

Strategic  
management case  
study in the hotel  
industry essay  
sample



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Having experienced the SARS.

July 7th. 2005 terrorist onslaught. and the Bird Flu. which have slowed down the UK economic system and had an inauspicious consequence on the hotel industry.

there are now clear marks of recovery. This study will foremost analyze the UK hotel market. discourse the major industry participants and show the comparative importance of cardinal issues. Furthermore. it will research the UK consumer tendencies. show the diverseness of backgrounds of investors and supply a future mentality along with a prognosis which has been developed to exemplify the industry and the factors impacting its development and hereafter.

In decision. it will notice on short-run and long-run investing every bit good as urging an result for the investor. The UK Hotel SectorThe current placeA hotel. harmonizing to the EU.

is defined as ' a corporate adjustment constitution. typified as being arranged in suites transcending a nationally specified lower limit and as supplying common services. including room service' . By and large. the UK definition is made harmonizing to the retention of a license to sell spirits.

( Lawson. 1998 )Harmonizing to the latest preliminary figures from the HotelBenchmark Survey by Deloitte. the UK hotel industry has proven to be the strongest performing artist in Europe in the first six months of 2004. with gross per available room ( revPAR ) lifting 11 per centum against the same

period in 2003. ensuing from a balanced mix of lifting tenancies and mean room rates. London.

which is the taking performing artist in the UK. experienced a 6 % addition in mean room rate twelvemonth on twelvemonth. The key participantsThe UK hotel industry is made up of several cardinal participants. including:\*  
Boutique Hotels\* Mid-range Hotels\* Budget Hotels\* Bed and Breakfast“  
Boutique Hotel” differentiates itself from larger concatenation or branded hotels by supplying an exceeding and individualized degree adjustment. services and installations. Mid-range Hotel is a standard room with added installations.

normally classified with 3 or 4 stars. Budget Hotel is on the whole purpose-built. branded adjustment unit with a lower limit of 50 suites and standard low monetary values. Individual units are frequently known as Lodges.

hostel or – less normally now – motels. Bed and Breakfast is a private abode. several suites of which are set aside for nightlong invitees whose paid adjustments include breakfast. ( The American Heritage Dictionary of the English Language )The competitory environmentThere is ever strong competition among the key participants within the UK Hotel Industry: From the Smith Travel Research where the expansive demand for the Residence Inn was at 30 % and the supply was merely at 8 % . The Marriott PLC has developed a new class called “ Residence Inn” to accommodate this big market demand. UK in-between market hotel trade name.

Thistle. is establishing a luxury planetary sister – Guoman. which is set to distribute globally. In order to turn the trade name Thistle intends to upgrade  
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some big belongings in the UK and launch an "ambitious acquisition strategy" abroad. Whitbread has made the determination to cut down their exposure to (and finally issue from) the full-service hotels sector where they are the UK operators of the Marriott trade name. due to the low returns from this franchised concern.

The company besides acquired Premier Lodge from Spirit Group for ? 505 million. and uniting Travel Inn and Premier Lodge and marketing them to the UK consumer under on trade name. Hilton International has outlined an aggressive e-commerce scheme since 2002 to construct a series of Web sites for its largest markets including the UK. Germany.

and Japan. The attempt resulted in the creative activity of eight localized Web Sites stand foring seven different linguistic communications.

Environmental AnalysisThe chief external factors impacting the hotel industry. both now and in the hereafter. are listed below: Plague AnalysisPoliticalDisability Discrimination Act - came into force in 2004 significance that service suppliers and concerns must take sensible stairss to let for handicapped entree. This peculiarly effects little concern and may hold some serious deductions for the leisure and touristy industries.

Migrant workers - As more states joint the EU. workers from the new states could assist ease staff deficits. EconomicOlympic - London has won the competition to host the 2012 Olympic Games. which will hike touristy grosss owing to increased visitant Numberss.

London hotelkeepers have agreed to supply 40. 000 low-cost suites for

London 2012. Euro - Following the authorities indecisiveness on the Euro.  
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hotels are split on their sentiments or falling in line with the individual currency. 52 % of hotelkeepers were against following Euro.

Interest Rates - were at a 40-year depression during 2003 ; nevertheless. the Bank of England has easily increased the rates in order to control high degrees of consumer debt. In May 2004 interest rates rose to 4.25 % . the 3rd rise over the last seven months. SocialThe domestic vacation market - The rate has increased in 2003 and 2004.

due to apprehensiveness about going abroad during the Iraq War and the natural catastrophes. Growth in entire outgo has continued to lift by 16 % between 2000 and 2004 but fundamentally merely in nominal ( non adjusted for rising prices ) footings. ( Detail to see Appendix1-Domestic vacations and outgo by UK occupants. 2000-05 )Significant growing in cardinal socio-economic groups - There has been an important displacement over the last few old ages towards the higher socio-economic groups. proposing a better-educated and more flush population. already backed up by lifting degrees of disposable income which is an advantage to the hotel industry.

TechnologyThe development of assorted engineering over the last decennary has had an important consequence on the manner hotels are booked. every bit good as the installations that are provided within hotels. such as broadband Internet and digital Television. Harmonizing to the Mintel Report. cyberspace incursion appears to be far from decelerating.

making 57 % of the UK population in April 2004. with broadband and synergistic digital Television holding both reached 19 % . Many of the larger hotel groups are therefore putting to a great extent in their on-line booking <https://assignbuster.com/strategic-management-case-study-in-the-hotel-industry-essay-sample/>

systems every bit good as supplying Internet entree within their hotels.

Therefore, clients have the chance to retain their home-from-home amenities, or in the instance of concern invitees.

office-from-office installations and comforts. ( Details see Appendix 2 - the incursion degrees of engineering affect the hotel industry )SWOT

AnalysisStrength\* Networks between corporations encourages travel\*

Increase in budget air hoses\* Comprehensive evaluation system across

England, Scotland and Wales\* Diversifying service into other income

watercourses. Failing\* Net income has been minimised ensuing from 9/11.

July 7th terrorist onslaughts\* No control on external factors e. g.

. FMD, SARS, Bird Flu\* Unpredictable British conditionsOpportunities\* Growth

in domestic travel due to weakening lb against the euro\* Increase room rates

to prior of 9/11, July 7th terrorist onslaughts\* More concern from people with

higher disposable incomes\* Expected addition in inward touristy Visas

within 24 hours for Chinese travelers and increase in flightsMenaces\* Always

the opportunity of terrorist onslaughts.

such as July 7th 2005 London Bombing\* FMD, SARS, Bird Flu, etc\* Iraq war

pulled down 2003 net incomes due to uncertainty of warThe Five Forces

Model- The Barriers Entry to the market is High- The Buyers Power are

strong- The Suppliers Power are low- The Substitutes Threat are

lowTherefore,

the UK hotels are in low competitive market. Future

DevelopmentProfitableness additions from lifting rates instead than

tenancyWhile hotelkeepers have held tenancy comparatively steady during  
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the downswing by cutting rates in the yesteryear. the late beef uping demand indicates that rates can now be raised. Thus.

while hotel gross figures are likely to see a period of continued growing over the short to medium term. is it probably that this growing will stem from lifting room rates while tenancy degrees will stay reasonably changeless.

Harmonizing to the TRI Hospitality Consulting's prognosis of UK concatenation hotel public presentation that London is traveling to go on to take the growing of the hotel industry with revPAR increasing by a prognosis 22 % until 2006 compared to a 9 % addition in the states. ( See Appendix 3- TRI Hospitality Consulting prognosiss of UK concatenation hotel public presentation. 2004-06 )PolarizationHarmonizing to Mintel's Budget Hotels - UK.

Leisure Intelligence. April 2003. the budget hotel is predicted to demo 40 % growing between 2002 and 2007. and will be deserving merely over ? 1. 1 billion in 2007. This translates into existent growing of 23 % .

after the effects of rising prices over the following five old ages have been taken into history. However. at the other terminal of the market strong growing is forecast to go on within the upscale hotel of the hotel industry. The domestic market is importantWith consumer assurance rebuilding in the UK. growing within the hotel industry will be sustained by the domestic market. driven by the growing of domestic short interruptions.

The weakening Pound against the euro. every bit good as ongoing frights of planetary terrorist act will assist keep the market. Consumer

TendenciesBased on the Mintel research of" Type of hotel stay. by gender.  
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age and socio-economic group and region” . May 2004 ( Detailed Figures see Appendix 4 & A ; 5 ) .

the consumer tendencies can be seen as follows:\* There are 25 % more people go on for leisure trips so concern trips.\* Men are non merely more likely to remain in a hotel on concern. but they besides show a somewhat higher leaning to towards leisure than adult females.\* Business usage is dominated by 35-44-year-olds at 19 % but leisure usage is more equally dispersed amongst a wider base of 20-64-year-olds.\* Respondents from the higher socio-economic groups non surprisingly dominate hotel use with about a one-fourth of ABs holding stayed in a hotel on concern over the old twelvemonth compared with merely 2 % of Es.

ABC1 laterality is besides prevailing within leisure use of hotels ; nevertheless. the disparity between the groups is non every bit outstanding as it is for concern usage.\* Regional usage of hotels does non roll excessively far from the norm for both leisure and concern usage. nevertheless. Londoners have the lowest leaning towards leisure use at 30 % . possibly diagnostic of their sensitivity towards going abroad.

Comparative StudyFiscal AnalysisUsing the enclosed fiscal statements ( twelvemonth stoping on 31st Dec 2004 ) of De Vere Plc. Whitbread Plc. and Hilton Plc in Appendix 6. the undermentioned ratios can be calculated: De Vere ( m ) Whitbread ( m ) Hilton ( m )Net income before INT & A ; TAX 53. 641 313. 7 354.

8INT Collectible 12. 012 64. 3 47. 1Net income before TAX 41. 629 249. 4 311.

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3Tax 13. 279 72. 5 50. 4Net income Available to ordinary stockholders 28.  
350 176.

9 260. 9Gearing Ratio = Long Term Liabilities ( LTL )Share Capital +  
Reservation + retained net incomes + LTLInterest Cover Ratio = Profit  
before INT & A ; TaxINT PayableDe Vere Whitbread HiltonGearing Ratio 25. 2  
% 27. 8 % 34. 7 %Interest Cover Ratio 4 times 4 times 7 timesFrom the  
ratios showed above.

it can be seen that the Hilton Group was a extremely geared company at 34.  
7 % . which was 9. 5 % and 6. 9 % higher than the De Vere Group and  
Whitbread severally.

At the interim. the net income of the Hilton Group could cover the loan  
involvement more easy at 7 times while the De Vere and Whitbread could  
cover 4 times. Investing HazardsWhen puting into the UK Hotel Industry. it is  
necessary to see the hazards associating to Acts of the Apostless of God.  
terrorist activity and war which could cut down the demand for lodging.

and may adversely impact the grosss. Acts of God. such as natural  
catastrophes and the spread of contagious diseases. in locations where the  
concern is. manage or franchise important belongings and countries of the  
universe from which it draw a big figure of clients can do a diminution in the  
degree of concern and leisure travel and cut down the demand for lodging.

Wars. terrorist activity. political agitation and other signifiers of civil discord  
and geopolitical uncertainness can hold a similar consequence. Any one or  
more of the above events may cut down the overall demand for hotel suites.

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timeshare units and corporate flats. or restrict the monetary values that the concern is able to obtain for them.

both of which could adversely impact the gross. Decision and Recommendation By analysing the UK hotel sector. its market hereafter development and client tendency. a decision can be draw which is as follows:- The market's polarisation into the budget sector and upmarket sector for particular occasions is expected.- There is rapid growing and additions in market portion of the budget hotel sector and this can be explained by the fact that budget hotels give the client what he/she truly wants and demands and nil more. therefore salvaging on disbursements.

which allows the operator to bear down a sensible. competency monetary value.- However. the popularity of dress shop and niche hotels highlights the demand for the top terminal of the market. consequences from the response from people towards being prepared to pay excess for higher quality.

peculiarly for a particular juncture. When putting into a concern. investors should non merely look at the market demand for that certain type of concern. but besides need to look into into the fiscal ratios of that concern. which would measure the concern public presentation from different facets. The fiscal ratios can be as follows:- The geartrain ; - Interest screen ratio ; - Return on capital employed ; - Discounted hard currency flow ; - Etc.

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