

Pestel analysis of tune hotels uk



The hotel industry within the United Kingdom is a highly competitive market with many different hotel organisations, such as Tune Hotels, each trying to offer something unique, desirable and profitable. It is therefore important for organisations within this industry to remain constantly aware of the external factors that could potentially affect their performance and productivity. In this report I am going to identify and explain the key political, economical and socio-demographical factors that are currently having an effect upon the industry; these are three headings within a PESTLE analysis. PESTLE analysis is a tool that can aid organisations when making strategies by helping them understand the external environment in which they operate in the present and future (Renewal Associates, 2003). Once I have done this I will then draw upon my analysis and conclude with my thoughts and recommendations about the proposed UK expansion of Tune Hotels.

The UK Hotel Industry

As for most business organisations, it has been a tough time financially due to the recent global recession; however, according to an article on www.hotel-industry.co.uk, things are looking up for the hotel industry. 'Despite the recession, the UK hotel industry is continuing to expand, with over 10,400 rooms opening in 2010 and a further 43,000 for the period 2011-2015.' (Hotel Construction, 2010). The article goes on to mention how consumers are simply opting for low-cost, budget branded hotels, such as Tunes, during this time of financial uncertainty.

Political Environment

The political environment is an area that business organisations need to monitor constantly as politics can be very unpredictable and influential at times. (Palmer, A. Hartley, B. 2006, P7-8) This is because governments have the power to introduce legislation and regulations that may have a profound effect on organisations. Whilst the UK is a relatively free market, the government will still keep a close on what is going on in the private sector to ensure that businesses are functioning within the best interests of the country.

These are just some of the political factors that may have an effect on the UK's hotel industry:

* Digital Economy Act 2010 ' The Digital Economy Act 2010 is an act of parliament which was put in place mainly to decrease the amount of illegal file sharing and copyright infringements that currently takes place in today's digital society. However this has been met by fierce criticism from establishments, such as hotels, that offer free Wi-Fi internet connections hot spots. If hotels guests break this law whilst using the hotel's connection, then it is the hotel that is, ultimately, held responsible and consequently face the possibility of having their internet connection disabled by the service provider (Benson, P. 2010). This may put hotels in a sticky situation as they will have to decide whether or not to start charging for the convenience of internet connectivity; which could put potential customers off.

* New Immigration Policies ' New immigration policies from the coalition government have caused some concern for the UK hospitality industry. 'Caps on immigration outside of the European Economic Area could neglect the

issue of skills shortages in the UK's hospitality sector', claim the Recruitment and Employment Confederation, who go on to say: 'Apart from operational roles such as chefs and bar staff, a shortage has been highlighted in management skills. Shortages in the UK market continue to exist with only 10 per cent of hotel managers and six per cent of restaurant and catering managers having qualifications at managerial level' (Essentiallycatering. co. uk, 2010).

Economic Environment

* Crowded Market ' There is currently much competition for Tune in the UK's budget hotel market at the moment, especially in London. Brands such as easyHotel, Travelodge and Premier Inn all offer a similar service to that of Tune Hotels, but at lower prices; and some of them offer extras such as towels within the room price. 'Travelodge currently offers rooms at a promotional price of '19 and, like the Premier Inn chain, their rooms are family-friendly and they provide most extras free of charge', states Susannah Streeter (2010).

* Increase in UK tourism spending ' 'The increase in UK visitors comes after the recession and the fall in sterling's value against the euro and dollar deterred Britons from making overseas trips. As a result, spending by tourists in the city hit a record '10. 5billion' (Sri Carmichael, 2009). This is great news for the hotel industry.

* VAT Increase - As the coalition government start to act upon the UK's budget deficit, the recent VAT increase from 17. 5% to 20% will no doubt put more strain on the consumer's disposable income and put more strain on

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people's budgets. Lisa Francesca Nand (2011) states that the increase will discourage spending and deter UK-based guests and overseas visitors alike. However there are positives that can be drawn from this VAT increase for some businesses. Such increases will continue to divert customers away from 'highly priced hotels with underutilised facilities' as Mark Lankester suggested in the Tune Hotels Press Release (2010). People will be looking for cheaper 'No frills' accommodation such as Tune Hotels. The low cost, limited service business model has been a proven success over the past couple of years with in other industries organisations such as AirAsia, an affiliate company of Tune Hotels, boasting success.

Socio-Demographic Environment

* London 2012 Olympics ' The London 2012 Olympic Games have understandably been described as an 'opportunity of a lifetime' for the UK hospitality industry by hotel-industry. co. uk. The games will bring in an influx of people from all over the world to London which will undoubtedly mean increased demand for hotels. However I think that this will only bring limited custom for Tune Hotels; as the games are stretched out over a two week period, I think that the people who are staying in London for a couple of days will be more than happy with the service that Tune Hotels provide as a comfortable bed and a hot shower is all that most people require during a short hotel stay. On the other hand, I think long-stay visitors will be put off by the inability to budget under the 'pay-as-you-use' system operated by Tune Hotels.

* Location ' Location is very important within the hotel industry, even more so with the London 2012 Olympics around the corner. Hotels in London need to be close to transport links, attractions and other amenities in order to draw in a healthy numbers of customers as nobody wants a hotel too far away from their desired location. This is a potential problem for Tune Hotels and their proposed UK expansion as there could be some difficulty in finding appropriate sites for their ambitious figure of fifteen hotels in an already saturated market.

Recommendations and conclusion

All in all I think Tune Hotels have a fairly good chance of making the UK expansion a success with their low costing business model, particularly with the Olympics on the horizon and the increased demand for hotel accommodation in London that the games will generate. However, I think it would be wise for Tune to offer some kind of incentive or special Olympic package to potential guests during the games to lure them away from rival hotels; an all-inclusive option for the guests staying for longer periods, maybe?

However, I think fifteen hotels is a little ambitious in the competitive jungle of London and Mark Lankester should think about lowering his aspirations ever so slightly to and start talking about more realistic numbers like five or six. This would mean Tune could concentrate on having a smaller number of hotels in more desirable places as opposed to a large number of hotels in less sought after locations.

The expansion would also create a number of jobs for the people of the UK