

The business strategy for mount lavinia hotel tourism essay



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Sri Lanka was a well known tourist destination from few decades. After ending 30 years of civil war in 2009. Sri Lanka became a safe place to travel. Officials of Sri Lankan tourism expecting 2. 5 million tourists in 2015. According to the statistics Sri Lanka has 500, 000 tourist arrivals in 1982. After 1983 black July (13th July 1983 was the starting day of the civil war.) tourist arrivals dropped by 400, 000. In 1984 there were only 1, 12, 128 tourist arrivals recorded. Sri Lanka was suffered nearly 30 years of civil war has fluctuate tourist arrivals because of terrorist attacks time to time but after 19th may 2009 the terrorists was defeated and war was over. In 2010 there were nearly 10, 00, 000 tourist arrivals.

**“ Sri Lanka is the best destination everyone should travel”
(The New York Times 24th January 2010)**

**Sri Lanka the 2nd best tourism destination in the world-
National geographic channel 2010**

Table no; – 1. Tourist arrivals last 3 decades and future expectations

Source: From tourist board information's

Sri Lanka had become very well attracted tourist destination and there will be a huge demand in future. Now internationals hotel chains like Shang Ri La, Hyatt, Marriot, Four season hotels enter in to the Sri Lankan tourism market and already they had started their projects in Sri Lanka. There will be much more international chain hotels eyeing to get advantage from this new market. Local investors also invested some various hotel projects, restaurants, pubs, inns and home stays. All the existing hotels started their refurbishments and use different product developments and differentiation

to attract these new customers. Mount Lavinia Hotel branded and positioned as one of the oldest hotels and heritage hotel. But that only will not enough to attract customers in future. I had done this report by using qualitative and quantitative methods by analyzing past sales records, future trends, financial reports, central bank data, tourist board data and interviewing customers who comes to the hotel to get a clear understanding about their needs wants and expectations from Mount Lavinia Hotel.

Introduction

Mount lavinia hotel is a four star hotel, Situated 12k. m. south from the main commercial city Colombo and 54 k. m. south from Katunayake international airport. Mount Lavinia hotel is uniquely different from other city hotels; it is the only beach resort on the fringe of the city limits. 90 ocean view rooms, 18 executive rooms, 38 semi deluxe colonial rooms and 65 direct ocean view rooms, available Total number of rooms are 201 rooms. And 10 suites available with and without ocean view. Mount Lavinia hotel is a premier gathering of all types, from small family event to over thousands of people could accommodate with 10 different locations such as;- Empire ball room, Regency room, Horizon room, La Fontaine room, Conference room, Imperial room, Maitland state room, Tropical hut, Paradise beach, Beach hut. 6 dining outlets with buffet, Ala carte or set menu available for preference. Outlets such as;- Governors restaurant, The terrace, Sea food cove, Lobby lounge and bar, Beach bar, room service.

Sports and recreation facilities such as beach volleyball, billiard, table tennis, beach cricket, beach rugby, beach football, elephant rides, and boat trip also available to entertain guests. Large swimming pool and fitness centre with <https://assignbuster.com/the-business-strategy-for-mount-lavinia-hotel-tourism-essay/>

modern equipments also available to keep fit guests while on vacation. Coco spa at mount Lavinia hotel located on the beach. Aurvedic, Balinese and traditional Thai massages available with a qualified Indonesian masseurs. Manicure/pedicure hair treatments, open space for relaxation, open air Jacuzzi also available with the vicinity of Indian Ocean. Business center at mount Lavinia hotel is fully equipped with broad band internet, e-mail, fax, photo copying, scanning and CD writing facilities. Hotel has one of the largest wireless internet zones in Sri Lanka. It allows you to access internet from your room to while you relax on the beach or pool. Satellite TV available in all rooms these includes all local channels and most of the foreign channels also. Shopping arcade and salon also available in the hotel premises. Mount Lavinia hotel is a well known place for weddings. Hotel has join hand with famous dancing troops, photographers, musicians and bands, salons, lighting suppliers, flower suppliers, bride dressers and rent a car services to provide one stop wedding experience. BMICH catering service also part of the hotel operations which caters Sri Lanka's premiere conference hall, which can accommodate more than 3000 people. Hotel club Bentota which is 75 k. m's south beach resort and Vakaru falhi T-club in Maldives are partner hotels of mount lavinia hotel.

2. 1. Strategy formulation

Vision

To be the premier heritage hotel where a life time of new and delightful memories is relived.

2. 1. 2. Mission

Exceed the expectations of the guests, team members, suppliers, shareholders and the community by providing a

Heritage

Experience where

Respect and

Integrity are performed by a team

That has

Accountability and maintain a

Green

Environment

2. 2. Market segments

Geographical segment – Mount Lavinia Hotel targeted more British and German and European tourists more. But the development of the Chinese, Indian and eastern Asian countries people are more tend to travel. So in future Mount Lavinia Hotel should target Chinese, Indians and eastern Asian tourists. Also there will be a rise of Russian tourists. They are will be the possible geographical market segments in future.

Demographic segment;- there will be young back packers, matured customers and possible business clients market also risen so hotel must

attract those customers identifying their needs wants and expectations. And there will be another possible segment is disables, hotel must have facilities to cater them.

Psychographic segment-MLH divides their market into Social class, Life style and personality types. MLH offers executive floor for high spending business executives, “ Lavinia dream weddings “ positions as prestige for the rural Sri Lankan. MLH becomes the number one hotel for the wedding destination with this adds value for the product. “ Jazz at the mount” annual jazz festival attracts jazz music lovers all over the world.

Behavioral segment- MLH divides their market into occasions, benefits, uses or responses. MLH offers loyalty programmes, card holder dine free, discounts.

MICE tourists- MLH 48% revenue generated, customers comes for meetings, incentives, conferences & exhibitions (MICE tourism). Weddings are the most revenue generated source. MLH do most wedding functions in Sri Lanka. They do nearly 900 weddings per year. Corporate functions, business meetings, exhibitions, corporate incentives are other revenue sources of this segment. 30% revenue generated from age over 50 tourists (Grays). Who comes for Sun, Sea, and Sand tourism to rest, read books and loyalty customers who repeatedly visit the hotel. 12% from back packer’s tourists. 4% from youth and 1 % from kids customers.

Undifferentiated/ Mass marketing;-Mass marketing or undifferentiated marketing strategy delivers same standardized products for each and every segment.

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E. g.;-MLH offers common breakfast, lunch and dinner buffet for all customers.

Swimming pool, spa, fitness center and other recreational facilities are common for every segment.

Differentiated market;-According to the needs and wants of each individual of different segment and cater their need accordingly. Marketing strategies develop as individual marketing programmes for each segment.

E. g.;- MLH offers Deluxe, Semi deluxe, slandered rooms and suites for customer need and wants.

Different food outlets to cater, customer's different needs. Each restaurant outlet marketed separately for the target segment.

Focused, concentrated or niche marketing;-This targeting strategy concentrate their marketing programmes on single market.

E. g.; - Lavinia dream weddings, Green meeting package

Figure;- 01 Market segments at Mount Lavinia Hotel (Source; – annual report 2011)

Business strategy

“ To apply the concept of strategy to an organization implies that the organizations managers try to allocate resource, establish policies and procedures, assign responsibilities and give direction to the organization. They do this by using a consistent pattern of decisions that reflect a

previously defined corporate mission and set of objectives.” (Knowles T. 1996)

Internal analysis-

3. 1. 1 SWOT analysis

Strengths

One of the oldest hotels in Sri Lanka.

Only hotel with a private beach within capital city limits.

Former British governor's house.

First hotel managed by international hotel chain (Hyatt international) in 1969

First hotel with a night club. (Little hut) in 1957

First hotel accommodated air line crew.

First with an air conditioned bar. (Oxford bar)

First charter group to come to Sri Lanka (Kuoni London)

Most famous wedding destination in Sri Lanka

Only Sri Lankan chef with a honorary doctorate works at Mount Lavinia Hotel
(Dr. Chef Publis Silva)

Well experienced staff.

Variety of theme nights and restaurants.

Weaknesses

Haven't used their valuable resource, private beach properly.

Lack of motivation on staff.

Low efficiency.

Concentrate more on MICE tourism.

Old buildings, furniture's and equipments.

No disable access.

Small swimming pool.

Less recreation facilities.

Opportunities

New sports center

Water sports facilities.

New floor with modern facilities for executives and business clients.

Government encourages tourism.

New emerging countries Chinese and Indian tourist's arrival increased.

After the war peaceful situation attracts more tourists to the country.

Threats

Tourists motives changes from Sun, Sea and Sand to eco tourism.

International hotel chains started their hotels in Colombo.

Financial crisis in Europe.

Natural disasters (Tsunami, earth quakes & etc....)

Much more cheaper new emerging tourist destinations. (Bali, Thailand, Cambodia etc..)

3. 1. 2 Resource analysis

General organizational resources.

Hotel has built up there brand name and its reputation very well. Not only local people but also in internationally. Most of the tourist's especially British people are very loyal to the hotel. Contracts with third parties. With outsourced companies hotel has build up very good relationship.

Physical resources.

Hotel building was a British governors resident when Sri Lanka was a British colony. The location is more valuable resource hotel has. This is the only hotel with a private beach within the capital city limits.

Financial resources.

Hotel has very good financial stability and strength. Hotel has very good relationship with its share holders, banks and other financial institutes. Hotel continuously making profits every year.

Human resources

Hotel has well qualified and experienced staff in every department. Skilled people are the only resource which competitors can't imitate. It is the only

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thing to get the competitive advantage. Only chef with a honorary doctorate, Dr. Chef Publis Silva works with the hotel from more than 50 years. Hotel has a very good training department they conduct continuous training programmes to train and educate its employees. Proper organizational structure will help to manage the hotel effectively and efficiently.

External analysis

PESTEL analysis

Political analysis-

Country has stable political situation. Present government got 2/3 majority of the parliament and it has strong and stable government which influence the investors to invest. Hotel has very good relationship with president and ministers of the government,

Environmental analysis.

Even hotel near to the sea 2004 Tsunami didn't effect to the hotel because there is a coral reef on the sea protected hotel from tsunami tides. There will be no environmental treats effect to the hotel. Hotel won earth check silver certification and ISO 14000 to its good environmental practices.

Social analysis

Hotel has good relationship with surrounding people, helping them by various corporate social responsibility projects.

Technological analysis

Technology changes day by day though it is a global business hotel should upgraded with modern technological advancements to simplify its operations and to get the competitive advantage.

Economic analysis

After finishing the war country economic situation is getting better. Growth rate is around 8% from last few years. Government has encouraged investments on hospitality industry. Because of good economic conditions government has invest extra money for the infrastructure development which will help for industry growth.

Legal analysis

There are new tax legislations which encourage investors to invest in hospitality industry. Tax consensus, duty free imports, flexible legislation for direct foreign investments, tax free periods for the investments of hospitality industry etc.... will encourage local and foreign investors to invest for new projects or refurbishments of existing hotels,

3. 2. 2 Porter's five forces analysis

New entrants

After 30 years of civil war ended in 2009 there will be a massive growth of tourism industry. Government legislations and other factors encourage investors to invest hospitality industry in Sri Lanka. As a result there will be a new international chain hotels started their projects in Sri Lanka. Shang Ri La, Hyatt international, four seasons, Marriot hotels will start their operations by 2015. Once those hotel starts their operations it will effect for the hotel

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current business and strategies has to be change accordance to grab the new market and retain existing market share.

Substitutes

Government has introduced minimum rates for the each and every star category. Hotel prices had suddenly increases. Most of the tourists start moving to budget hotels, inns, home stays and etc... most of the star class hotel lost its business because tourists change where they stay because of high room rates. Even new emerging tourist destinations such as Bali in Indonesia, Phuket in Thailand, Cambodia, Vietnam offers cheaper and much more services to attract tourists for their destinations.

Bargaining power of customers

After the civil war, lot of people investing in hospitality industry. There will be few new international chain hotels and lot of small restaurants, small hotels, villas and home stays. Because of the new competition arrives. Customers bargaining power has increased. There will be Lot of choices and verities there to select for them. Mount Lavinia hotel introduces some unique products and do lot of advertising to attract and retain their existing customers.

Bargaining power of the suppliers

Same as bargaining power of customers, suppliers bargaining of power also has increased with the new opportunities. Mount Lavinia Hotel should have good relationship with their suppliers to face this challenge.

Industry competition

With the new opportunities in Sri Lankan tourism market international hotel chains such as Shangri-La, Hyatt, Marriott, Four Seasons has started their hotel projects in Sri Lanka. By 2015 they will start their operations. Lot of small hotels, restaurants also already started their businesses. Because of the rivalry among competitors Mount Lavinia Hotel should change their marketing and organizational strategies to attract new customers and retain existing customers.

Marketing strategies

3, 3, 1 Innovation strategy

Innovation strategy contains three strategies. Pioneer, close follower and late follower. MLH uses pioneer strategy as their innovation strategy. They were the innovators for

First night club in Sri Lanka (Little Hut) in 1957

First hotel to be part of an international hotel chain (Hyatt International) in 1969.

First hotel accommodated air line crew

First charter group to come to Sri Lanka (Kuoni London)

First with an air conditioned bar. (Oxford bar)

One of the oldest hotels in Sri Lanka.

3. 3. 2 Growth strategies

Back word integration

MLH started three coins beer company and MLH only sell three coins beer as a local beer for tourists.

MLH started International Hotel School to get trained their staff and diversified their business

Forward integration

MLH started out door catering company under hotel name.

strategic options available for Mount Lavinia hotel

5. 1 Application of Porter's generic strategies to MLH

Broad industry wide

Differentiation

Poya veggie buffet

Overall cost leadership

Slandered rooms

A la carte menu

Narrow specific segment

Focused differentiation

Governors restaurant

Focused cost leadership

Green meeting package Uniqueness perceived low cost position

5. 2 Ansoffs matrix

Existing market

Market penetration

Little hut(night club)

Kids club

Product development

Coco spa

Beach bar

Lavinia put door catering

New market

Market development

Poya veggie buffet

Executive floor

One stop shop for weddings

Diversification

Lavinia residencies

Three coins beer Existing products New products

Risks associated on new business strategy at Mount Lavinia Hotel

Strategic risks

Business risk

-Mount Lavinia Hotel could be adversely impacted by local as well as global factors impacting tourism market in Sri Lanka

Market risk

-The room rates and occupancy rates of the hotel could be adversely impacted by events that reduce domestic or international travels, such as actual threatened acts of terrorism or war, epidemics, travel related accidents, travel related industrial action, increased transportation and fuel costs and natural disasters, resulting in reduced worldwide travel or other local factors which will have an adverse impact on the hotel operations and financial results.

- High cost of borrowing, reduction in market liquidity and lending to buyers, drop in economic growth will affect also
- Competition from local hotel and entry of international brands.

Operational risks

Commercial relationships

- MLH benefits from close commercial relationships with a number of key customers and suppliers. The disruption of this can have negative consequences.

Employee & Human resource management

- The company's Human resources are the backbone of the business, holding the company together. The growth of the company is heavily dependent on the talents and efforts of the highly skilled individuals that NLH is able to attract and retain. The recruitment and retention of the employees is a constant challenge.

Brand and reputational risk

- company's success depends on the continued strength and recognition of the brand on a local and regional basis.
- The Mount Lavinia Hotel name is primary to its business as well as to the implementation of its strategy for expanding its businesses, including internationally maintaining, promoting and positioning " Mount Lavinia Hotel". This will depend largely on the success of its ability to provide consistent, high quality services to its clients around the world.

Liquidity and credit risk

-The economic instability, high inflation rates, adverse foreign currency fluctuations and the global monetary crisis could affect the company in recovering the cash installments from the prospective clients of the hotel.

Inflation & interest rate risk

-The high inflation rates, volatility in general market interest rates both local and foreign currency will lead to high cost of borrowings or lower interest income and as a result the group would have a direct impact on its profitability

-The restrictions imposed by banks and financial institutions to grant financial support via loans or the high cost borrowing would impede the buying and investing powers of the prospective customers and the investors of the property development business.

Legal and regulatory risk

-The company encounters different legal and regulatory requirements including those for taxation, environmental, operational and competitive manners. It is exposed to the effect of administrative and regulatory risks which can include sudden changes in regulations, imposition of trade barriers and wage controls, limits on the export of currency and volatility of prices, taxes and currencies.

Fraud risk

-The risk that the internal control weaknesses leading to misappropriation of assets or fraudulent financial reports, have a risk on company reputation, the

consequent additional costs and could lead to the transgression of quality of service.

Environmental, Health and safety concerns

-Noise & visual pollution, falling debris caused by the ongoing project development may cause the risk of injury to workmen and third parties, additional expenses, denting of corporate image, negative effect on future developments.

Conclusion

Formulating a business strategy is not an easy task. People who engage to prepare the business strategy should have done a research and find out data to do an internal analysis and external analysis. Analyzing the primary and secondary data and using tools such as SWOT analysis, resource analysis can get an idea about organizational internal analysis. By using tools such as PESTEL analysis and Porters five forces analysis organization could have a clear understanding about its external environment. To get the competitive advantage organization could use innovation strategies and growth strategies to expand their business.

Porter's generic strategies and ansoft matrix are the best strategic options for Mount lavinia Hotel. Porters generic strategies will help organization to understand to get the competitive advantage whether they go for the differentiation, focus differentiation, overall cost leadership or focus cost leadership. Mix of all strategies will best option for the Mount Lavinia Hotel. Ansofts matrix will help to identify whether organization should go for the product development or market development.

When implementing a new business strategy there will be lot of risks available. Strategic risk and operational risks are organization should aware and identify. Below I had recommended some strategies and ideas to minimize or prevent the risks associated with implementing a new business strategy.

Recommendations for minimize risks on new strategy implementation

Business risks

- Mount Lavinia Hotel should do lobbying the various trade associations and the government to control possible impacts.

- Management should monitors such risks and amends business procedures as appropriate to mitigate any exposures.

Market risks

- The hotel along with its management of the hotel division should strives in nurturing long and well established relationships with major operators of charter traffic and individual clients.

- MLH should further participate in global and regional promotional events, marketing initiatives embarked on by the local tourism authorities.

- MLH should have taken initiatives to actively participate in industry advisory and policy making bodies in order to enhance our brand and image.

- MLH should build up relationships and contracts with local and international companies on corporate rates.

- MLH should review and restructure HR policies of the hotel to improve the training of the staff, to consistently enhance quality in all its products and services and retain skills by being a preferred employer.
- Measures should take initiatives within the company for the introduction of new products and services, improvement of quality, effective and efficient usage of resources.
- Measures should take to closely monitor financial markets. To manage and mitigate risks.

Operational risks

- MLH should devote significant resources to carry out regular training programs to upgrade its level of care in supporting these relationships.
- from time to time company should undertake surveys of customer satisfaction which are reviewed on a continuous basis.

Human resource risk

- MLH should have good performance appraisal process and have a clear vision on employee's career development and succession planning to retain its valuable employees. Regular training programmes should conduct to motivate and educate employees about the brand and subject knowledge. MLH HR department should have a plan to recruit high caliber staff, effective induction to the groups corporate culture, having transparency in management actions, building up effective communication channels will help to develop the organizational culture to foster good employee relationships.

Brand and reputation risk

-MLH should carry out regular brand audits to develop its brand name. always should ensure that its employees are the most sought after and qualified staff to hold high managerial positions.. MLH should aware on maintaining minimum quality standards and standards of performance carries out ongoing reviews of guest comments in order to exceed customer expectations.

Liquidity and credit risk

MLH should carry out actively; trade debtor balance reviews with review meetings should held continuous basis. The company should have a cash policy. Transactions are predominantly based on cash terms and through established and reputed travel agents and tour operators.

Inflation and interest rate risks

MLH should take some measures to mitigate the interest expenses by way of maintaining a proper cash flow management system with the assistance and guidance of the group treasury department. Pre preparation of detailed sensitivity analysis for the operational budgets creates an early warning system for the company. Should have careful negotiation with the banks and financial institutions the company managed to borrow money on favorable conditions. Inflation rates and prices should closely monitor and decisions on pricing and procurement should taken accordingly. Company should adopt a staggered payment system for the prospective suppliers.

Legal and regulatory risk

MLH should have processes are in place for the compliance of the relevant operational licenses, permits, certifications that have an impact on the business units operations and other legal/statutory/regulatory statements/declarations/ returns/ documentations as required by the relevant governing statutes/regulations in ensuring continuity of the business. the board and the management should seek professional advice from the external consultants as well as the legal, tax, risk on all matters as needed.

Fraud risk

All major procurement decisions should take on a collective basis inclusive of consultants/ project managers and the management. Company must established stringent tender procedures and internal control measures to detect any deviation from the system. Company should appoint internal auditors to conduct regular reviews of the areas which are susceptible to misappropriation and fraud. Authority limits, segregation of the responsibilities and duties should implement for the critical functions of the company.

Environmental, Health and Safety risk

Strong control methods should implement to the processes and systems. Company should set up formal processes to carry out regular inspections by in house staff and specialists in the relevant fields. Employees should trail about environmental practices, HACCAP and occupational safety methods.

References

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