

# Report on external and internal environments of the intercontinental hotel corpor...

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The hotel industry plays a very vital role in the society. Apart from provision of foods and drinks to their customers, they offer accommodation on services to people who go visiting places far from their own homes. For a long time, the hotel industry has been described as 'home far from home' since they accommodate people who are far from their home. This means that the services of the hotel industry should be good enough to ensure that the customers are very comfortable. The hotel industry also offers conference services to groups of people who want to have meetings. They offer the conference facilities for groups of people who cannot for certain reasons afford to meet in their work places or for groups of people who are working in different places. They also provide travelling services to tourists who go visiting other countries and require tour guides to take them round the country. The hotel industry goes hand in hand with tourism since tourists go visiting areas far from their homes and they need accommodation, food among other basic services that are provided by the hotel industry .

Like any other business, the operations of the hotel industry are affected by many factors both internal and external. They need to do their best to ensure that their services are attracting to customers in order to maximize their profits. Because of the many and sensitive services offered by the industry, there are many external factors that affect the business especially when the business is international like in the case of intercontinental hotels. Some of the external factors that may affect the hotel industry include technological developments, economic factors, political issues and environmental factors. Though all the above factors affect it, they have different ranks of influence. The factors that affect the intercontinental hotel

corporation to the greatest extent are the economic and environmental factors .

The economy of a country affects the way the hotel industry operates. In the developed countries where many people are rich, the hotel industry is well developed this is because the owners of the hotels can afford to equip their hotels with modern facilities thus attracting more customers. For hotels to attract better paying customers, they require good recreational facilities like swimming pools, private beaches for those located along the coastal region, gymnasiums, children playing centers, good dancing places where people can enjoy music among other recreational facilities. The facilities should be provided and well maintained in order to attract more people to the hotels. In those countries, since the people are rich, there are many customers who visit the hotels for their services. In most countries in the world, it is mostly the rich who are able to access the recreational facilities which are mostly found in the big intercontinental hotels. Due to the large numbers of customers, the profits made are huge thus the industry is always well developed .

Development and good economy means that the country has a good number of industries, large businesses and companies. Companies are good customers of the hotel industry due to their tendency of holding meetings in the great hotels. The businesses people are also good customers of the hotel industry since they do a lot of travelling thus they need accommodation when they have travelled. Businesses meetings are also held in hotels and this acts as a great boost to the hotel industry. The intercontinental hotels offer transport services to their customers which mostly involve moving the

around the countries they have visited. In countries with good economy like in the developed countries, their infrastructure is always good including the transport services. Good transport network enables easy transportation and this greatly influences the transport sector of the hotel industry since this attracts more customers if they can easily move around the country .

The governments of the developed countries invest a lot in the hotel industry in order to attract more tourists to the country. Investing in the hotels occurs in terms of providing the required facilities to the hotels. Transport and communication in the areas are well enhanced in the areas thus attracting more people to the areas. The governments provide enough security in the hotels and the surrounding areas enabling safety of the customers which attracts even more customers. Basic requirements like electricity are also provided to the hotels and the government ensures that they are in constant supply. Lack of basic necessities like electricity, good transport and communication facilities serves as a major challenge to the hotel industry in the developing countries .

The other factor that greatly influences the hotel industry are the environmental factors. The area where a hotel is built influences greatly the number of customers who visit it. In most cases, people go to hotels to relax and to have fun. This means that the area must be conducive and attractive. The climate of the area must be favorable in order to attract many customers. If the climate of the area where a hotel is situated is harsh or not comfortable to many people, most people will avoid it and through this, it will not be able to make good benefits to the owners. This explains into why many intercontinental hotels are located along the coastal regions for the

countries which have the coastal regions. The climate in the coast especially in Africa is warm and this attracts many tourists from the polar countries who visit those countries during the winter seasons in their own countries to enjoy the warm climate. Apart from good climate, the place where a hotel is located should have fresh air and with less noise pollution. It is always hard to relax in areas without fresh air since people can never be comfortable. This means that hotels should be located away from the industrial areas where the air is mostly polluted with smoke from the industries. The place should also be free from loud noise since it causes discomfort to the people residing in the hotels. Hotels should be created in areas with clean and safe drinking water. Presence of water apart from drinking means that the area is clean .

The environment around the hotels should be attractive. It should be able to attract people to visit the area apart from coming to the areas. Many hotels are created in the tourist attraction sites to provide accommodation and food services to the tourists whether local or foreign. Hotels that are built in areas where many people visit have many customers and a lot of benefits to the owners. For example, the hotels that are built in the national parks and game reserves with wild animals attract many people. People from all over the world visit the game parks and national reserves to see the wild animals and some indigenous trees. Since the areas are far from their homes, they require accommodation among other basic needs that are provided by the hotels. The hotels also provide them with transport services and tour guides along the game parks and this is always a great boost to the hotels .

Hotels should be built in areas with many people so as to attract many

customers. Hotels built in the large cities attract more people than those built in rural areas. This is because many people from all walks of life go visiting the cities either on business tours, for meetings, for personal business or as tourists. Once they have visited the areas, they need accommodation among other services. Company and business meetings among other celebrations mostly occur in the large cities thus the hotels should be built there to cater for those needs. The population in the cities is usually large and since people need recreation, the hotels should be there. Many companies and businesses are also located in the large cities. When built in the city, the hotels should be located in good areas free from noise and air pollution and in areas with sufficient clean water and other basic necessities .

The five forces of competition which include the power of the supplier, the power of the buyer, easy for entry, intensity and substitute products affect all the businesses in the world. However, they do not affect all the businesses equally since the competition in any business to a great extent depends on its type. The forces that greatly affect the hotel industry include the intensity of the business and the substitute products. Though competition among in many rival firms has for many years been seen as a cause of fall for many firms, in the hotel industry, it is a bit different. It leads to better services in the industry in order to attract more customers. The competition in this industry is perfect and the hotels are not unsophisticated passive money makers. The hotels strive to create a competitive advantage so as to beat their rivals and through this, they better their services . This has led to a lot of development in the hotel industry; since many hotels are

competing for customers, each one tries to better their services by providing high quality services and introducing new facilities which the customers require in the hotels.

The intensity in the hotel industry has affected it in different ways. It has resulted in a large number of hotels in order to serve the increasing number of customers all over the world. However to some extent, it has led to slow growth of the market. In the areas where many hotels are built close together like in the game reserves and along the coastal regions, there is stiff competition resulting to less income per hotel. It has also resulted in low switching costs. Since the hotels are currently many, customers can freely move from one hotel to the other thus the hotels have been forced to make their prices to be almost the same to avoid losing customers.

Porter defined substitute products as those products that are also produced by other industries. The threat of substitutes occurs when the demand of the product is not affected by the change of price. The price elasticity of a product is influenced by substitute products; when more substitutes are available in the market, the elasticity of demand increases because customers have more choices to choose from. Similar substitutes constrain the ability of the firms in a certain industry to increase their prices. This is very common in the hotel industry, since the hotels provide almost similar goods and services they cannot easily increase their prices since they can easily lose their customers to other hotels .

In order to curb the forces of intensity and substitutes, an hotel has to increase the quality of its services maintaining the prices. Quality services and good facilities attract more customers thus hotels should try these in

order to maintain their customers. The facilities should be present and well maintained so that customers are comfortable in those hotels and do not lack basic necessities.

The greatest challenges to the intercontinental hotels are terrorism and poor economy in some countries. Terrorism has greatly affected security in many parts of the world. Recently, there have been cases of big hotels being bombed. This affects the hotels negatively due to fear of customers. Many fear the increasing insecurity thus do not visit the hotels greatly reducing the number of customers. Poor economy in the third world countries has led to poor infrastructure and lack of basic facilities in the hotels. This also deprives the hotels many customers. The greatest strengths of the industry is the increase in tourism and increased employment. Due to creation of big hotels, people have the urge to go and visit them and this has resulted to increased tourism. The hotel industry has also employed millions of people all over the world. This has helped to raise the economy of many countries . To continue promoting tourism, the hotel industry should continue improving their services to attract more people from all over the world. To curb the issue of terrorism, the industry should intensify security in the hotels. Apart from employing guards, they should install decent security equipment like cameras and bomb sensors especially at the hotel entrance.

Most hotels get their money from the food and drink services they offer to their customers and also through the accommodation services. They make great profits from the foods and drinks they offer and from the fee they charge those who spent their holidays in the hotels. They also get money from those who rent the conference houses and facilities. The ones with



transport services also collect a lot of money from that sector. To maximize profits, hotels should ensure that they have all these services apart from providing foods and drinks. The intercontinental hotels should ensure that their chain reaches as many countries as possible in order to enlarge their business and maximize their benefits. It is very easy for the hotel industry to stretch across many countries unlike other types of business since the hotel industry is found all over the world .

## **References**

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