

The dynamic hotel and hospitality industry



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Hotel and hospitality industry is dynamic industry which changes fast with times. All the industry stake holders and business people have to be sharper and well prepared to keep them with the pace of changing environment. It is one of major industry on its outreach all over the world. In hospitality sectors decision makers have to go with proper tools to make their decisions. One of the most effective a popular business tool for industry analysis is porter five forces analysis. It was coined by Michael Porter. In this assignment we are going to study the brief history background, methods and its utilization in hotel industry. We will try to find what porter five forces are and how to use them for better understanding and analysis of happenings in hotel industry.

Back Ground of Hotel industry

The hotel industry consists of profitable business where people can stay in their time of need either for some work of for some holiday. During the 1920s this industry got a major increase and demand. Growth in world economy supported this industry to grow fast. Though the depression in

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1930es slightly brought break to its expansion. Many hotels survived in this time of major crash as they were successful in starting hotel chains.

In mid twentieth century these industries start for a new change when demand for affordable cheap and healthy lodging was increased. This introduced new trend of motels business in the market. This new motels business competed better way with hotels till 1960s, up to this these motels had a growth period with their size and facilities. To cover the business gap hotel industry made innovation of motor hotels. Stay at motor hotels was bit costly and it did not attract the business. By year 1970 hotel s start chains and they expand through franchises and thus industry was over extended. In 80s hotel industry made a boom once again by controlling their costs. Furthermore there was concept of new lodging ways like suite hotel. All the major runners in business started a diverse way to make more progress.

1990s was new era with better focus on commercial ways and advertisement. In recent years this industry taken new measures like reduction in wages, debt control, low interest rate financial investments and low rate area for installations of new venues. There are some major players like Hilton Hotels Corp., Marriott International, Trump Hotels & Casino Resort, Starwood Hotels & Resorts Worldwide, Promus Hotel Corp, Host Marriott Corp, Red Roof Inns, Inc. and MGM Grand Inc., These hotels performing well and making me than 30 billion dollar in industry alone in USA.

Background of porter five forces

There is always an interest by the academics and researchers in knowing the forces which impact performance of an organization or business. Many ideas

and new models appeared in late 1970es and early 1980s these were focusing mostly on competitive advantage that any business can have over its rivals in same industry.

Harvard professor Michael Porter came with his idea of five forces analysis that according to him are always faced by any industry while doing business these are internal and external forces. Businesses have to get the understanding all dynamics in the market. Porter (1980) himself defined these forces that make competition and lead to competitive environment for a business. There is always rivalry existing between firms and also there is constant threat of new rivals in the market. Similarly suppliers and buyers also have impact. Porter's Model makes outline of five important elements shaping any industry.

Features of Porter five forces

Porter's five forces model simply identifies five factors that are most important and the formation of industry in order to identify it attractive for new entrants, or as a means to formulate a strategy for competitors in the industry.

There is continuing interest in the study of the forces that affect the organization, especially those that can be harnessed to provide a competitive advantage. There were many ideas and models that have emerged during the period from 1979 to the mid-1980s (Porter, 1998) on the idea that competitive advantage comes from the ability to get a return on investment that was better than the average for the industry sector.

It also tells that five forces analysis sees the factors outside any industry that affect the nature of competition in business within the industry. These things affect on profits of any business. If we go into the definition made by Porter (1980a) it says about forces which affect directly on competition, and it also considers that this competitive environment is created due to interaction between various forces.

Main Aspects of Porter's Five Forces Analysis

As suggested by Porter forces which can affect the performance and behavior in any industry. These are included following forces :

Competition between sellers in market.

the customers power in the market.

Suppliers power in dealing on to the sellers.

Threat of new entries.

Threat of any substitute for buyers .

Force one: Rivalry among Sellers

It is intense competition to control the market and get more customers among the sellers. They use every tool to attract customers to them. It is main power in the industry where everyone facing tough competition. It is likely high in many of those industries in which a threat of new alternative products and is constant.

Force Two : The Threat of New Entry

It is not only about current rivals but there is threat of new entries always with the business. Both present and potential competitors can impact industry profitability. There is always discouragement of such new entries by all business people.

Force Three : The Threat of Substitutes

There is another threat posed by new substitute products within industry as the profitability always depends margins in price so it can make negative impact on performance. This always costs industries to make enough resources for their research and development department.

Force four : Buyer Power

Buyers try to get maximum from their investment or money it is important that buyer's size values more in profit gains. Higher the buyers higher the profits are even with less margins. Normally this force very high especially with globalization of business.

Force Five : Supplier Power

Supply plays a life line for any business so many times power supply makes your business into problems as they affect your sales. Because supply is necessary to sales without it one cannot make progress. So in industry there is always competition for getting low rates and proper supply according to demand. Where suppliers find they have a chance or bargain they start utilizing it.

Nature of industry determined the nature of any competition in all industries. The powerful forces of all the buyers, suppliers, threats of entry and substitution and increase in competition can make negative impact on business. Porter five also have limits in its use. So it depend show it is being used by any of user.

With a smaller number of properties being built and a strong economy, and the industry enjoys steady increases in demand that exceeded the increase in supply over the past five years. And cause an increase in the demand for occupancy and average daily room rates to increase also

According to the hotels and hostels Association of America, 30 percent of the clients industry and business travelers and 25 percent of the tourists. Business conferences, representing 25 percent of customers in the industry, while 20 percent of the customers is to stay for a family or personal reasons¹⁰.

Dominant Economic Characteristics & Trends within the Industry

“ It was the hotel industry enjoyed strong conditions during most of the '90 s' but is now facing a slowdown due to industry over capacity and the weakness in demand¹”. The decline in occupancy rates of about 65% in the past few years to 64. 5% in 19 972.

The hotel industry is going through a boom of mergers and acquisitions. It's cheaper than buying the building. Management is now focusing more on value, and brand development and management experience rather than the number of rooms, using the franchise and property management¹. Are the

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restoration of the oldest hotels are being added and upgraded features added such as voice mail, laptop hookups and computer centers of the rooms.

Is now the hottest category “ extended stay” category, which serves people stay five nights or more. Room to provide accommodation and amenities such as kitchens and laundries.

General Economic Conditions affecting the industry

Transport and fuel costs to play a major role in determining the ability of consumers to travel. Ticket and fuel prices, as well as other complications such as recent industry pilot curb demand for housing. The political climate and economic conditions within and outside the United States play a role in driving demand for housing as well.

Porter 5-Forces Model

In general, competition in the housing industry is in itself a powerful factor of control. Government regulations, suppliers and agents representing moderate, and new entrants, buyers, substitute products are the most determining factors in the industry. Model Porter 5 – Forces attached to provide further details on the factors that affect the strategic decisions of firms in the industry.

In business and hospitality, and technology should focus the rest of the way in which services are produced and delivered. It would be incorrect, however, to assume that the manufacturing techniques do not apply to the hospitality industry. Consider, for example, the impact of computer technology to hotels or airlines distribution. Certainly, a similar revolution and the Sabre GDS

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reservation systems even before the Internet industry flourished. (12) global distribution systems are still active, while the Internet has fundamentally changed the way many people make hotel reservations, airlines and car rental.

Technology has made the current, much less expensive to implement a wide range of procedures for obtaining services. Instead of using a card file (as in the previous day), and can maintain the features of hotel clients on your computer. Ritz-Canton, for example, tracks the tastes and preferences of regular visitors. Ritz-Carlton properties to use their database as guest of a good feature by arranging to express check-in regular guests, who need only to call and say when you plan to access. Everything is ready when you push up to the curb. (13) and technology to track this type of information were not accessible until a few years ago - and the size of the market to make the manual operation is not applicable. Companies can also use the hotel technology to extract the data, and for intensive research and compile information in databases, as shown in the accompanying article in this issue than a quarter of Cornell. (14) In another example, he drew attention to the Wingate bars for the first time as a series a few years ago by installing the fonts that ections high-speed Internet in every room. This helped Wingate differentiation strategy to expand rapidly by appealing to business travelers and value-conscious World Health Organization, at the time, was known to sponsor this well-established processes and Hampton and Courtyard. (15)

Political and Legal Trends and Influences

Evaluation of policy and regulatory environment is vital to planning for the future, as evidenced by the implications of the lifting of restrictions on airlines in the United States (and other carriers). Although the restaurants and hotels did not have to face as the overwhelming change in the competitive environments of the airlines did after the lifting of restrictions and procedures, the government still does not resonate with these industries. And caused the 1991 war in the Persian Gulf sudden austerity in travel, which left many of the hotels are empty until the war led by the United States ended a brief and travelers ventured out again. Also, some government leaders are more protectionist than others, which have a direct impact on such things as tariffs and foreign trade. In general, it's a good idea to follow up the situation of political leaders with regard to business factors, as well as any signal with respect to their positions on certain industries. With regard to foreign investment, it is important to assess the stability of the system of government, as well as Attitude towards foreign investors.

Major Innovations and Trends in Other Industries

The final category, you must also follow the main trends and innovations in other industries than those that you are working at the moment. Competitive advantage rarely comes from the tradition of innovation from other companies in the same industry. Following the example of the initial selection of hotels and most hotels currently operating a range of brands, each one usually used different, but related, the brand name. Although the work in the hotel several levels is still an idea worth pursuing, at this point than it is to create a competitive advantage to match the competition. On the other hand, a company that is the first to successfully apply the heresy

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of other industry usually have first-mover advantage that is sometimes difficult to pressure competitors to mimic. While it is true that can be easily most of the hotels, industry and innovations can be copied, and examples of the ideas that emerged directly from the innovations and trends in other industries include hotels locations in large shopping centers, locate and described staurants re fast food in the shops the gas station, offering video screens personal Each seat of the plane, and identify business service centers within the hotels.

After the completion of an analysis of the environment and wide, it is necessary to study the work environment. Environment and broad context in which the company, industry, and other external stakeholders are present. In contrast, the task environment includes external stakeholders with the organization interact on a regular basis to some extent, especially customers.

External Stakeholders

Michael Porter proposed that can be defined on the nature of competition in the industry by the market power of customers and suppliers, and the level of competition among companies, the strength of alternatives and barriers to entry. (16) despite the fact that these “ five forces” socalled model stood the test of time, and boundaries of the process is also unclear. For example, despite the fact that Porter’s five forces approach helps to identify the competition by customers, suppliers, competitors, and alternatives to, barriers to entry, and it does not include an assessment of stakeholders other significant impact on industry and company performance, such as

unions, financial institutions and the media , and local communities. Also, the model does not include political factors. Starting from Porter's five forces 0. 4 gallery contains a full description of the environment task.

Strategic collection of information on external stakeholders for a variety of purposes, many of which are clear and self. If you run a hotel, for example, it makes sense to follow the preferences frequent guests' to meet their needs more effectively. Also, you must study competitors to search for innovations in products and services, processes and strategies. In fact, it can come excellent ideas from stakeholders, almost any. Industries, hotels and restaurants clearly adept at this aspect of environmental monitoring task.

Analysis is an important one to assess the impact of competitive, which stems from economic power and political power . Stakeholders with a strong influence big competitiveness requires more attention in the strategic planning process of doing this with less impact. And more powerful and stakeholders in the largest influence on the identification of strategies and more, you must try to anticipate the reactions that entity to any changes that may look. Stakeholders strong attractive candidates for partnerships. and the end of this section includes a table that displays the tactics that your company can be considered to establish partnerships with a variety of stakeholders (see Chart 5).

Economic Power

The influence of external stakeholders on the company's ability to compete is partly a result of the economic power which has stakeholders. As Porter pointed out, economic power gives stakeholders the ability to extract profits

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or other benefits at the expense of the Company subject. the first column in Gallery 4 examples of factors that give the different stakeholders of economic power. For the purposes of illustration, and will touch briefly on some of these factors to Walamlae, suppliers, competitors and trade unions.

Customers and suppliers of power. There are a few of the customers with the company exposed to the risk of losing significant revenue and should be one client leave. Such a situation gives the client's economic strength. In general, customers are relatively strong, if a few or if they make large purchases. By the suppliers of the same vein, tend to be a great economic power if there is a hack only a small number of suppliers that provide precise type of commodity or service that is required. It is also a strong if there is a high level of differentiation across suppliers, or if you were not particularly concerned about the sale for you because you were not wide range of customers for them.

Rival power. Competitors have economic power based on their ability to compete. May be players with strong resource bases are disproportionately to be aggressive and create strong competition. It is important to determine the nature of competition in all markets, as well as the industry as a whole. Competition in some key markets hotel pricing, for example, while in other cases it may be brand differentiation. In other markets is still the key to success is to identify the characteristics of the hotel near Qaim. He called the case of companies that have multiple properties in different markets and compete often against some of the same companies in many markets, and multi-point competition. In that case, it is important to assess the effects of

strategic moves in one market responses to a potential competitor in other markets.

The labor force. Greater economic power of trade unions when the work is a high degree of organization. Trade unions and the enormous economic influence in Germany, for example. The nature of the trade union work-related (such as strikes and slowdowns) also gives the economic power of trade unions, which may be exercised during contract negotiations. To some extent, and the size of the EU budget is also a factor in the power that it possesses. Unions can be large, big-budget to participate in activities to protect its members.