2006). The demand for traditional accommodation is expected to increase and benefit from continued growth in global visitor arrivals as forecasted by the World Travel and Tourism Council (WTTC, 2015).

Accommodation establishments that are not considered as a traditional type (hotel), can be referred to as alternative accommodation (Gunasekaran & Anandkumar, 2012). According to Gunasekaran et al. (2012), alternative accommodation refers to serviced apartments, Bed and Breakfast (B&B), guest houses, home stay establishments and private homes that allow tourists to stay for commercial purposes. While traditional accommodation may provide comfortable accommodation services with facilities, amenities and meals, alternative accommodations such as B&B, guest house and commercial homes provide limited services to the visitors. The degree of services provided by alternative accommodation

usually depends on the agreement between hosts and guests (Gunasekaran & Anandkumar, 2012; Guttentag, 2013). Despite its limited services however, alternative accommodation's advantage is the provision of a localised experience, with an authentic and local charm (Gunasekaran & Anandkumar, 2012).

It is argued that the idea of alternative accommodation is not new, as this practice originated in Europe before American homeowners started to turn their homes into commercial tourist accommodation (Dawson & Brown, 1988). Exponential growth in alternative accommodation is made possible by technological advancement (Gunasekaran & Anandkumar, 2012), as validated by Guttentag (2013)'s study as it revealed that AirBnB, a company that provides an innovative online platform for homeowner to lease and tourists to book accommodation, has an annual transaction of millions of room nights. Dawson & Brown (1988) stated that changing the preferences of customers and increase in competition in the market is the rationale behind the growth. Inevitably, the increase in customer's demand and interest in alternative accommodation would affect the traditional accommodation sector. As "change is an inevitable and constant feature, it is an inescapable part of both social and organisational life and we are all subject to continual change of one form to another". (Mullins & Christy, 2011)

Blue Ocean Strategy (Cassia) vs. Disruptive Innovation (Airbnb)

As strategies guide the adoption of appropriate innovations, this study uses existing strategy frameworks to anchor down the implications of the innovations taking place at Cassia– our subject of study, and links Cassia's innovations to the possibility of a larger industry– wide strategic application where incumbents (existing hotel players) could respond to the disruptive innovation brought about by a newcomer (Airbnb in this case).

When referring to strategy frameworks, Michael Porter–the most cited author in economics and business, and his concept of Competitive Forces, comes to mind. His first article for Harvard Business Review in 1979– "How Competitive Forces Shape Strategy" continues to influence academics and businesses after more than 3 decades. Two of the more popular frameworks to follow, which this study would be using–Blue Ocean Strategy and Disruptive Innovation, are often compared with the concepts of competitive forces (Porter, 1979).

A concept pioneered by Kim & Mauborgne (2004), Blue Ocean strategy contradicts the concept of competition as it espouses the search for uncontested market space (Blue Ocean), instead of direct competition with existing competitors (Red Ocean). Disruptive Innovation on the other hand, first introduced by Christensen (1995), is all

about an innovation that disrupts and eventually displaces existing markets and value networks. The commonality between the Blue Ocean strategy and Disruptive Innovation is that both focus on uncontested or new markets. The difference however, is that Blue Ocean is not about competition, while Disruptive Innovation does involve competition where the challenger with the disruptive innovation could displace the incumbent.

This study suggests that Cassia's strategy and innovations is best viewed through the lens of Blue Ocean strategy, as it explores new uncontested market space amidst stiff competition from existing hotel players and new entrants. At the same time, the new entrant–Airbnb's challenge to hotel incumbents– is more appropriately viewed through the lens of Disruptive Innovation, as the latter is more commonly introduced by outsiders, as existing industry players are focused on sustaining innovation to compete with the competition.

Management of Innovation in the Hospitality industry

Innovation has emerged as a universal treatment for a company in any industry in terms of sustaining growth, gaining competitive advantage and improving organisational performance. In the service industry, including hospitality, innovation is also adopted and developed by firms to ensure targets are successfully achieved (Damanpour et al., 2009). Generally, innovation is considered to be offering new products or services to open up new markets (Tidd & Bessant, 2009). Innovation can also be products or services that value add or are significantly improved from fundamental services or appearances (Orfila–Sintes & Mattsson, 2009).

Unlike the manufacturing industry, innovation in the hospitality industry might not be prioritised in daily operations despite the general acceptance of its importance (Mattsson & Orfila–Sintes, 2014). According to Damanpour et al. (2009), the attributes of innovation can be considered in various aspects, for examples; service innovations, process innovations, administrative innovations and technological innovations. It is agreed that different organisations adopt different types and processes of innovations for the common goal of achieving business objectives (Tidd & Bessant, 2009). To assess whether an organisation has a clear innovation strategy, a framework was proposed by Tidd & Bessant (2009), see Figure 1.

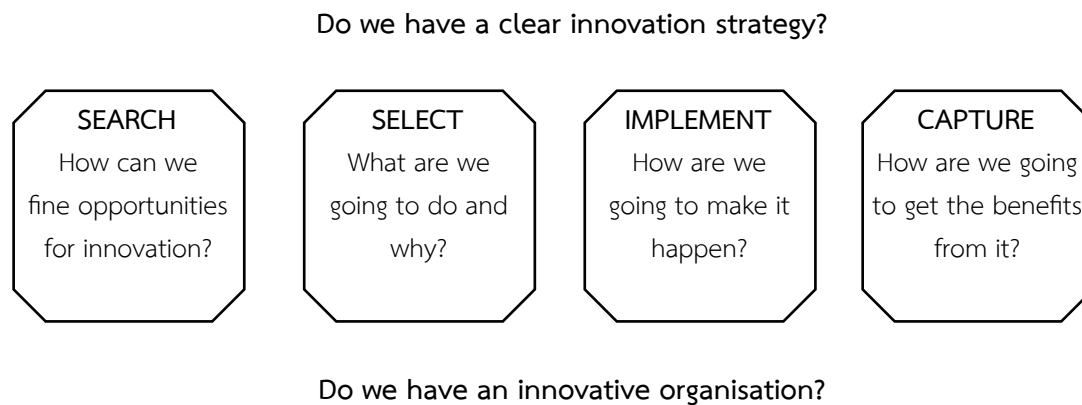


Figure 1 Simplified Model of the Innovation Process

Source : Tidd & Bessant (2009)

As stated by Sundbo & Gallouj (2000), innovation was initially developed in the manufacturing sector, and the service sector is considered to be comparatively less innovative. Nevertheless, researchers have noted that innovations are found in the service sectors, though in the different forms or processes of innovation (Mattsson & Orfila-Sintes, 2014). According to Drejer (2004), service innovations have their own distinctive features. In the hotel industry, intensified competition has led to an urgent need for hotels to innovate and differentiate their services to sustain business growth and where possible, outperform the competitors (Tseng et al., 2008). However, service innovations are not difficult to copy (Chen, 2011).

Martinez-Ros & Orfila-Sintes (2009) suggested 2 categories of service innovations—radical innovation and incremental innovation. The study revealed that in the hotel industry, incremental innovation occurs five times more often than radical innovation, and that a series of incremental innovations generally occurs after each radical innovation. It also suggested that third-party managed hotels appeared to undertake radical innovations more than independent hotels. This could be due to greater hotel management specialisation and understanding of market competition by hotel operators managing the properties for its owners.

The Accommodation Sector in Phuket

Thailand's Department of Tourism revealed that 35.4 millions of international tourists arrived in the country in 2017 (Bank of Thailand, 2018), of which around 30% were contributed by arrivals into Phuket (TAT, 2015). Being one of Thailand's major tourist destinations, the number of international visitor arrivals in Phuket has soared from 4,305,665 in 2010 to 8,085,616 in 2014. The trend continues going upward.

As of 2015, Phuket has 752 registered lodging establishments with a total of 47,475 room inventories. In the pipeline is another 27 new hotel projects with 4,400 keys being planned to enter the market by 2018. Increased competition from new supply of rooms has led to decline in hotel performances. In 2014, the average occupancy rate was down to 71%, average room rates (ARR) decreased from US\$175 to US\$154 and revenue per available room (RevPAR) dropped from US\$126 to US\$109 (Barnett, 2015). As reported by Euromonitor International (2015), the overall lodging sector in Thailand did not see solid growth in 2014 due to the political situation. Online intermediaries, who play key roles in feeding hotel inventory also offered extra discounts on top of the booking causing overall hotel room rates to decline. On the other hand, strong performance by alternative accommodation players have been reported, eg. Airbnb which has enjoyed significant growth since 2012. Traditional hotel operators in Phuket, like elsewhere in the world, face the dual challenge of increased competition from new hotels, and new alternative accommodation entrants.

Research Methodology

In order to examine the innovative solutions that Banyan Tree Hotels and Resorts has developed, this study extended Yin (2009)'s case study approach to investigate how the company fosters innovations through the launch of a new brand, Cassia Phuket. In this case, a combination of primary and secondary data were used for research analysis.

As in-depth interview allows the researchers to collect massive information from a small sample size (Adams & Khan, 2007) and understand participant's ideas (Creswell, 2014), this study obtained primary data from a telephone interview with one of the Cassia Phuket's key executive for sales and marketing. Conducting a telephone interview is noted to have particular advantages over face-to-face interviews, including lower costs and ease of geographic coverage (Adams & Khan, 2007). The interviews were conducted and scheduled to complete in approximately 30 minutes.

The secondary data were gathered from academic journal articles, industry reports, online newspapers, online travel magazines and online travel industry news. As claimed by Walliman (2011), secondary data sources are considerably reliable as they were produced by accredited writers or academic researchers.

After collecting data, content analysis technique was adopted for analysing data. Elo et al. (2014) claimed that content analysis is a technique that helps researchers to systematically interpret data. Preparation, organisation and reporting of results are three crucial processes involved with this technique. During the process of analysing data,

Farmaki et al. (2015) suggested that themes of the study could be identified, which this paper did as reflected in the following sections.

Findings

Cassia–Banyan Tree’s Venture into Alternative Accommodation

Unveiled in 2014 as the 3rd brand in Banyan Tree Holdings Limited (BTH)’s stable of hotels and resorts, Cassia belongs to the extended stay category as it offers one to two–bedroom apartments targeting the hip and trendy middle–class. Its positioning is distinct from Banyan Tree’s all–villa concept that offers privacy and personal space for its guests, and also from the Angsana brand which is chic, contemporary, and eco–friendly.

Corporate Information

Listed on the Singapore Stock Exchange since 2006, BTH–Cassia’s parent company, operates and develops 35 hotels and resorts, 70 spas, 83 galleries and 3 golf courses across 13 countries. Its 3 main core business segments are : i) hotel investments (it owns 16 Banyan Tree, Angsana and Laguna resorts and hotels), ii) property sales (including vacation homes, sale of hotel residences to investors under a compulsory leaseback scheme), and iii) fee–based segment (management of hotels/resorts, galleries, spa and design). Cassia Phuket is the first Cassia property to be launched in 2015, while the other 4 (in Bintan, Indonesia; Beruwala, Sri Lanka; Gold Coast, Australia; Lijiang, China) are currently being developed (Banyan Tree Holdings Limited, 2015).

Business Model

Cassia’s business model stems from its intent to serve an under–served and under–innovated segment of the accommodation sector–the gap between hotels and service apartments. It fills the gap by providing innovation to its Cassia apartments, offering services valued by its target customers, while eliminating other services deemed unnecessary.

Cassia’s Innovation

Cassia’s innovation is as much about elimination as it is about creation. The blue ocean strategy’s ERRC Grid (Eliminate–Reduce–Raise–Create) is most appropriate in assessing Cassia’s innovations. Cassia’s innovation is in eliminating and reducing several standard services routinely provided by traditional hotels, while dialling up on a few of their competitive attributes which they raise and create in terms of service provision. This is the basic attribute of strategy– deciding on what to drop, and what to focus on.

Table 1 ERRC Gride

Eliminate	Raise
<ol style="list-style-type: none"> 1. Conceige Service 2. Restaurants 3. Room Service 4. Dedicated Phone Operator 	<ol style="list-style-type: none"> 1. 24-hrs Supermarket 2. Breakfast Delivert to Guestrooms
Reduce	Create
<ol style="list-style-type: none"> 1. Housekeeping (Once in 2 Days) 2. Bed-Type Options (Only 2 Types) 	<ol style="list-style-type: none"> 1. Fully-Equipped Apartments 2. Street Bar (Socialising Platform)

Benefits to Consumers through Innovation

With Cassia’s selected (limited) service offerings, it is able to target customers with little or no need for the services that they have eliminated and reduced, while appreciating those that it has raised and created. Concretely for these targeted customers, the first and foremost benefit is the lower price point. Cassia Phuket’s Average Room Rate (ARR) is the one of the lowest in the Bang Tao Laguna area. This competitive pricing is possible with its leaner staff strength. Targeted customers essentially pay for what they need (eg. Kitchen facilities in the apartment), while not paying for some traditional hotel services which Cassia has deliberately eliminated or reduced (eg. restaurant and room services).

The other obvious benefit for Cassia’s customers, is the convenience to bond and network with other like-minded guests. Each Cassia guest is given a Cassia chip upon check-in, which they can use at the Streetbar– a happy-hour hangout to meet other travellers for a drink, share travel tales and traveling tips, or just enjoy a game of table-soccer or Wifi.

Feasibility Study & Competitor Analysis

As highlighted by Banyan Tree’s Executive Chairman Mr.Ho Kwon Ping, Cassia’s “uber chic hotel apartment concept” is nestled between the hotel and service apartment sectors. Instead of focusing on another consumer segment, Mr.Ho considered the problems in today’s service apartments, which he termed as “bland” and “boring”. Interestingly, the Cassia concept is not target at a specific demographic consumer segment. *“The global traveller is getting a lot more sophisticated : There are people who want super luxury in total isolation...some for whom luxury isn’t bling-bling but a lot of choices. What’s most interesting is that it’s not at all contradictory that someone would like to stay in*

Cassia at a particular time and go to Banyan Tree at another time– people do a lot more mix-and-match when they holiday, just like with their fashion choices. It’s a sign of individuality. So having more brands with different attributes makes us more able to satisfy all our guests,” said the man at the helm of this Asian hospitality brand that has won more than 1,000 awards and accolades (Ho, 2014). Specifically for Cassia Phuket, the market space seems relatively uncongested, according to its sales manager.

Future Growth Forecast

“The launch of the Cassia brand is part of a strategic global expansion plan for Banyan Tree Group which plans to grow to 66 hotels and resorts, 117 spas and 115 galleries across 33 countries by 2017,” said Mr.David Spooner, Vice President (Sales and Marketing) at Banyan Tree. With Cassia Phuket in operations since 2015, the next Cassia property to open would be Cassia Bintan in Indonesia in 2016, while those in Beruwala in Sri Lanka, Gold Coast in Australia and Lijiang in China are currently being developed (Lam, 2015). For Cassia Phuket, it has 218 guestrooms for the first phase of operations. More than 100 rooms are being constructed and would be in operations in 2017.

Innovation-Related Questions

One of the much discussed but less researched area seems to be on how hotels are responding to the sharing economy. The reason why it is not well researched could be because Airbnb was only established in 2008, and real success was only achieved a year or two ago. Most premier hotel chains believe Airbnb competes with youth hostels or 1–2 star hotels at best, because they compete on cost. But if we look at the low-cost carriers (LCC) around the world, they started small but now they are real threats. Major full-service carriers (FSCs) have moved into having LCC brands, competing head-on.

Hotels, especially those in the upper-tier and above categories, generally still believe they are not threatened, or at least, they are not admitting they are. Christopher Norton, EVP of global product and operations at the Four Seasons believes that their customers expect a level of service that is different, more sophisticated, detailed, and skillful (Mandelbaum, 2015). *“We’re trusted because we’re highly regulated : if we open a hotel, we have food control, security, a building that is safe; if there is a fire in an Airbnb, you have no idea,”* said Mr.Richard Solomon, Chief Executive for Intercontinental Group (Strong, 2014).

For those who believe that Airbnb constitutes a threat in the immediate or longer term, they were either unable to quantify their loss as a result of this new competition, or the focus of the discussion takes on a “protectionistic” tone, suggesting that local governments tax these private apartment owners and Airbnb so as to level the playing

field (Watkins, 2014). There was little else to offer in terms of strategic response to the disruptive innovation introduced by Airbnb.

It is with this background in mind, that the following section examines Cassia's strategy and innovations, and draws out the possibilities that these strategies and innovations could be potential responses by traditional accommodation players against competition from alternative accommodation entrants.

Implications of Cassia's Innovations amidst the Rise of the Sharing Economy

Cassia's Strategy

"The basic driver of innovation is a necessity. I don't particularly subscribe to innovation as the 'eureka' moment—like Archimedes sitting in the bathtub or Isaac Newton sitting under a tree. I think, often, innovation is a response to problems," said Mr. Ho (Hooi, 2011). The objective or necessity is survival, and a business strategy that guides appropriate innovations to solve problems is needed to survive the cut-throat competition.

In BTH's annual report 2014, Mr. Ho stated upfront the need to expand : *"Asia's burgeoning class is expanding... we are pursuing an aggressive growth strategy focusing on building sustainable income streams...we are now seeking to diversify in terms of brands"* (Banyan Tree Holdings Limited, 2015). What then is BTH's growth strategy? Growth is an objective, while strategy is a differentiated positioning or direction that guides a series of coordinated actions. Most companies have growth strategies, and they all sound similar and generic. Outsiders require a deeper look and understanding of the companies' course of actions to appreciate and grasp the essence of those strategies.

It is clear that while BTH intends to expand, it has no intention of competing head-on with the likes of Accor and Marriott, both of which recently enjoyed global headline mentions of their respective acquisitions of Fairmont and Starwood. As mentioned earlier, BTH's growth strategy is best viewed through the lens of the Blue Ocean Strategy. BTH is not one of the big boys in the hotel industry, and to be able to compete, it is best that it searches for uncontested or less congested market space. While Banyan Tree resorts belong to the luxury category, it doesn't exactly compete head on with Ritz Carlton or Four Seasons as it is more a boutique luxury offering for those seeking a few days of exclusive privacy and rejuvenation. Its sister brand—Angsana, is more contemporary and youthful in its positioning, targets a young customer segment, and are located in exotic, less frequented destinations in China, Laos and Sri Lanka. Their 3rd and latest brand—Cassia, offers those who do not want a formal hotel environment while finding service

apartments “bland and boring”, an “uber chic apartment” that is affordable priced, offerings limited but profoundly relevant, with the opportunity to socialise with other like-minded travellers.

In other words, Cassia’s strategy, or BTH’s strategy, has always been about the search for Blue Ocean or uncontested market space, where it doesn’t need to compete. The opportunities are narrow; the blue oceans are squeezed narrowly between existing huge red oceans. Despite these narrow spaces, or “niche segments”, the opportunities are massive if seen from the global perspective. In Mr.Ho’s own words of his vision for BTH, *“If we play our expansion card right and we manage our growth properly, we have a reasonable, credible opportunity to become one of the top two or three dominant players in a global space that is very niche but nevertheless very global”* (Enz & Harrison, 2009). Niche, but global. This is BTH’s strategic positioning and intent, and Cassia’s innovations can be seen in this context

Cassia’s Innovation

As highlighted earlier, the Blue Ocean strategy’s ERRC grid best captures Cassia’s innovations.

ERRC Grid (or) 4 Action Framework!

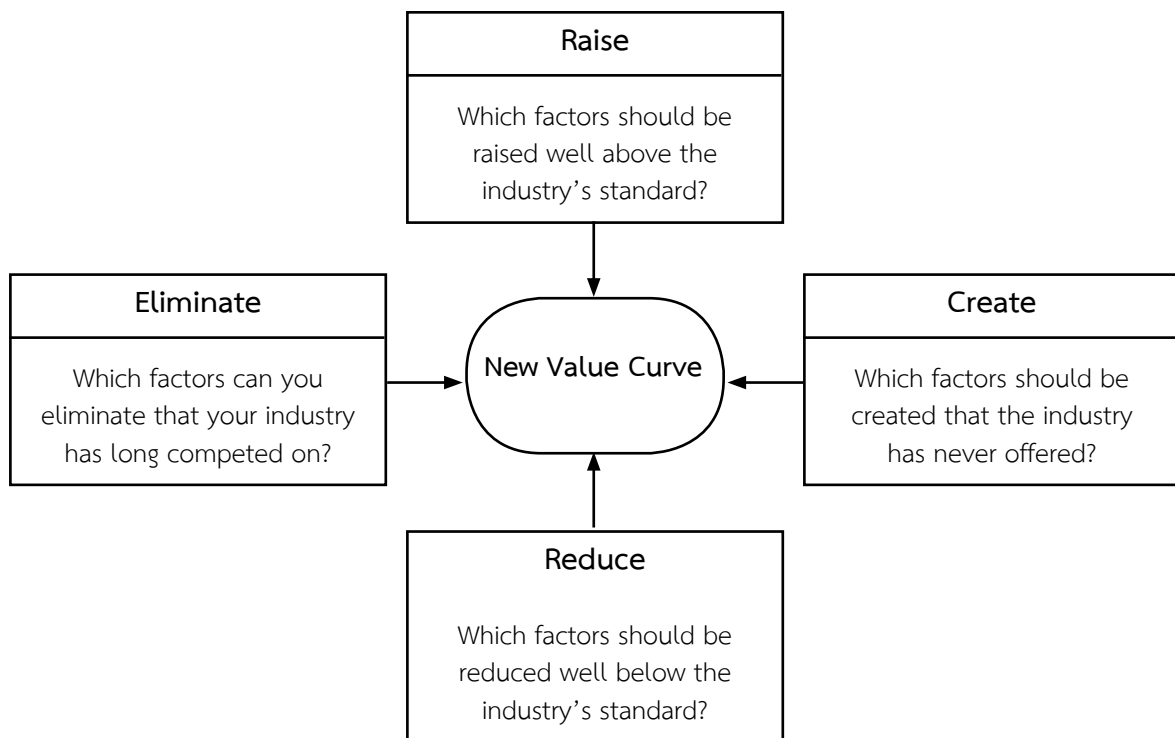


Figure 2: The Blue Ocean Strategy’s ERRC Grid

Adopted from : Blue Ocean Strategy

Attributes created are clearly innovations. In Cassia's case, the fully-equipped apartments in a fun and contemporary setting are innovative, and so are the socialising platforms that allow fellow travellers to mingle and enjoy each other's company. On the other hand, the decisions to eliminate and reduce offerings are strategic innovations too. It allows Cassia to focus more narrowly on what they do best, reduce direct competition with the other traditional hotel players, reduce cost so that their prices can be affordable and competitive, and create that narrow niche of Blue Ocean to survive by escaping from the very competitive Red Ocean.

The above has so far been focused on Cassia's Blue Ocean strategy and innovations to differentiate itself from the competition in the traditional accommodation sector. The following section examines how Cassia's strategy and innovations could tackle the challenges brought about by alternative accommodation entrants like Airbnb.

Cassia's "Blue Ocean strategy" vs. Airbnb's "Disruptive Innovation"

This section focuses on the "battleground" in Phuket. According to the 2015 Thailand Hotel Industry Survey of Operations compiled by Horwath PCL and Thai Hotels Association, the hotel occupancy rate for the "THB 3000–5500 category" (similar to 4–star hotels, where Cassia belongs) is the lowest at 57% in the Greater Phuket area. In other words, Cassia's category in Phuket is the most competitive, with insufficient demand to meet the continued increase in supply. Airbnb's entry only further exacerbates the situation, as it competes across all categories, with daily rates ranging from THB300 (US\$10) to THB30,000 (US\$1000). Despite this, it is assessed that Cassia's strategy and innovations (more sustained than disruptive) are appropriately placed to tackle the longer term challenges posed by Airbnb's disruptive innovation, where age-old concept of alternative accommodation is popularised and made convenient by technology. Cassia's 3 broad strategic positionings are : 1) providing "alternative-like accommodation"; 2) localising the experience, and 3) its ethical brand positioning.

Alternative-like Accommodation

The slight irony here is that while Cassia's venture into the unfilled space between hotels and service apartments is considered Blue Ocean as it is uncontested market space, it actually competes with Airbnb's alternative accommodation option. This is because Cassia's apartments are not exactly traditional accommodation– it is similar to a typical Airbnb host's apartment for rent, but one that comes with some level of customised service, eg. Breakfast delivery, housekeeping once every 2 days etc, which rented apartments by Airbnb do not usually provide. Because of Cassia's selected and thus limited service offerings, prices are kept affordable and competitive. So while Cassia's Blue

Ocean strategy keeps it away from direct competition with traditional hotel players, especially those in the 4–star category, it comes into closer, if not direct, competition with Airbnb’s alternative accommodation options. This could very well be one of the few cases where a traditional hotel player fights back, enters and competes on Airbnb’s turf.

Localised Experience

Airbnb’s disruptive innovation is successfully disruptive because there is actual demand for its products. The demand is due to 2 key draws– cost and the localised experience (Guttentag, 2013), of which the former on Cassia’s cost competitiveness against equivalent Airbnb offerings has been mentioned above. Localised experience could mean getting local advice from locals, staying in a home– like environment where locals live, having amenities like kitchen and washing machine, or simply being close to locals or the local precinct. Interestingly, Cassia’s sustained innovation seems to provide almost all of the localised experiences, from being able to meet fellow travellers for sharing of local tips, to staying in apartments that are home–like. It would thus appear that Cassia comes close to competing with similar category of offerings by Airbnb. It could very well have discovered a new but niche segment– those who want a localised experience that is not in a hotel setting, but are willing to pay a slightly higher price than an Airbnb offering, since the issues of safety, limited service provision and convenience of choice are guaranteed.

Ethical Positioning

This is possibly the most powerful of all the strategies, and it requires long years of perseverance and unwavering conviction to anchor down basic values and principles. In BTH’s 2014 annual report, Mr.Ho ended off his strategic overview with this final paragraph header–“20 Years of Doing Good.” *“Sustainability will remain core to our business...under the “Stay for Good” framework, guests contribute to social and environmental initiatives simply by staying with us. This framework extends to how we design and build resorts under the “Build for Good” umbrella”* (Banyan Tree Holdings Limited, 2015). Cassia enjoys all of BTH’s overall brand promise that it cares for the physical and human environment, a “green theme” that was repeatedly emphasized, including how the very first Banyan Tree resort in Phuket was converted from a polluted tin mine.

In today’s terms, BTH’s efforts in caring for the physical and human environment is referred to as “Corporate Social Responsibility” (CSR). Why is CSR important in the context of a traditional hotel player competing against Airbnb? This has to do with the fact that the sharing economy has very strong ethical roots. The act of sharing with others is itself a socialist attitude, reflecting a communal mentality. It is believed that many Airbnb users, apart from being attracted to its affordability and localised experiences, appreciate

the fact that their monetary outlay goes direct to a peer who might very well depend on that income for a living, instead of paying commercial entities whose profits are enjoyed only by its shareholders. BTH and Cassia's ethical positioning allows it to develop a social identity, closely aligned with the underlying values of many users of the sharing economy. In other words, Cassia's brand positioning (or actually, its parent company's brand positioning) could very well allow it to be seen on the same side of the socialist consumers, away from the opposing camp of the "evil corporate world". This is an intangible brand positioning involving values and individual beliefs, but nonetheless, extremely persuasive and powerful in guiding consumer preferences.

Research Implication and Conclusion

Disruptive innovation affecting an industry is generally feared by its incumbents, as it disrupts the business-as-usual or peacetime mode of business. The larger fear however, is when incumbents failed to fear or respond, and continues with "business-as-usual", which could include sustained incremental innovations that provides incremental improvements in business performance but does not address the larger industry disruption that is about to occur.

For incumbents who respond by narrowing their turf and focusing on the higher end segment for example, the threat might not be imminent. However, there is no guarantee that once the likes of Airbnb consolidates their stranglehold over their current target customers with their unique value proposition and service provision, they might not expand further. The irony of having a Airbnb hotel could one day materialise- an alternative accommodation player venturing into traditional accommodation by offering the traditional comfort of hotels located in very localised precinct, with affordable pricing as it focuses on only a few key services that matter.

This case study illustrates how a traditional accommodation player's response in competing instead of retreating from the competition offered by alternative accommodation could allow it to survive well. It also emphasizes that sustained innovation need not be inferior to disruptive innovation, if one is able to identify and operate in blue oceans of uncontested market space.

Research Limitation and Recommendation for Future Research

This study has some limitations to be addressed. Firstly, this study only focuses on one hotel brand as a case study, and on one particular tourism destination. Future research is suggested by conducting a similar research taking different hotel brands as

a case to analyze how they adopt innovative strategies in the fast-changing environment. Secondly, secondary data are mostly utilized for the analysis in this research. Future scholars is encouraged to apply the knowledge gained in this study to extend understanding of alternative accommodation in different topics.

References

- Adam, J. & Khan, H. (2007). **Research Methods for Graduate Business and Social Science Students**. New Delhi : Sage Publications.
- Bank of Thailand. (2018). **Tourism Indicators**. Retrieved from <http://www2.bot.or.th/statistics/ReportPage.aspx?reportID=875&language=eng>
- Banyan Tree Holdings Limited. (2015). **Annual Report 2014 a Journey of Transformation**. Retrieved from http://media.corporate-ir.net/media_files/IROL/20/200797/BTH_AR2014_SGX.PDF
- Barnett, B. (2015). **Phuket 2015 Hotel Market Update**. Phuket : C9 Hotelworks Company Limited.
- Chen, W. J. (2011). Innovation in Hotel Services : Culture and Personality. *International Journal of Hospitality Management*, 30(1), 64–72.
- Creswell, J. (2014). **Research Design**. London : Sage Publications.
- Damanpour, F., Walker, R. M. & Avellaneda, C. N. (2009). Combinative Effects of Innovation Types and Organizational Performance : A Longitudinal Study of Service Organizations. *Journal of Management Studies*, 46(4), 650–675.
- Dawson, C. P. & Brown, T. L. (1988). B&Bs : A Matter of Choice. *The Cornell Hotel and Restaurant Administration Quarterly*, 29(1), 17–21.
- Drejer, I. (2004). Identifying Innovation in Surveys of Services : A Schumpeterian Perspective. *Research Policy*, 33(3), 551–562.
- Elo, S., Kääriäinen, M., Kanste, O., Pölkki, T., Utriainen, K. & Kyngäs, H. (2014). Qualitative Content Analysis. *A Focus on Trustworthiness*, 4(1), 1–10.
- Enz, C. A. & Harrison, J. S. (2009). **Hospitality Strategic Management : Concepts and Cases**. New Jersey : Wiley.
- Euromonitor International. (2015). **Lodging in Thailand**. Retrieved from <http://www.euromonitor.com/travel-accommodation>
- Farmaki, A., Altinay, L., Botterill, D. & Hilke, S. (2015). Politics and Sustainable Tourism : the Case of Cyprus. *Tourism Management*, 47, 178–190.
- Fletcher, J., Fyall, A., Gilbert, D. & Wanhill, S. (2013). **Tourism Principles and Practice**. Harlow : Pearson.

- Gunasekaran, N. & Anandkumar, S. V. (2012). Factors of Influence in Choosing Alternative Accommodation : A Study with Reference to Pondicherry, A Coastal Heritage Town. *Procedia–Social and Behavioral Sciences*, 62, 1127–1132.
- Gunasekaran, N., Peter, S., George, J. & Anandkumar, S. V. (2012). Alternative Accommodation Market in Pondicherry : A Study of Tourists’ Expectations and Experiences Using SERVQUAL. *International Journal of Management*, 3(3), 8–16.
- Guttentag, D. (2013). Airbnb : Disruptive Innovation and the Rise of an Informal Tourism Accommodation Sector. *Tourism*, 1–26.
- Ho, K. P. (2014). **The Banyan Tree Group’s Cassia Brand**. Singapore : Edipresse Media Asia.
- Hooi, J. (2011). **Innovation–the Way Ho Kwon Ping Sees It**. Retrieved from <http://www.asiaone.com/print/News/Latest%2BNews/Business/Story/A1Story20111024–306719.html>
- Kim, W. C. & Mauborgne, R. (2004). Blue Ocean Strategy. *Harvard Business Review*, (October), 76–84.
- Lam, A. (2015). **Banyan Tree Diversifies with Cassia Homes**. Retrieved from <http://marketing–interactive.com>
- Mandelbaum, A. (2015). **How Virtual Reality can help Hotels Compete with Airbnb**. Retrieved from <http://www.eHotelier.com>
- Martinez–Ros, E. & Orfila–Sintes, F. (2009). Innovation Activity in the Hotel Industry. *Technovation*, 29(9), 632–641.
- Mattsson, J. & Orfila–Sintes, F. (2014). Hotel Innovation and Its Effect on Business Performance. *International Journal of Tourism Research*, 16(4), 388–398.
- MIT Sloan Executive Education. (2014). **How Should Hotels Respond to the Sharing Economy?** Retrieved from <http://executive.mit.edu/blog/how–should–hotels–respond–to–the–sharing–economy#.VsplAfl9670>.
- Mullins, L. & Christy, G. (2011). **Essentials of Organizational Behaviour**. Harlow : Pearson.
- Orfila–Sintes, F., & Mattsson, J. (2009). Innovation Behavior in the Hotel Industry. *Omega*, 37(2), 380–394.
- Porter, M. E. (1979). **How Competitive Forces Shape Strategy**. Palgrave : London.
- Radder, L. & Wang, Y. (2006). Dimensions of Guest House Service : Managers’ Perceptions and Business Travellers’ Expectation. *International Journal of Contemporary Hospitality Management*, 18(7), 554–562.
- Strong, C. (2014). **Airbnb and Hotels : What to Do About the Sharing Economy?** Retrieved from <https://www.wired.com/insights/2014/11/hotels–sharing–economy>

- Sundbo, J. & Gallouj, F. (2000). Innovation as a Loosely Coupled System in Services. *International Journal of Services Technology and Management*, 1(1), 15–36.
- TAT. (2015). **Tourist Statistics–by Province**. Retrieved from http://marketingdatabase.tat.or.th/ewt_w3c/ewt_news.php?nid=1621
- Tidd, J. & Bessant, J. (2009). **Managing Innovation : Integrating Technological, Market and Organizational Change**. West Sussex : John Wiley and Sons Ltd.
- Tseng, C. Y., Kuo, H. Y. & Chou, S. S. (2008). Configuration of Innovation and Performance in the Service Industry : Evidence from the Taiwanese Hotel Industry. *The Service Industries Journal*, 28(7), 1015–1028.
- Walliman, N. (2011). **Your Research Project Designing and Planning Your Work**. London : Sage Publications.
- Watkins, E. (2014). **Hoteliers React to Sharing–Economy Competition**. Retrieved from <http://www.hotelnewsnow.com/Article/14348/Hoteliers-react-to-sharing-economy-competition>
- WTTC. (2015). **Travel & Tourism Economic Impact 2015 World**. Retrieved from <http://www.wttc.org/-/media/files/reports/economic%20impact%20research/regional%202015/world2015.pdf>
- Yin, R. K. (2009). **Case Study Research : Design and Methods**. Thousand Oaks, CA : Sage.