

# Advantages of operating small hotel business in britain tourism essay



**ASSIGN  
BUSTER**

Princess Hotel runs as a sole proprietorship type of business where the owner is the manager and the controller of the business. In Britain most entrepreneurs start businesses as sole traders where they manage the business on their own and employ a few people to assist in the day to day running of the business (Swarbrooke, 1999). For the entrepreneur of Princess in London, being a sole trader is among the simplest ways to start a business. The process of starting a hotel business in London is one of the simplest ways to start a business since all one is required to get is the professional advice plunging into business.

According to the entrepreneur of Princess Hotel among the advantages of he gets by being a sole entrepreneur include, the business was easy to start since the entrepreneur does not require to consult other people, the registration requirements for sole business are also low together with statutory requirements, lower national insurance costs and the entrepreneur can use the profits for expanding the business.

The proprietor of Princess Hotel was interviewed using a sample of the following questions about his business operations as part of a fact finding mission on benefits and the problems he incurs.

Economic growth in Britain has been fueled by rapid expansion of small and medium enterprises, which have also contributed to an increase in employment rates within cities and other major towns (Baily and Kirkegaard, 2004). The small and medium business enterprises have also contributed significantly towards the global economy. In Britain small hospitality businesses are faced with challenges that include lack of capital, lack of access to

information and lack of proper business management skills (Wood, and Brotherhood, 2008). Research has shown that many small and medium businesses enterprises play a considerable role in the economic development of many countries including the United Kingdom. Research has also portrayed that majority of owners of these small and medium businesses do not have the necessary management skills and knowledge to run the businesses. Lack of management expertise is among the factors that hinders the marketing in these small enterprises particularly in Britain (Gang, 2006). The British government doesn't have enough resources to provide management systems and financial resources to support the small business enterprises.

In addition Britain's, small and medium businesses enterprises also lack to availability of capital resources which are diverted to bigger and state controlled business. Extensive suspicion by both borrowers and lenders of the threats associated with private enterprises is a major cause of the slow growth in the hospitality business in United Kingdom. British official claim that banks are too conservative to loan money to small and medium business entrepreneurs in Britain. After the subprime crisis in Europe many banks United Kingdom prefer lending to big and state owned businesses leaving small entrepreneurs to raise their finances through assistance from close family members or from local authorities.

In addition, numerous small business entrepreneurs are not approved by the central government to be listed on the London Stock exchange which is under control by state owned firms. Undoubtedly, financing problem cannot

be coped rapidly by foreign direct investment due to the complex nature of the investment conditions and the problem of business expansion.

Among the opportunities enjoyed by small hospitality business in Britain is molding the completion by offering new and mutual market opportunities, improved growth by prevailing over barriers to new entry in the market, shared and enhanced brand image, there is strengthened product line management ( Boella, and Goss-Turner, 2005). Hospitality business in Britain have been able to gain a number of advantages through consortium which include, new networking prospects, economies of scale, knowledge and allocation interconnections and educational training and support, a computerized hotel booking system, and gaining referral opportunities from consortium hotels outside Britain.

Other advantages of operating a small hotel business in Britain

With increasing importance of tourism as a source of revenue and employment, and a contributing factor in the balance of payments in several countries, has made the British government to focus on developing tourism as a tool for economic development. Tourism has been a source of income, forewing exchange and in providing employment for most countries including Britain. The building and preservation of tourist and travel amenities and establishment of accompanying services are important stimulants for economic development and growth especially for those countries whose natural resources are few like Britain (Jones, 2002).

The reason for the slow rate of advancement in the hospitality industry

conditions of employment are considerable including a comprehensible <https://assignbuster.com/advantages-of-operating-small-hotel-business-in-britain-tourism-essay/>

unwillingness of many entrepreneurs and owners to be among the first to rise the prices of services provide in British. This is in place considering that Britain has been reported to be before now one of the most luxurious tourist destination. Another reason, is that the employees of the hotel industry is comprise of mostly people drawn from the less essential labor market who use the hospitality industry on short " term basis such as students or school leavers and who are willing to accept low payment since they are not the sole breadwinners. In addition the trade union in Britain tends to exert less influence in the hospitality sector and therefore there is no set minimum wage for hospitality sector workers. As a result of the poor wages, lack of trade union involvement and the high number of employees who come from the secondary labor market, the hospitality industry in Britain has remained with its own problems which include; high turn-overrate of the labor, poor service principles and institutionalized pilfering in many establishments (Kusluvan, 2003).

Economies of scale stem from technical, commercial, managerial, financial, marketing and risk-spreading economies of scale (Malhotra, 1997). Princess Hotel owns a single hotel in Britain. The hotel has small kitchen and just only ten rooms. The entrepreneur decides to sell the small hotel and buy two bigger hotels with bigger rooms. In this case the entrepreneur can spread his overhead costs over high level of gains.

In a small hotel such as Princess Hotel the hotel production techniques are very fundamental. For instance, all the booking is done using a manual process using hands. Kitchen utensils are also washed by hand and also the washing of bed sheets is also done through the in the traditional method of <https://assignbuster.com/advantages-of-operating-small-hotel-business-in-britain-tourism-essay/>

front loading laundering machine. In addition, the staircase for hotel takes part of the hotel room together with the reception area.

When the entrepreneur of Princess Hotel purchased a larger hotel he was able to benefit from improved production techniques, computerized customer reservation system, proper hotel set-up and used of mechanized dish washing and use of a centralized laundering machine. In addition, by increasing the size of the hotel the entrepreneur of Princess Hotel was able to gain from more rooms with centralized stair case (Needham, 1999). In addition with, expansion of Princess Caterers the entrepreneur will be able to recruit more qualified staff such as receptionist, cleaners, porters and waiters, who are more specialized in the field and will enhance in meeting customer needs of Princess Hotel.

#### Managerial economies of scale

By expanding and purchasing larger hotels Princess Hotel will be capable of employing trained workforce as compared to when the small hotel hat can only employ secondary labor.

#### Financial economies of scale

Majority of business raise finances by bank loans or through overdrafts or selling shares to the public. A small hotel such as Princess Hotel can borrow money from a bank but at a higher interest. From the entrepreneurs' point of view a chain of hotels will have a better advantage in borrowing loan form a bank as compared to a small hotel. A chain of hotels such as Princess Hotel

which borrows money in bulk is likely to be a good client to the bank and banks are likely to lend money to Princess Hotel at a lower interest rate.

#### Commercial economies of scale

Business economies of scale are associated with buying and selling. From the point of view the entrepreneur of Princess Hotel, a bigger hotel will be able to purchase its supplies in better terms as compared to a smaller hotel. For instance, the larger Princess Hotel, can manage to purchase 4000 eggs per week as compared to the smaller hotel which could only purchase 200 eggs per week. In addition, with larger business the entrepreneur will be capable of getting substantial discounts from suppliers who supply repeatedly ( Stockes, Wilson and Robb, 2010). In addition, the cost of transporting large quantities of supplies such as eggs, fruits will be less when compared to small volumes.

#### Marketing economies of scale

According to the proprietor of Princess Hotel, the unit cost for marketing the bigger Princess Hotel will be lower than for the smaller hotel. For instance the charges of doing marketing research, promotion and advertising can be spread over a larger number of customers. For a small hotel setting the cost of marketing are high and prohibitive and only minimum level of marketing can be accomplished.

#### Risk-spreading as economies of scale

Since the hotel business is seasonal and is easily affected by fluctuations.

The proprietor of Princess Hotel by diversifying into other business such as <https://assignbuster.com/advantages-of-operating-small-hotel-business-in-britain-tourism-essay/>

offering casino services and meeting conferences can provide revenue even when sales from the Hotel are low. On the contrary, a smaller Hotel has fewer options in seasons of revenue fluctuations, such lowering accommodation prices, which in the end have negative effects on the business.

Among the diseconomies of scale the can affect the Hotel business include; in case the expansion of the hotel does not tally with the number of expected customers then the operating costs will be high. This is because the costs will be spread over a few numbers of customers. In addition, by expanding a Hotel business to many locations for a sole entrepreneur it would lead to inefficiencies in management and administration and may eventually lead to business closure. .