

Porters five forces model: amaya lake hotel



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INTRODUCTION:

Strategic Management is planning, applying and evaluating efficient decisions that will allow an organization to reach its long-term objectives. It is the path of identifying the organization's mission, vision and objectives, developing strategies and plans, often projects and programs are designed to achieve these objectives, and assigning resources to implement the strategies and plans, projects and programs.

Question 01;

EXPLAIN PORTER'S FIVE FORCES MODEL.

Porter's five forces model is an outline for the market analysis and business strategy development, It includes five forces that decide the competitive power and attractiveness of a market.

Porter referred those forces affect its capability to serve its consumers and make profit. A change in any of the forces make a business unit to re-assess the marketplace. Tough industry may look attractive start a business, it does not mean that every company in the industry will earn the same profitability. Organizations must apply their core competencies, business model or network to achieve a profit over the other competitors.

This model of Porter's five forces include - threat of established rivals, threat of new entrants, threat of substitute products, bargaining power of suppliers and the bargaining power of customers or buyers.

SELECTING AN ORGANIZATION

When selecting an organization I have looked for places where I can study and apply Porter's Five Forces model, and by carrying out a market research I have chosen Amaya lake hotel (Under Amaya Resorts & Spa),

Amaya brings guests authentic Sri Lankan experiences. Architecture, arts, music, dance, cuisine - Amaya incorporates each aspect of local culture into its retreats. Amaya Resorts & Spas is a subsidiary of Connaissance Holdings. Under Amaya Resorts & Spa they have three hotels. Amaya Lake, Amaya Hills and Amaya Reef Hotel locate at three different locations. In this assignment I have chosen Amaya Lake hotel at Dambulla to study and apply Porter's five forces model.

Question 02.

APPLY PORTER'S FIVE FORCES MODEL.

Porter's Five Forces Analysis shows that there are five important elements that verify competitive control in a business location. Below are the studies and apply of Porter's five forces for Amaya Lake Hotel,

1 Threat of New Entrants

Demand for Restaurants, Guest Houses and motels are still under the spot light. Yet majority of large chain hotels have established their authority with operating efficiency, and key marketing-mix outflow. This influential force has an immense impact on the small ordinary Hotels, Restaurants, bakers, Guest Houses and motels etc. Therefore, it possesses a tough obstacle for new companies who wish to come in to the hospitality industry. For instance, it becomes rather complicated for new competitors to raise adequate

resources and establish extremely developed service. This is also evident in vast investments done by large chains like Amaya Resorts & Spa, on advanced technology for check-ins, checkouts and stock control systems that blow new competitors and the existing ones. Additional obstruction contains economies of scale and differentiation (in the provision of products or services with a higher perceived value than the competition) attained by Amya Lake with their insistent operational strategies in product development, promotional activity and better service.

2 Bargaining Power of Suppliers

This force stands for the control of suppliers, yet that can be influenced by foremost hotel chains and by creating fear of losing their business to other suppliers. Suppliers can be the holy owners of the decision making in terms of price. Yet this can be managed by having number of suppliers as an options, also it can bargain improved promotional prices that small individual hotels are unable to compete. By that power of control over the suppliers are owned by the service receiver. By which suppliers are also vulnerable by the rising capacity of large hotels to resource their supplies from overseas at better deals. At Amaya Lake they have well controlled the supplier power choosing many numbers of suppliers using their growing ability in hotel industry as well as the strong relationship with the other suppliers.

3 Bargaining Power of Customers

Porter said that more the service become uniformed consumers find many options to chose, hence more power is given to buyers. If a hotel does not identify customers need and brake the informality of the service, retaining customers will become bit of a hard task. At this point Amya Lakes famous

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loyalty card remains the most successful customer maintenance strategy that drastically increases the profitability of their business, also by taking care of customer needs, providing customized service, ensuring low prices, implementing better choices, adding value additions, having constant promotions they have attract many numbers of customers under their wing. This has contributed to retain their customer base over the period of time. Ecologically kind and ethically sound food and beverage products makes customers more glued to Amya Lake than the competitors in the market.

4 Threats of Substitutes

Substitution is having other medias to full fill once needs. For example in-house guest who wants to enjoy a meal have many choices. One is going to hotel restaurant and have the meal or order room service and have meals or go to an out side restaurant and have his meal. Having third option chosen reduces the demand, as there is a threat of consumers switching to the choices . In the hospitality industry this can be seen in the form of service-for-service or the substitute of need and is more weaken by new developments such as the way small hotels, restaurants, bars, clubs ect... how this happens in a way of convenience, tailor maidens, easy access and proper customer care ect.... Amya Lake has overcome this by adding few value additions such as Bar, Restaurants, Gym, and Spots complex, DJ club for residents and non residence for affordable price with better service.

5 Bargaining Power of Competitors

Having many competitors in the market for the same industry, who provides uniformly smart services, make one with little control over the condition, where suppliers and buyers have the power to choice with whom they need

to deal with, if they do not get a good deal from you. On the other hand, if only you provide one particular service and no one can do what you do, then you can often have wonderful force over suppliers which leads them to have no choice.

Hospitality trade has seen a considerable growth in the size and market power of the larger groups and small groups, with greater size it may attract reasonable number of guest who are utilizing range of value additions, which are now important characteristics of the segment. Yet some guest prefers small or mid size hotels with more privacy, affordable and more religious, as it was mentioned above, the power of choosing the place where a guest might want to go depends on competition among the industry. at Amaya Lake both customers will find there choices, since they have different room categories at different locations. Operating in a established market makes growth tough, this happens by the competition. This highly competitive market has speed up level of growth, ensuing in a circumstances in which hospitality sector may have to be innovative to maintain and build market share. Such innovation can be seen in the development of a variety of operating systems, in reaction to alter in consumer behavior. Market leaders have reacted by focusing on service, price and value additions. Amaya Lake is one of the chain hotels having its own customers in the market with other competitors like Sorrowwa Resorts & Spa, Gimanhala Hotel, Chaya Village, Heritance Kandalama Hotel, Thilanka Hotel by providing better service and value additions to its customers.

Question 03;

ADDITIONAL THEORIES WHICH DEVELOP PORTER'S IDEA

Porter's Diamond of National Advantage Theory,

In this theory Porter highlighted that comparative advantage inhabit in the factor donation that a nation may be lucky enough to inherit. Factor aids contain property, natural resources, labor, and the size of the local residents.

Michael E. Porter said that a nation can generate new highly developed factor contributions such as technology, skilled labor and knowledge base, government support, and culture. Porter implement a diamond shaped map as the foundation of a structure to demonstrate the determinants of national advantage. This diamond stands for the national playing field that countries set up for their trades.

Porter's Diamond of National Advantage Frame work

Four components of the diamond framework have an effect on national comparative advantage. Those components are,

The accessibility of resources and skills,

Information to decide which prospects to follow with those skills and resources,

The goals of individuals in business,

The force on businesses to innovate and invest.

Components of the diamond frame work are explains as follows.

I. Factor Conditions

A nation generates its own significant aspects such as technological support and skilled resources.

The reserve of factors at a given time is less significant than the extent that they are improved and deployed.

Local shortcomings in factors of production force improvement. Unfavorable circumstances such as labor shortages or limited resources force firms to develop new methods, and this improvement leads to a national comparative advantage.

II. Demand Conditions

When the marketplace for a particular product is better in locally than in overseas markets, the local firms dedicate more concentration on that particular product than foreign firms, this will lead to a competitive advantage when that product start to export.

Challenging local market leads to national advantage.

A strong local market assist local firms look forward to global markets.

III. Related and Supporting Industries

When local businesses are aggressive, industry has the benefit of more cost effective and innovative contributions.

This effect make stronger when the suppliers are strong with international competitors.

IV. Firm Strategy, Structure, and Rivalry

Local circumstances influence the strategy. For example, some businesses have a tendency to be hierarchical. Some companies tend to be smaller and are run more like extended families. Such strategy and structure helps to decide which types of industries are good in nation.

PorterHYPERLINK “ <http://www.quickmba.com/strategy/porter.shtml>”

HYPERLINK “ <http://www.quickmba.com/strategy/porter.shtml>” s Five Forces model says, at the beginning of an industry little rivalry makes an industry striking. Though at time an industry prefers a smaller amount of rivalry, in the long run more rivalry is good since it build weight on a business to be more creative and become more advance. And also, the more local rivalry a nation has less global rivalry will enter in to the market.

Local rivalry pushes business to move beyond fundamental advantages that the country can enjoy, such as low costs.

Hunt Strategic group Analysis Theory,

A strategic group is a concept used in strategic management for businesses within an industry that have related business models. For example, a hotel can be categories based on the room types such as standard, deluxe or suits and based on the value added facilities, eco type hotels, colonial type hotels or modern architectural hotels. They all under one industry. Strategy is the path and capacity of an organization over the period of time to achieve rewards for the business while directing how the business will make money.

Hunt (1972) invented the phrase strategic group while carrying out a study of the appliance industry, later on he revealed a higher amount of

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competitive rivalry than expected by the industry. He recognized this as existence of subgroups within the industry that compete along different proportions. These unbalanced strategic groups root the industry to have more fast innovation, higher quality, lower prices and lower profitability than customary economic models would forecast.

CONCLUSION

The success of the Amaya Lake shows how far competitive power and attractiveness of a market can leads towards its productivity. It has proven their identity by making their servicing concept into a virus channels such as cultural aspects, geographical, and nature friendly experience.

In a fast changing business atmosphere with high competitors businesses have to adopt new expansion strategies and diversified the existing business in order to maintain its primary market place in an already established hotel sector. Amaya Lake has continuously adapted to the fast changing conditions. Strategy formulation has been observed as a practice of continuous learning, which contains learning about the goals, effect of trials towards these goals and how to put into practice and carry out these trials. The excellence of a invented strategy and the speed of its completion will therefore directly depend on the quality of Amaya Lakes behavioral learning processes.

In large organizations like Amaya Lake, strategy should be analyzed and applied at different levels within the industry. These different levels of strategy should be related and mutually supporting one another. Amaya Lake's strategy at corporate level defines the businesses in which Amya Lake

will battle, by which it focus resources to convert distinctive competence into competitive advantage.