BANYAN TREE (A)

Xia Yang and Tom Gleave

Banyan Tree Hotels and Resorts was established in 1994 by a group of Singaporean entrepreneurs. Within a short period of five years, Banyan Tree became a well-known luxury chain of hotels in Asia. In 1999, encouraged by its remarkable success, Banyan Tree began to explore the possibilities of offering branded resort and spa services at some resorts. While the top management of the company was confident about Banyan Tree's skills and resources, the decision was not at all easy to reach because the competitive environment in 1999 was very intensive. Besides, to establish branded resort and spa services, much like the company's previous efforts at brand building, all details would need to be carefully planned and managed.
In 1994, Banyan Tree Hotels and Resorts opened its first location in Phuket, Thailand. Within one year, the luxury resort and spa operator had opened two other locations - one in Indonesia, the other in the Maldives. The motivation for developing the new branded resort concept came after Chairman and CEO Ho Kwon Ping and his wife, Claire Chiang, identified a gap in the market between Asia's luxury class hotels and the ultra-high-end position held by Amanresorts. Over the next four years, the company was able to generate high awareness and a positive image of the brand among the wealthy Asian and European clientele that it targeted. This was in large part due to the company's ability to develop a holistic, integrated and consistent marketing programme that was designed to build and reinforce the brand.

In 1999, Ho and his executive team identified another apparent gap in the market and therefore began thinking about developing a different branded resort and spa concept to fill the gap. Buoyed by the success of the Banyan Tree concept, Ho was confident that the company had the skills and resources to exploit this opportunity. At the same time, however, he recognised that the task would be more difficult than before because the competitive environment was much more intense than it was in 1994. Moreover, the existing market gap was not as wide as the one previously identified and exploited by Banyan Tree. This meant that Ho and his team would need to be both disciplined and creative in developing any new resort and spa concept if the venture was to be successful. Therefore, much like the company's previous efforts at brand building, all details concerning the new brand would need to be carefully selected and managed.

THE TOURISM INDUSTRY IN ASIA

From 1985 to 1996, Asia was the fastest growing tourism region in the world with the number of travellers increasing by an average of 10 percent per year. As a result, Asia's share of the worldwide tourism market steadily increased at the expense of traditional leaders like Europe and America. Many Asian governments capitalised on this trend and began to treat tourism as an integral part of their industrial development strategies. This led to an easing of travel restrictions and active tourist promotion, which in turn helped to draw in more travellers. (See Exhibit 1A - World Tourism Arrivals by Regions: 1985 - 1996 and Exhibit 1B - Trends in International Tourism: Selected Asia Pacific Countries.)

In terms of international tourist traffic, Asia surpassed North America for the first time in 1996, when the region's outbound travellers hit 94 million, compared to the 92 million outbound travellers originating from North America. Among Asia's international travellers, 74 percent remained within the region, 14 percent headed to Europe and 10 percent went to America. Intra-regional travel within Asia grew considerably during the 1990s because of the increased availability of flights that were shorter and cheaper than those destined for Europe or America. Japan was traditionally the largest tourist generating market in the region; however, China, Hong Kong, Singapore, South Korea and Thailand contributed most to the region's new international travellers in recent years.

In July 1997, the region was hit by a severe financial crisis, bringing with it an end to the so-called 'Asian Miracle' that was often used to characterise the heady growth rates many countries had witnessed over the previous 10 to 15 years. The downturn lasted through most of 1998, as the affected economies struggled to overcome severe economic contractions. Not surprisingly, the hotel industry encountered a substantial decrease in demand. (See Exhibit 2A - Visitor Arrivals by Country 1998 v. 1997 and Exhibit 2B - Performance Indicators 1998 v. 1997)

By 1999, financial stability started to return to the region, although several economies were still undergoing painful restructuring processes that were expected to last for several years. Overall, growth in the region was forecasted to reach three to four percent for the year, with South Korea and Thailand showing the most robust recoveries. Mainland China, which went relatively unscathed during the crisis due to the insulated nature of its currency, the renminbi, was expected to maintain strong steady growth of between six and eight percent. By contrast, the country's Special Administrative Region of Hong Kong continued to struggle with a deep recession associated with devaluation of its property and financial markets. Malaysia also continued to experience significant economic pressures, although these were alleviated to some extent by a set of currency controls imposed by the government after the crisis took hold. The adverse effects of the crisis on Singapore had been comparatively moderate, as the "Lion City" never actually fell into recession, although GDP growth did drop to 0.1 percent in 1998. Based on the recovery's momentum, Singapore was expected to achieve three to four percent GDP growth in 1999.
As the crisis waned, different hotel markets in the region found themselves in different phases of the business cycle. For example, in 1999, the hotel markets in Malaysia and Indonesia were in the midst of a significant slump, the former due to over-capacity and the latter due to political instability brought about by the overthrow of long time leader, President Suharto. By contrast, Australia, Japan and South Korea were nearing their peaks given the robust development they had been experiencing in recent years. (See Exhibit 3 - Market Cycle Early 1999.)

THE LUXURY MARKET PLAYERS IN ASIA

Asia was home to several indigenous luxury hotel chains and resorts that enjoyed a high profile in the region. These included the Mandarin Oriental, Peninsula, Raffles, Regent and Shangri-La hotel groups. International players such as the Four Seasons and the Ritz-Carlton hotel groups had also successfully penetrated several markets in the region. By the late 1990s, these latter two players had also moved into the resorts segment by establishing locations in popular tourist destinations such as Bali. In contrast, many Asian-based hotel groups had attempted to extend their success to other parts of the world. There were possibly two reasons for such an extension. One was the reduced growth opportunities as more players developed more properties in the region. Another reason was that these Asian hotel groups hoped to be able to develop global brand recognition, which they could leverage by cross-selling their products in different markets.

In the luxury resort segment, Amanresorts was the longest established operator in Asia. The company began in 1988, when it opened the Amanpuri (or “place of peace”) in Phuket, Thailand. Since then, it had developed 10 additional properties while at the same time establishing itself as the most expensive small multi-resort operator in the world. Each property was designed to provide an environmentally friendly and aesthetically pleasing atmosphere while incorporating local cultural themes. A high degree of personalised service, coupled with privacy and discretion, was expected to provide guests with an unparalleled resort holiday experience.

ENTER BANYAN TREE RESORTS

Banyan Tree Hotels and Resorts was a subsidiary of Singapore-based Tropical Resorts Pte. Ltd. (Tropical Resorts), an investment company dedicated to hotel and resort developments. The investment company was owned by several investors, including a Japanese investment fund, NatSteel - Singapore’s national steel manufacturer, and the Wah Chang Group, a holding company with diversified interests in the agro-industry, engineering, trading and property development. The day-to-day activities of Tropical Resorts were managed by the Wah Chang Group, which was headed by Ho Kwon Ping. Ho, along with his wife, Claire Chiang, were considered two of Singapore’s most enterprising people. Ho was the Chairman of Singapore Power Corporation (the country’s national electrical utility) and is presently the Chairman of Singapore Management University. He also serves as the Co-Chairman of the Singapore-Thailand Business Council, and as a director on the boards of several high profile local companies, including Singapore Airlines.

Ho’s corporate exposure, combined with his experiences in the US, had taught him about the value of Western management techniques. In particular, he believed in the need to address management problems and processes in a disciplined, systematic and often decentralised manner. This contrasted with many Chinese family-run enterprises, which were characterised by a high concentration of power held by key family members who often took a much more free-wheeling approach to managing their operations. Ho felt that the best approach to business development involved the blending and balancing of Western-style management techniques with the legendary entrepreneurial spirit associated with the overseas Chinese communities.

Chiang rose to prominence in Singapore largely because of her efforts to champion various social causes. She was particularly concerned about the

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1 In some countries, certain micro-markets existed. For example, in Indonesia, the island destinations of Bali and Bintan were not as affected by political instability as tourist operators on the main island of Java, although demand in these locations had still dropped noticeably.

2 The various partners collectively pooled enough funds to ensure that Tropical Resorts was able to develop several resort and hotel projects simultaneously.
need for increased awareness of women abuse both at home and abroad as well as the need for greater sustainable development in many of the region's economies. In 1997, she was selected as a Nominated Member of Parliament of Singapore. In 1998, she was named “Woman of the Year” by a local women's publication for her various contributions to the community.

Thai Wah Resort Development Co. Ltd, an arm of the Wah Chang Group, first ventured into resort development in 1987, when it constructed the first of several hotels on one large parcel of land in Phuket, Thailand. The first project was Dusit Laguna Resort, which was managed by Thailand's premiere hotel company, Dusit Hotels & Resorts. Thai Wah later developed four other hotels on the same extended property: Laguna Beach Resort, Sheraton Grande Laguna Phuket, Allamanda Laguna Phuket and Banyan Tree Phuket. In keeping with the developer's mission of making the property an integrated destination that catered to a wide variety of needs, extensive shopping, dining and recreational facilities, including a golf course, were built on the property.

Unlike the other hotels at the Laguna resort complex, Allamanda Laguna Phuket represented the first time that Thai Wah decided to build and operate its own resort. Initially, the 243-room, three-star resort was targeted at families interested in enjoying a wide range of leisure and recreational activities. The resort was also expected to appeal to middle and senior managers who came to Phuket mainly to play golf. In the ensuing years, several of the resort's units were sold to wealthy Thais, Hong Kongers and Singaporeans who used them as their personal vacation residences. Later, several units were converted into a "vacation club," which effectively meant that they were operated on a time-share basis.

In 1994, Banyan Tree Hotels and Resorts (BTR) was set up with the mission to develop and manage luxury boutique resorts that were steeped in Asian traditions, while remaining harmonious with their surroundings. These features, combined with a high level of Asian-style personal service and discretion, were expected to create an intimate retreat experience that offered a "signature blend of romance, rejuvenation and exotic sensuality". The impetus for developing this new resort concept came after Ho and Chiang identified a significant price gap in Asia between the high-end hotel chains and the ultra-high-end resort niche that had been previously carved out by Amanresorts.

When Banyan Tree Phuket opened, it had 96 villas that were targeted at couples seeking privacy and intimacy. Most villas had one bedroom and came with a personal outdoor jacuzzi, pool or spa. In keeping with its desire to offer a "stage for romance" BTR strived to offer an experience that would stimulate all five senses based on the following attributes:

- **Sight** - indigenous location and unique architecture
- **Taste** - high quality, local cuisine
- **Sound** - soothing shoreline breezes and rustling flora
- **Touch** - massage and beauty-related therapies and treatments
- **Smell** - exposure to natural flora and the use of aromatherapy

In addition to offering intimacy and romance, BTR sought to emphasise an experience that would appeal to customers on ecological and cultural levels as well. This necessitated a great deal of time and effort to identify a location where the resort's buildings could blend in with the surrounding environs while providing the guests with "breathtaking" views and a "sense of place" that captivated the spirit and culture of the location.

BTR designed all of its facilities in-house using the expertise of the Wah Chang Group's architects, headed by Ho's brother Kwon Cjan. In designing the resorts, particular attention was paid to the ability of the buildings to communicate the Banyan Tree product and concept. Each villa was built around existing trees and rock structures with great care taken to minimise the amount of natural material cleared or removed. Efforts were also made to ensure that natural breezes would encourage the limited use of air conditioning. Expensive desalination plants were installed to avoid drilling underground for fresh water supplies. Each villa came with a private balcony or patio that overlooked the nearby shoreline. The interior design was natural and traditional in flavour and offered the finest beds and an array of furnishings, accents and fabrics that were indicative of the local culture.

An integral component of the resort was the inclusion of a branded Banyan Tree Spa, which was managed as a separate profit centre. The spa was designed
to offer patrons a "sanctuary for the senses" by providing personal rejuvenation through a combination of caring staff and an ambience of solitude, luxury, and peace. Accordingly, a range of massage therapies, body treatments, hydrotherapies and nutritional regimens were offered in either single treatments or as part of package deals. These services were available both indoors and outdoors at a designated spa pavilion. To ensure the highest quality service possible, BTR established its own internal training academy in Thailand, where all of the company's native Thai massage practitioners were given an additional 10 weeks of training. This included training in massage techniques other than traditional Thai massage so that the spa could offer a broader range of treatments, as well as English language lessons so they could communicate more effectively with the guests. In addition, the academy employed a full-time chemist who developed a proprietary line of essential oils used in aromatherapy. (See Exhibit 4 - Banyan Tree Phuket and Exhibit 5 - Banyan Tree Maldives.)

To round up the Banyan Tree Phuket experience, a Banyan Tree Gallery concept was developed. Like the spa, this retail shop was managed as a separate profit centre, and specialised in selling massage and essential oils, incense candles, skin and body lotions, and resort apparel, all of which were handmade by local artisans. The concept was developed by Claire Chiang, who viewed the gallery as a marketing platform for local artisans. This, in turn, was expected to promote sustainable development opportunities for people living in less advantaged areas.

BUILDING THE BRAND

At the onset, the Banyan Tree brand was carefully nurtured and managed. Ho and Chiang spent a considerable amount of time selecting an appropriate name, one that would evoke images of the exotic yet serene environs found in Asia. The name “Banyan Tree” was selected because the sizeable canopies of the trees represented retreat and shelter in Asia’s rainforests. The couple also liked the name because of its personal relevance. Apart from having once lived in Hong Kong’s Yung Shue Wan (or Banyan Tree Bay in Cantonese), each of their three children had the name of a tree incorporated into their proper names. A logo was then developed along with the tagline “sanctuary for the senses,” which was intended to convey the promise of rejuvenation for the mind, body and soul of the resort’s guests. (See Exhibit 6 - Banyan Tree Logo.)

Given that most of Asia’s leading five-star hotels were charging an average of US$120 to US$140 per night for a standard room (in 1994) while Amanresorts was charging about US$400 per night, BTR exploited the price gap by setting an initial average price of about US$280 per night. This price level was expected to appeal to wealthy but not necessarily famous couples. Initially, BTR emphasised the small, exclusive, high quality and unique experience provided by resorts focusing on romance and intimacy. As Ho explained, "What we want for a couple is a setting that allows them to respond to some special moment of intimacy - a magical moment that will leave an imprint in their lives that will last forever." Since the focus was mainly on couples, BTR discouraged children as guests.

In the beginning, the company relied heavily on word-of-mouth advertising to generate awareness. As awareness grew, advertising agencies were contracted to help broaden the company’s profile even further. At the same time, efforts were made to build relationships with selected wholesale and retail travel agencies in major markets throughout Asia and Europe. The US market was not targeted because of the expense involved. In contrast to typical wholesale and retail agents who catered to a wide variety of needs, the agents targeted by BTR specialised in exceptional and luxury holidays and were therefore usually found only in wealthy neighbourhoods in major cities. In exchange for a high degree of personal service and industry knowledge, these high-end agencies charged premium prices to their end customers. BTR was also able to achieve global exposure through Small Luxury Hotels of the World (SLH), an agency that represented some of the world’s most exclusive independent hotel and resorts. This specialist company maintained offices in the most affluent cities around the world and was linked to the hotel industry’s Global Distribution System. This system was akin to the airline industry’s Sabre system in that it allowed travel agents all over the world to book rooms through one unified computer interface. BTR paid its retailers and SLH a commission after a confirmed booking was made.

Once BTR was satisfied that it had achieved a critical level of awareness among both its supply chain partners and target audience, it ceased using external advertising agencies. Instead, it opted to produce its own marketing materials in-house or through contracting freelancers while relying heavily on its own public relations department and event-related advertising. The policy to manage much of the marketing effort internally required the hiring of a team of dedicated marketing professionals who assumed very focused roles and responsibilities. Edwin Yeow, BTR's Joint Managing Director and Senior Vice President of Marketing, headed the team.

BTR allocated approximately nine percent of its gross revenues to various marketing and promotional efforts. Some of these efforts included advertising with a selected number of travel magazines targeted at high income earners, such as Condé Nast (in Australia, the UK and the US) and Tatler Travel Guide (in the UK). Other efforts included the development and distribution of multimedia CDs and the publication of various brochures. All of these media were developed using very high quality imaging processes. Given the quality of its digital images, BTR encouraged the downloading of files from its website so that users could display digital photos of its resorts as wallpaper on their computers. A multimedia library was also made available to the company's supply chain partners so they could distribute information accordingly. Efforts were also made to develop tie-in agreements with strategic partners, such as Singapore Airlines. For example, special holiday packages were developed in conjunction with the airline that would allow its passengers to stop over in Singapore so they could spend two or three days at Banyan Tree Bintan. Ho's knowledge and contacts within the press also helped to ensure that the company was able to achieve widespread publicity. For instance, several articles about the company had been published in the local newspapers as well as in respected magazines like Far Eastern Economic Review and Forbes Global. Advertising space in selected newspapers (like Asia Wall Street Journal) was also purchased to announce some of the numerous awards that the company had earned over the years.

SUCCESS TO DATE

The immediate success of its initial location in Phuket gave BTR confidence as it rolled out a 76-villa development on Bintan Island in Indonesia and 48-unit project in the Maldives. Since 1994, the company had increased revenues by a minimum of 10 percent each year and occupancy rates increased while average room rates climbed by US$20 to US$30 each year. By 1999, BTR was charging an average of US$360 per night, and $100 less than the average charged by Amanresorts. This ran contrary to the practices of many other high profile luxury hotels and resorts, which slashed their prices considerably during the Asian Financial Crisis. For example, the Oriental Hotel in Bangkok lowered its top room rates to US$200 per night in response to four-star hotels that dropped their standard room rates by US$20.5

Approximately 80 percent of BTR's guests came for romance and leisure, or to celebrate honeymoons or anniversaries. The remaining 20 percent were group or meeting-related guests. About 34 percent of the guests including expatriates came from Asia (excluding Japan) while 20 percent came from Japan itself. The largest group of guests (38 percent) came from Europe, which contrasted sharply with the 8 percent of guests from the United States. On average, a European guest stayed for seven nights while those from Asia Pacific usually stayed for about four nights. US-based guests generally stayed for three or four nights as their wider holiday agendas often took in other destinations.

One of the reasons BTR had for developing several properties was that it could provide guests with alternative destinations where the Banyan Tree Resort experience could be realised. Correspondingly, a cross-sell ratio to over 30 percent among the different resorts was achieved while the repeat guest ratio of the same resort reached about 20 percent. These figures were considered high for resort-style accommodation, but low compared to city hotels, where frequency of travel was much higher. The resorts served as the company's key revenue driver. The spas were initially slow to develop but had since become solid performers. Management was also satisfied with the modest

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4 Bintan is the largest island in the Riau Archipelago. The island lies off the southern coast of Singapore and can be reached in 45 minutes by high-speed ferries that travel daily between the two locations. The Banyan Tree Bintan project included a golf course designed by golfing legend Greg Norman. The golf course is opened to both Banyan Tree guests and others. The Maldives are a group of islands located about 800 km southwest of the southern tip of India in the Indian Ocean.

5 Kohlenberg, L. (1999, February 2). Now even Asia’s top hotels are cutting prices. Time, 151.
profit generated from the galleries, which were never intended to be major revenue centres.

The Banyan Tree concept quickly achieved a favourable following as evident from the numerous awards and acknowledgements conferred upon the company by various industry watchers. Some of these awards included:

- Best Resort Hotel in Asia Pacific - *Asia Wall Street Journal*; CNBC Asia
- World's Best Spa Resort - *Condé Nast Traveller*
- Ecotourism award - *Condé Nast Traveller*
- Tourism for Tomorrow Highly Commended Award - British Airways
- Ranked 18th among Asia's top 50 brands, and the brand with the greatest upward movement potential - *Asian Brand News*

Still, BTR faced stiff competition from several of Asia's other high-end hotel and resort operators that had also received various industry awards and accolades. For example, readers of *Condé Nast Traveller* ranked Amanresorts' Amandari, Amankila and Amanpuri as the first, second and fifth best resort hotel in the world. The same poll rated the Regent Hong Kong as the number two large city hotel in the world (after the Windsor Court in New Orleans), followed closely by Peninsula Hong Kong (3rd), the Oriental Bangkok (4th), the Shangri-La Hong Kong (6th) and the Shangri-La Bangkok (8th). The influential Harper's Hideaway Report also gave the Oriental Bangkok, Peninsula Hong Kong and Regent Hong Kong highly favourable rankings.

The company's rapid success was not without difficulties. In 1997, BTR entered into a hotel management agreement with the Westin Hotel Group in Bangkok in an attempt to achieve revenue growth. The five-year management contract called for the Westin side to manage the 62-storey Banyan Tree hotel, which catered to business travellers and short-term residents. It was rebranded as The Banyan Tree Bangkok in January 2002.

A NEW BRAND OPTION

The success of Banyan Tree's resorts and spa concepts was noticed by other hotel operators in Asia. Many of these operators had approached BTR in the hopes of convincing the company to develop branded Banyan Tree Spas in their establishments. The motivation for these overtures stemmed from their desire to draw in more affluent guests to what were typically three and four-star quality operations. However, BTR declined the offers because the company believed there was a mismatch in positioning between the external parties and itself. Nonetheless, Ho was intrigued by the number of inquiries they received from various operators looking to develop such relationships and therefore began to seriously explore the possibility of creating an entirely new brand of spas and resorts.

Initially, Ho considered the possibility of growing the Amamnanda brand through management contract arrangements, but this alternative was eventually dismissed because resort at the Laguna Phuket complex lacked focus by virtue of the different customer groups that it served. Discussions about extending the Banyan Tree brand concept were short-lived because two senior managers did not want to risk damaging the success of the company's flagship brand if a new brand extension were to fail. After consulting with various operators and assessing key markets throughout Asia, Ho concluded that a more tenable option would be to develop a new concept for a demographic profile that was apparently not being effectively tapped, namely, young upwardly mobile married professionals with no more than two young children. Ho believed this group to be a viable target audience that was apparently not being effectively tapped, namely, young upwardly mobile married professionals with no more than two young children. Ho believed this group to be a viable target audience because most markets generally had three- and four-star operators that catered to large budget conscious families, or luxury resort operators that catered exclusively to affluent couples. Further evidence of an apparent gap in the market could be seen by the prevailing prices charged by the different operators. Whereas many of the three- and four-star resorts were charging an average of US$80 to US$120 per night, luxury resort operators (like Banyan Tree) were charging US$300 to $400 per night. Ho believed that there were many young upwardly mobile couples in Asia and Europe, who wished to get away and would be willing to pay a

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6 The industry trade publication also placed several other high-end hotel and resort operators in its rankings: Shangri La Hotels - 3rd; Regent Hotels - 11th; Mandarin Oriental - 12th; Raffles - 26th; Amanresorts - 31st; Peninsula Hotels - 32nd. (1999, March). *Asian Brand News.*

7 The Amandari and Amankila resorts were both located on the Indonesian island of Bali.

premium for a comparatively more exclusive resort experience vis-à-vis the large family resorts but were unable or unwilling to pay the high-end resort rates.

One of the benefits that BTR hoped to achieve in developing a new branded resort and spa concept for the young couple - young family segment was the potential for significant revenue growth. Ho intuitively realised that most people would not be able to afford a visit to a Banyan Tree resort. However, there were millions of families around the world that could afford to pay a price that would exploit the US$100-$200 per night range. Any new brand concept developed by BTR could also expect to benefit from the experience of the company's in-house marketing team. Ho envisioned that no major incremental marketing costs would be incurred in developing a new brand apart from the need to hire and support a different sales team which would be dedicated exclusively to the new brand.

At the same time, Ho realised that such a venture was not without its challenges. For starters, the competitive environment had got much more intense in recent years as many new players had entered various regional markets prior to the financial crisis in 1997-1998. This had left most players who had made through the crisis scrambling to shake off its lingering effects. The most pressing challenge would involve having to develop a completely new brand identity, one that needed to be crafted from a “blank page” and would be sufficiently different from the Banyan Tree concept. Correspondingly, BTR would need to recruit and develop a different core group of employees who would have the new brand identity's mindset. Ho and Yeow feared that it may be difficult for some of BTR's existing employees to distance themselves from the Banyan Tree concept because they had demonstrated a strong passion towards the brand.

The locations that Ho believed were most suitable for a new brand concept targeting young couples and small families were Bintan, the Maldives and the Great Barrier Reef near Cairns, Australia. One of the most compelling features about developing another resort in Bintan was that it was close to Singapore, which provided a constant stream of comparatively wealthy couples and families. This was borne out by the fact that there were already five sizeable three-star resorts on the island that catered to large families, as well as the upper-end Banyan Tree Bintan. The largest of the mass market resorts was Sedona, which had over 400 rooms and a wide variety of recreation and water sports facilities. At US$90 per night for a standard room, Sedona successfully targeted large families, prompting Yeow to state, “On a busy weekend, that place can look like a railway station. So if we develop another resort on Bintan, we would offer something more quiet yet still suitable to families.”

On the northern atoll of the Maldives, Ho identified a gap between several existing three-star resorts that catered to budget conscious travellers from Europe and the island's two high-end resorts, one operated by the Four Seasons Group, the other being the Banyan Tree Maldives. Given that space was limited on the island, the types of land parcels available meant BTR would need to consider building a smaller 40- to 50-unit resort for about US$15 million. Near Cairns, Australia, a vast expanse of beach immediately in front of the Great Barrier Reef had already attracted two notable players - the Port Douglas and the Reef House. Both incumbents already targeted the same types of clients that BTR was considering. However, Ho felt that growth in the market was sufficient to sustain another entrant since the resorts were being amply fed by urbanites from Sydney, Brisbane, Melbourne, Europe and USA. The most attractive property available was suitable for a 60- to 70-unit resort, which could be renovated for about US$16 million.

Reflecting on the approach taken by BTR thus far, what it needed to consider in developing a new brand in the near future, Yeow remarked:

So much of our success comes from disciplined branding, careful positioning and a determination not to allow our pricing to be manipulated. Right from the start, we were clear about what we wanted to offer, which was to provide an integrated and holistic experience. This is why we developed and launched our Banyan Tree Spa and Banyan Tree Gallery concepts at the same time we launched the Banyan Tree Resorts. These branded concepts were consistent with each other, consistent with the company’s culture and they helped differentiate us from our reputable competitors.

To build awareness and create a positive image, we developed and managed a holistic, consistent and mutually reinforcing marketing programme. It has been vitally important
for us that all of our internal and external communications be consistent with each other, including all print, audio and visual materials. And of course the messages that we send also have to be consistent with the experience that we are selling, which in Banyan Tree's case is 'romance, intimacy and rejuvenation'.

Finally, we have avoided the trap of reducing our prices even when times became tough. In fact, when occupancies were down throughout the region due to the financial crisis, we continued to increase our prices. I think that we were the only operator to do that. We offer an extraordinary experience - and extraordinary experiences cannot be purchased at ordinary prices.

Looking ahead to the new concept we are currently exploring, the same rules apply. We will need to differentiate ourselves from the competition, build awareness, create a positive image and build and manage a holistic and mutually reinforcing marketing programme. There are many details to attend to so as to make sure this new venture will be a success. Even seemingly small items like logos can be important factors in the grand scheme of things because everything has to tie together.
### EXHIBIT 1A

**WORLD TOURISM ARRIVALS BY REGIONS**

1985 - 1996

(in thousands)

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<th>% Share</th>
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*preliminary results

Source: World Tourism Organisation

### EXHIBIT 1B

**TRENDS IN INTERNATIONAL TOURISM: SELECTED ASIA PACIFIC COUNTRIES**

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<td>13.6</td>
<td>8,200</td>
<td>7,300</td>
<td>16.8</td>
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<td>6,087</td>
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<td>16.4</td>
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<td>22.1</td>
<td>4,069</td>
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<td>7,138</td>
<td>7,469</td>
<td>-4.4</td>
<td>3,926</td>
<td>3,910</td>
<td>0.4</td>
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<td>2,163</td>
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<td>1,760</td>
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<td>7,916</td>
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<td>3,753</td>
<td>-1.8</td>
<td>5,430</td>
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<td>8,491</td>
<td>7,664</td>
<td>10.8</td>
</tr>
</tbody>
</table>

*preliminary results

**includes Singaporeans travelling by road to Malaysia

Source: World Tourism Organisation
EXHIBIT 2A

Visitor Arrivals by Country
1996 v. 1997 (in millions)

Note: In the hotel industry, ARR refers to average room rate. The yield on a room is a key performance indicator and is calculated by multiplying the ARR by the occupancy rate.

Source: WTO, Arthur Andersen Research
EXHIBIT 3

Market Cycle
Early 1999

Taiwan
S. Korea
Australia
Japan

Philippines
China
Singapore
Hong Kong

Thailand
Malaysia
Indonesia

Peak
Downturn

Upturn
Trough

Source: WTO, Arthur Andersen Research

EXHIBIT 4
BANYAN TREE PHUKET

Source: Banyan Tree Hotels and Resorts
EXHIBIT 5
BANYAN TREE MALDIVES

Source: Banyan Tree Hotels and Resorts

EXHIBIT 6
BANYAN TREE LOGO

Source: Banyan Tree Hotels and Resorts