

Swot and pestel analysis of the alveston manor



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The hospitality industry has been an evergreen industry. One of the principle concerns for the industry practitioners is the management of the supply according to the demand. Understanding the factors affecting customer demand in a competitive atmosphere is crucial for the competitive advantage for each and every organization in the hospitality field.

The Demand

Market demand is the total amount of product that consumers are willing and able to purchase at a particular price over a given period of time. The word demand denotes the effective demand quantity of product at each and every price. It is important find out the demand of the product at each price to decide the price of a product according to the availability of supply at a particular time. In hospitality industry the firms use the pricing strategy to balance the demand and supply. Especially the low budget airlines like Easy jet and Ryan air if they got plenty seats vacant to fill they reduce the ticket price to increase the demand and fill up those seats.

Factors affecting demand

Price of a product:- The law states that when a price of a product increases and other factors remain the same, there will be a contraction in demand of product and vice versa.

Price = Quantity of demand Or Price = Quantity of demand

C02NF01

Movement along the curve

In the case of hotel industry according to the theory of demand, when all other factors are stable price of the hotel rooms are inversely proposed to the quantity of demand and it will result a movement along demand curve as in shown in the graph. For example the restaurant managers reduce the price of the less demand wine to make an expansion in demand of that particular wine until finish those stocks.

Price of other product

The demand of a product can be affected by the change in price of other product which can be divided in two one is substitute product and other one is complementary product. The price increase for a substitute product will result in increasing demand of a particular product. For example the increase in price of overseas holiday will lead to a growth in domestic tourism (Allan et al, 2007). But in the case of complimentary product increase in price of a complimentary product will decrease the demand of that product. Increased price of international air fare resulted in a decreased demand in overseas tourist in Australia in 2007 (Allan et al, 2007).

House hold Income

Increase in income will have a positive reaction on demand of regular goods and services but for inferior goods will have a reverse proportion in demand. Normally hospitality product and services will come under regular goods so increase in income will increase the demand.

Taste of consumers

The demand of a product is depend on customer taste as well. In the case of pub industry in UK demand for the pub is getting lower every year mainly because of the difference in taste of consumers which resulted in a big decrease in demand. According to the survey of British pub-goers found that 27% of the nation never visits a pub and 20 pubs are forced to close each month because of declining in consumers (BBC News).

DWINDLING DRINKERS

27% of the UK never visit pubs

20% of 18-24 year olds never visit pubs

41% of 55+ year olds never visit pubs

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“ Demand curve will shift towards right when demand increases and shift towards left when demand decreases if there is a change in condition of demand”. Apart from price of a product change in condition like price of other product, change national income or taste of the customer can make a big difference in the demand of a product.

Advertising

The increase in advertisement expense especially in tourism industry and It is going to increase the demand of those product and service. A multi million campaign ‘ Incredible India’ started by ministry of tourism in India has been highly successful advert in overseas and showed a dramatic increase in foreign tourist to India. The advertisement has started in 2002 within two
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years the actual arrival gone up 25% and it has won the World travel award in 2009 for being the best campaign of the year (Times of India, 2009).

Change in technology

The innovative technology created a dramatic change in the market demand in hospitality and its going to be the competitive advantage for any organization. Most of the leading hotels are competing each other by introducing the new technology in to their organization to increase the demand. For example the leading budget hotel Premier inn announced the launch of new smart phone application to book, to check and manage their booking on the move through smart phones (premier inn press release, 2011).

Weather

Especially in hotel industry the demand will increase or decrease according to the weather. Extreme weather always affects the demand and the demand in the hotels are more in the summer time than winter but the London Heathrow hotels cash up the freezing weather in December due to close down of airport (caterersearch, 2010).

Events

Big events are normally a demand generator for tourism industry. For example the Olympics in 2012 is going to generate a big demand for the accommodation in London and UK is going to stage the rugby world cup in 2015.

Elasticity of demand

Elasticity is the concept in economics that measures the responsiveness of a variable to change in another variable and elasticity of demand is the reaction of quantity of demand to change in other variables. It is important to evaluate the value of elasticity demand, its sign (negative or positive) and size (> 1 or <1) and assess how useful it is for the business or limitations of using this figures in the business.

Price elasticity of demand

It is the change quantity of demand of a product in response to the change in price for the product.

% change in quantity of product

PED=

% change in price of the product

The PED always will be a negative value and the negative sign will ignore while assessing the value. In general the PED value will be greater in low income countries. The elasticity of demand can be identified according to the value of PED as shown below.

Numerical value

Demand

Description

0

Perfectly in elastic

Price change does not change quantity of demand.

$> 0 <$

Relatively inelastic

Slight changes in demand according to the price change.

1

Unit elastic

A unit change in price result in a unit change in demand.

$> 1 <$

Relatively elastic

A change in price leads to a larger change in demand.

Infinity

Perfectly elastic

Even a small change in price will lead to a large demand in quantity.

For example Macdonald Alveston manor (Startford upon Avon); the restaurant used do 40 to 50 covers a night by charging £21 for regular three course menu. But the new manager reduced the price to £17 per person for the same menu and it was reasonable comparing to the other restaurant in the town. This price change increased the demand by 25 to 30 cover more every night means the PED is high for the time being.

Factors affecting PED

Availability of substitutes: - The more the substitute the more elastic is the demand of the product and value of PED will be greater than one.

The nature of the product: - The luxury products are more price sensitive which is going to be more elastic in demand.

The time period: - Some product may be inelastic in demand for the short term period but in long term the market will have more alternative and the demand will become elastic.

Proportion of spending Income: - The more the spending on a product the more elasticity it has and PED value will be more than one. The below graph shows that hospitality product and service are more elastic in nature (economics online, 2008).

Household spending

PED and Revenue

P V

2

P1 V1

1 3

0 Q Q1

The graph shows that the initial price at P the revenue will be PVQO and when price come down to P1 the revenue will be P1V1Q1O. When PED value

is 1 the revenue at different price will be same. If PED is greater than 1 then it is more elastic and revenue will be more at the price P1. In the last case when PED is smaller than 1 the more revenue will be at the price of P.

Income elasticity of demand

IED is a measure of responsiveness of demand for a product to a change house hold income or national income.

% of change in quantity demand of a product

IED=

% of change income

A rise in income will result differently according to the type of product and services. For normal goods the IED value will be a positive and demand will increase more than proportion to the rise in income. If IED is bigger positive number it is going to be superior goods and a small increase in income makes big change in demand. In the case of inferior goods the IED is going to be negative value. According to Euro monitor statistical office the BRIC countries spending have increased according to the growth in the economy especially for leisure (Euromonitor, 2010).

Cross elasticity of demand

CED is a measure of responsiveness of demand for a product to a change in price of some other product.

% of change in quantity demand of a product

CED=

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% of change in price of other product

If the price decreases of product X is going to expand the demand of product Y which means they are substitutes in consumption and CED value is going to be positive. But if it is compliments in consumption the value of CED is going to be a negative and a decrease in price of X will result in a contraction in demand of Y. In both case the greater the value of CED is showing bigger the chance of substitution a product or closer the compliments in consumption. For example an increase in price of hot dogs by . 60 pence will result in expansion in the demand of burger from 300 to 360 if all other variables are same. The CID between hot dog and burger is +0. 5 which shows both are substitute each other (Tutor2u, 2010).

Conclusion

It is important for any firm to calculate their elasticity of demand according various changing conditions. This is calculated using the previous history of changing in quantity demanded when other variable changes. But in the future the situation is not going to be the same. Economists normaly take the decisions according to the possible assumption.

BUSINESS ENVIRONMENT ALANALYSIS

<http://www.dreamstime.com/corporate-ladder-in-a-business-environment-thumb1992470.jpg>

PESTLE Analysis

The hospitality industry environment is become more complex after globalization. Environmental analysis and understanding is very important for any organization to gain competitive advantage. It refers to the

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surrounding atmosphere where a business operates which include political, economical, sociological, technological, legal and ecological environment. The change in these factors is going to affect the business both ways. The business has to analyze the threats and opportunities of these dimensions to find the ways to adapt to the situation.

The concept of PESTLE analysis with the support of Macdonald Alveston Manor

The Alveston Manor is a four star hotel which is situated in Stratford upon Avon, the birth place of William Shakespeare which is one of the most important tourist destination in UK. The hotel is a part of largest privately owned British hotel chain called Macdonald Hotels and Resorts over 40 properties across UK. Macdonald hotels & Resorts is the first hotel group to sign the 2012 UK event industry fair pricing & practice charter to avoid the over pricing during the Olympics.

Political and Legal:- Political decisions and legal changes can make major impact on hotel organisations like environmental regulation, tax policies, contract enforcement law, employment laws, competition regulation, safety regulation and government attitude towards the industry. Immigration rules are already tightened, it will be very difficult for the hotel recruit staff from outside the country as UK have shortage of chef and 5 out of 11 kitchen staffs are from non EU countries. UK government increased budget on tourism development which is going to increase in international and domestic tourist which is going to be a great opportunity.

Economical: - In economical analysis economic growth, taxation, unemployment policy, inflation rates, industry growth and exchange rates are the main area to watch. The expected growth in UK economy is weak in 2011 although country is back from financial crisis. Interest rates are going down and inflation is going up (The telegraph, 2011). VAT is already gown up in January which is already affected the pricing. The euro is getting stronger than pound which going to two ways for the hotel industry. The good thing is there will be more tourists coming to UK from other EU countries which are very good for Alveston manor; hotel can expect more international tourists. But hotel has to spent more money for the imported products like wines and food products and inflation is going to increase the price of other products as well.

Sociological:- Changes in life style, fashion, hypes, labour mobility, health consciousness, feeling on safety and unemployment are the main sociological changes to watch for Alveston manor. Unemployment is an opportunity for hotel because to hire an employee they got large group to select from but the consumer side the spending capacity of the people is getting low. Product and service need to change according to new trend and fashion. The refurbished Shakespeare and swans theatres are going open February and both of them are walking distance from the hotel and its going to increase the domestic tourists.

Technological: - It is always difficult to cop up with quick changes in technology but the hotel manager need keep an eye on new technological invention and development in the industry, which technology industry is focusing, rate of technology transfer, increase in consumer internet usage

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and mobile technology. Online marketing using social media marketing is made a big impact in the industry. Smart phone application for online booking has introduced to the industry by some big hotel chains. There is going to be an increasing range of cloud computing services within three years like packaged private cloud implementation and package for build and run the services.

Environment: - In hotel industry each and every organisation is going green to support the government green policy. Hotels are going for a sustainable growth need to concentrate sustainable arrangement of purchasing food, equipment and chemicals, Prevention measure for pollution, waist minimisation measures and recycling activity system, energy saving, environmental support to the hotel's local community. Consumers are aware of environmental issues so they are ready to buy environmentally friendly products for higher price. It is important make an environment friendly brand image and pass on to the customer.

Conclusion

It is important for managers to understand the changes and implications and they should be flexible to learn whenever they go to new location. The above PESTLE analyses have opportunities and threats which are going to be the key drivers of hotels future strategy and economical and technological developments are the key drivers. Return from recession will be a giving big relief but still need to be careful about the spending and development program because there is some prediction for double dip. The technology development in the industry is growing very fast; the hotel need cope with important changes like social media network and mobile web application.

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Some of the changes will be unpredictable so managers need to monitor day to day basis and adjust the strategy according to it and make a contingency plan as well.

SWOT Analysis

SWOT analysis is a useful tool to do internal and external audit for an organization. It will be strength and weakness as an internal audit and opportunities and threats as an external audit. Swot will be developed after the internal external audit of an organization. A company can capitalize on opportunities & strength and try to overcome the weakness & threats.

SWOT for Alveston Manor

Internal Analysis

The hotel comprises a beautiful Tudor building with many authentic features, whilst the garden boost with an ancient Cedar tree under which the first performance of the Shakespeare's play " A Midsummer Night's Dream" was conducted according to the rumour. It has 113 rooms , Spa treatment centre, fitness centre, swimming pool, business centre, bar, restaurant, 24 hours room services and banqueting & conferencing facilities. Hotel got a new website launched which includes pictures and virtual video. Alveston manor has a strict recruitment policy and a service core standard but lack of training makes it less effective. Staff turnover is a big issue for the management to deliver a consistent standard service. Most of the house keeping staff have communication problem. Hotel is trying to be systematic and integrated using opera as a property management system which is linked to the entire department. There is internet and intranet for the staff but accessibility depends on the position.

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External Analysis

Customer:- Macdonald Alveston Manor got leisure and business customers and it got the facilities to serve these segments. Many of them are loyal to the hotel because they like the traditional atmosphere of the hotel and company just introduced a new loyalty program.

Competitors:-

PORTERS FIVE FORCE MODEL FOR ALVESTON MANOR

Bargaining Power of Customer :

Because of high competition customers bargaining power is going up and hotel is forced to reduce the rate or give discounted rate.

HIGH

Adapted from Porters, 1995.

Threat of Substitute Product :

Shakespeare Cottages,

Rented House boats,

Travelodge.

MEDIUM

Bargaining Power of Suppliers:

Tie up with Local suppliers

agreed for fixed price

for every 6 months

LOW

Legacy Falcon Hotel

The Stratford, Q Hotel,

Best Western Grosvenor Hotel

HIGH

macdonaldHotelsAndResorts. gif

HIGH

Threat of new Entrants:

The Arden hotel. This hotel situated near to the Shakespeare theatre but only having 60 rooms.

As shown in the model competition is high in the market. Legacy Falcon, Menzies Welcombe, Holiday Inn, Ettington and The Arden hotel are the main competitors of the hotel. Arden is doing very well targeting theatre customers. Ettington got high price but they got good service in place.

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Legacy and holiday inn is comparatively less expensive but service standard is low. Arden and Ettington are the market leaders for the time being Arden got very less rooms and Ettington prices are high.

SWOT ANALYSIS FOR ALVESTON MANOR

Conclusion

The swot analysis is the starting point for strategic planning for the hotel. The alveston manor can capitalise on its strength and opportunity; both match very well together. Its got a historical old Tudor building and its near to the Shakespeare house and theatres. The hotel needs to work on weakness and threats by doing employee motivation, training & development and ways to succeed the competition. It is very important find which of these things are likely to happen and what is the impact (low or high) its going to make. The thinks which is low likely to happen and less impact on the business can be ignored secondly with the low likely and high impact things need to develop a strategy around them and put in the watch list. The third one is the things which are high probability to happen and less impact; rather than making the core of the strategy make a contingency plan if those happen. The manger need to develop the strategy around the swot items which is more likely to happen and high impact on the business.