

Evaluating a hotel's strengths and weaknesses



The hotels are constructed to provide visitors meals provisions, asylum but beside this some big hotels do provide bar, entertainment , casino, tour and travels, swimming pool facilities etc. hotels do provide all the customized furnished household that make relax travellers or visitors. Historically hotels are used for many functions, serving for business purposes, for social activities, for public assembly, for political purposes, for vacations, and for permanent residences. In short hotels are a vast industry.

Hotels can be categorised into two kinds:-

Chained hotel: -when there are a numbers of hotel with the same brand name around the globe and all hotel possess same name and identical features. Its brand name is shared by many proprietors in return of fixed payment. (According to the tri hospitality consulting) The UK Chain Hotels sample is composed of 489 hotels with an average hotel size of 185 bedrooms. For example -Hilton hotels in UK.

Independent hotel: -Hotel that are run and managed by itself. It may have many other hotels by the same name at the different location but it does not allow other proprietor to use its brand name, For example -Burj al Arab(Dubai), white swan inn in yorkshire, 42 the calls in Yorkshire etc.

ABSTRACT

Results of which kind of hotel industry is best suited to survive in a slowing economy is depends on market factors whereas other factors have less influence as cost drivers are restricted by the slower economy . chained hotel industries is very like the globalisation whereas independent hotel

industries are very like to small business entrepreneur. Customers always expect “ responsive” policies in terms of the facilities and services given to them. As a result the integration, strategy, proper planning for the expansion and analysis based on the information system always allows the proper coordination and proper measurement of the all factors which may act as constraint in the growth in the slower economy.

SECTION 1-

Any hotel, retail store and relevant business can be opened in two ways: -

Set its own name and create its own brand name. This way independent market strategy can be set up its own term and condition for all the policy. A hotel set in this way is termed as the chained hotel or a part of the independent hotels.

Whereas another way is to buy a franchise and act according to the parameter set by the brand name owner. In the way, branding cost and advertisement cost get reduce down and cover the maximum number of the geographical area. A hotel set according in this way is termed as “ chain hotels”. Example of the chained industries -MacDonald’s, Intercontinental, Whitebread, permira , Here Macdonald’s is presented in all areas across the UK and any proprietor can buy a franchise of the MacDonald’s in return of the fixed payment.

Hotel industry is getting shirked because of the depression in the spending power of the consumers and decrease in the room occupancy in the all hotel. Various company also decreasing the number of business trip by its

executive in order to cost cutting so that respective company can survive in the recession.

Bob Bailey, partner, Baker Tilly said: “ It is predicted by forty percent of European hotel executives that more than five hotel chains will go into insolvency in the coming year

Following are the way to fight with the slowing in the economy:-

- The best way to fight with the recession is to increase share of the hotel in the market.
- Create packages for the premier tourist company or power company
- By creating loyalty to a particular group of the company so that these company will be the first to see the offers and add on provided by the hotel group.
- Hotel should talk to the supplier in order to get sum up marketing and advertisement.
- Hire entrepreneur who invent new idea as live in accommodation for the general staff in order to increase efficiency.

COMPETITIVE THEORY MODELS: –

According to the porter, following five points are key point of the analysis of the complete market for planning, business development, making business development, analyse the competitors.

Porter’s Five Forces of Competitive Position:-

- Existing competitive rivalry between suppliers
- Threat of new market entrants

- Bargaining power of buyers
- Power of suppliers
- Threat of substitute products (including technology change)

Factor which do affect the competitive approach of any hotel:-

Analysis of the competitor hotel: -

Analysis of the competitor shows the growth of the competitor hotels and their approaches, strategy, available hotels and their specific services in the particular areas, breakup of the fixed cost, and trends of the competitor hotels.

New players in the hotel industry: -

Positive and negative point of the entering into the hotel industry at the particular time, Where is the geographical structure of the area, population breakup of the area, Resistance while entering into the competition for example -a hotel is going to open in the oxford city and the normal rent for 24 hours in that area is 50 pounds, so till the point that hotel is not going to enhance the services provided or lower the rents, the success of hotel is not guaranteed.

Power of the Enterprises/hotel: -

This Factor including the reputation of the brand incurred in the market in that geographical area, type of the hotel i. e. is it a small-medium or a chain hotel? Geographical coverage of the hotel in the area, quality of the rooms and services.

Customers buying power: -

Buyers choice, buyers number in that area i. e. ratio of the hotel to the customer, importance of the services i. e. some particular service (luxurious service) is required or not.

Threat of the substitute: -

Legislative's change and implementation in the particular area change in the fashion with the change in time. One more factor involve in this very much as change in the market distribution.

One more method SWOT (Strength, Weakness, opportunity, threat) analysis is an important part of the strategic planning model. The throughout environmental scan is divided into two parts:-

INTERNAL ANALYSIS: - STRENGTHS or positive parts of the hotel/entrepreneurship are listed down. For example - Cost advantages in the fixed cost, strong brand name, good reputation among power customer.

WEAKNESS or negative parts of the hotel/entrepreneurship are listed down. For example-Bad location of the hotel, high cost structure, poor reputation etc.

EXTERNAL ANALYSIS: - OPPORTUNITY may reveal the certain new opportunity for the great increase in the profit percentage of the hotel. A sense of increase in the luxury, Implementation of the latest technology for the measurement or human convinces.

Osbourne (1995) argued that the entrepreneur must first identify an opportunity and then create a marketing and financial plan to capitalise on the idea.

THREATS: -changes in the external factor which causes the harm to the firm or hotel is known as threats. For example – A change in the regulation of the hotel or firm.

CHAINED HOTEL INDUSTRIES: –

According to the DELLOITE & TOUCHE (UK budget hotel survey) 35% are leisure tourist, 57% are business transaction and almost all these transaction occurs in the chained hotels.

Following is the chain penetration of the UK hotel industry: –

Whitebread(hotels-361, rooms-27555), Intercontinental (hotels-188, rooms-25000), Hilton group ((hotels-75, rooms-14, 794), Permira(hotels-231, rooms-12596), BIL(hotels-56, rooms-10761), Accor(hotels-79, rooms-10003), Premier lodge(hotels-131, rooms-8130), macdonald's, CHE and Jarvis hotels.

In short, total these hotels contains 1, 30K number of rooms.(source: Mintel company data)

To some extent, the evidence-represented by the growth of multiples, especially in the fast-food and accommodation sectors over recent decades – is incontrovertible. However, the extent to which multiples have taken market share and will continue to grow at the expense of smaller operators

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is more questionable. As several commentators have pointed out (for example Morrison, 1998)(reference-Alison Morrison and Rhodri Thomas)

INDEPENDENT HOTELS STRETAGY: -

Peacock (1993) provides an alternative outlook in terms of the dynamics of the small business sector. He argues that standardisation - inherent in chain operations -stifles innovation. As a consequence, dynamic small firms might continue to thrive, even in prime locations. Given the low barriers to entry, and the highly segmented nature of demand (reference-Alison Morrison and Rhodri Thomas)

It is critical to recognise that a different and significant range of the management concern in the small hotel industries. Specially , the role played of the marketing ; quality section of the management ; importance and implementation of the information technology; the relationship between the business strategy and small independent hotel; business planning and growth ; and entrepreneurship.

Webster (1998) states that “ strategic management plays the most important role in the growth of the independent hotel industries”. A independent hotel seems to grow when feature of the firm and strategic decision taken by the firm overlaps. Although strategic decisions are important but if the other critical factors are absent:-

Small hotels marketing is more distinctive than acknowledged

Incorporation of the quality management with the operation and financial identity of the independent hotels

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When the bond between proper implementation of the strategy and implementation lacks.

According to the strategy maps (book by HBS press) if an entrepreneur cannot measure the growth, you cannot hold it.

In short, business growth occur only when for the independent hotel industries when there is proper synchronisation between ownership, firms characteristics , strategic decision made.

STEP TO BE TAKEN BY INDEPENDENT HOTEL INDUSTRY IN THE ECONOMY SLOWDOWN TIME: -

In response to the slowed economy time, most independent hotelier lowered rates and slowed down the all kind of cost on the short term basis. It is not enough to compete with the chained hotel industries that have greater financial power to stay longer in the competition.

Direct sale:- sale people always comes to meet their target as there is great demand for the respective hotel but if the demand is not appropriate in that case ROI falls for the sale representative . In that scenario, an independent hotel industry needs to fix a database for the potential businesses and contact them for the hotel usage.

Example - Case study(Hospitality e-business strategy)

Key Customer Segments: Number of Searches on Major Search Engines in 07/08

The major hotel chains simply do not have the bandwidth to market to these locally based audiences. It is up to the franchised hoteliers to identify and approach these local markets. As mentioned, the Internet is the preferred communication and marketing medium for all of these important customer segments. If you do not “speak” to each of these audiences, you will lose most of them to your competition.

Technology: - For example - free local phones and now a days a guest travel with the latest gadget so to survive and maintain the growth rate.

Locally present:-chain based hotel industries main customer base is outside the community where the hotel is present. In order the positive points of the independent hotel is the cost factors. Independent hotel need to be a good active part of society as a result society will advertise that hotel in return.

Internet:-Internet is the most cost effective and way to reach the potential users . here opportunity is equal for the chained hotel as well as independent hotel. The Positive side is this that -Independent hotel have less content, as a result they can keep updating their site as soon as possible than the chain hotels.

Best services on the block:- Great services can overcome the price resistance and any loophole of the hotel. Hotel owner should maintain warm and service oriented people.

Traditionally, it has been assumed that small businesses should use the same

Management techniques as their larger counterparts (Welsh and White, 1981).

However, research carried out on the relative effects of planning on the sales and profit performance of small businesses have shown both positive relationships between the planning function and sales/profits (Ackelsburg and Arlow, 1985; Bracker and Pearson, 1986; Jones, 1982; Schwenk and Shrader, 1993) and no relationship between the use of planning activities by small business owner/managers and performance

(Gable and Topol, 1987; Robinson and Pearce, 1983; Robinson et al., 1986; Sexton and van Auken, 1985).

LIMITATION AND THE CHALLENGES OF THE HOTEL INDUSTRIES: -

The controls to monitor progress so that corrective actions can be implemented as and when

A way of evaluating success and progress

The controls process

Set goals - what do we want to achieve?

Measure performance - what is happening?

Evaluate performance - why is it happening?

Take corrective action

Fast changing world gives many challenges to the hotel industries. The success of the hotel industries depends upon the forces that will get changed by synchronisation with the world.

To identify those driving force is the most compact and critical part for the surviving in the slow time of the industry. These driving forces may include the globalisation, knowledge based environment, employees, add on services, value addition to the customer who are repeating the experience.

E-commerce is the main player of the hotel industry and hospitality industry.

Hotels and tourism industry are interlinked so there is a need of well structured information system or intelligence system facilitate to access the hotel related to the tourism industries but many times information is highly fragmented and users are not able to extract the required information,

In the hotel industries, usability and reusability is the measure of the consumers experience but research regarding users experience should properly analysed and implemented for further customers satisfaction.

Globalisation is also the main challenge in these days as every company is expanding its consumer's base as a result every domestic company is getting converted into multinational company. Tourism companies are making their base to the all countries as a result customer demands their known hotel to the other country as well. In that scenario, chain hotels industries do survive as there is no scope for the independent hotels.

Renewal of services and those services get liked by the customer who are experiencing the same hotel second time as expectation keeps growing with the time.

Employees and their stabilization with the same hotel: - as employees increase their time with the same hotel, they expect increment in the salary but as salaries of the employees get high then cost also gets increase as a result profit decreased.

Share-holder's expectation is to rise in the rates of the return of the investment in the hotel industries by the financial institutions, For example- According to the International Union of Food, Agricultural, Hotel, Restaurant, Currently the ten largest international hotel chains average 12. 3% returns to shareholders and are under pressure to match financial market leaders like Shangri-La and InterContinental Hotels Group (IHG) which return 16% to shareholders every year.

As a result more pressure on the hotel industries to cut cost and increase profit.

Continuous restructuring and employment insecurity: -frequent and fast change in the ownership and management as a result of the private equity funds increase the insecurities among the employees.