

Report Case Study: The Seaview Resort

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Introduction

Once a popular spot for tourists in search of rest and elegance, the Seaview Resort is currently struggling due to falling income, occupancy rates, and dissatisfied guests. We have analysed the company's recent financial performance, determined the primary causes of its collapse, and prepared a thorough turnaround plan to propose viable options to preserve the firm. Our research shows that Seaview Resort needs to improve its brand identity, revamp its marketing and sales efforts, streamline its operations, broaden its income base, and follow sound financial management practises. We think that the Seaview Resort can reclaim its status as a premium destination and realise its most promising financial results by adopting our suggested changes.

Financial Performance Analysis of The Seaview Resort

Liquidity Ratios:

Current Ratio	Current Assets / Current Liabilities	$\text{£}250,000 / \text{£}180,000 = 1.39$
Quick Ratio:	$(\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities}$	$(\text{£}250,000 - \text{£}100,000) / \text{£}180,000 = 0.83$

The current and quick ratios have been reasonably consistent during the three years, demonstrating that the resort has a reasonable amount of liquidity to pay its short-term commitments.

Profitability Ratios:

Net Profit Margin (2020)	$(\text{Net Profit} / \text{Total Revenue}) \times 100$	$(\text{£}78,000 / \text{£}520,000) \times 100 = 15\%$
Net Profit Margin (2021)	$(\text{Net Profit} / \text{Total Revenue}) \times 100$	$(\text{£}40,000 / \text{£}480,000) \times 100 = 8\%$
Net Profit Margin (2022)	$(\text{Net Profit} / \text{Total Revenue}) \times 100$	$(\text{£}17,500 / \text{£}430,000) \times 100 = 4\%$

Gross Profit Margin (2020)	$(\text{Gross profit} / \text{Total Revenue}) \times 100$	$(\text{£}130,000 / \text{£}520,000) \times 100 = 25\%$
Gross Profit Margin (2021)	$(\text{Gross Profit} / \text{Total Revenue}) \times 100$	$(\text{£}80,000 / \text{£}480,000) \times 100 = 16.67\%$
Gross Profit Margin (2022)	$(\text{Gross Profit} / \text{Total Revenue}) \times 100$	$(\text{£}80,000 / \text{£}430,000) \times 100 = 18.60\%$

Both the net profit margin and the gross profit margin have been on the decline. This is a major worry that should prompt the company to focus on budgeting and expanding its customer base.

Efficiency Ratios:

Asset Turnover (2020)	(Total Revenue / Average Total Assets)	$\text{£}520,000 / (\text{£}1,200,000 / 2) = 0.87$
Asset Turnover (2021)	(Total Revenue / Average Total Assets)	$\text{£}480,000 / (\text{£}1,200,000 / 2) = 0.80$
Asset Turnover (2022)	(Total Revenue / Average Total Assets)	$\text{£}430,000 / (\text{£}1,200,000 / 2) = 0.72$
Inventory Turnover	(Cost of Goods Sold / Average Inventory)	$(\text{£}430,000 - \text{£}80,000) / \text{£}100,000 = 3.5$

The resort may not be making good use of its assets if asset turnover has been falling. The resort may be suffering from an overstock situation because of the slow turnover of its products.

Occupancy Rate Analysis

The once-stellar occupancy rate of 70% at the Seaview Resort has dropped to 60% by 2022. A drop of 10% for three years. The Seaview Resort's diminishing occupancy rate is likely the result of a combination of issues, including rising competition from nearby newer, more contemporary resorts, changed consumer tastes, and the resort's deteriorating service quality and outmoded facilities.

Average Room Rate (ARR) Analysis

In 2022, the average room rate (ARR) at the Seaview Resort will be £210, down from £250 in 2020. For three years, this amounts to a reduction of 16%. The necessity to lower costs to compete with newer, more contemporary resorts in the area is probably to blame for the drop in ARR (Sabate and Puente., 2021).

Over the last three years, the Seaview Resort's finances have drastically deteriorated. There have been decreases in revenue, occupancy, average room rate, average daily rate, gross profit, net profit, and equity. There has been a small rise in operating costs, although the sums of assets and liabilities have stayed about the same. A negative net cash flow (change in cash balance) and net cash flow (from operations) have been observed. The Seaview Resort's diminishing service quality and antiquated facilities are largely to blame, along with rising competition from newer, more contemporary resorts in the area and changing consumer tastes.

Recommendations

Mr. Henderson should consider the following suggestions to enhance the financial performance of The Seaview Resort:

- Update the resort's offerings to appeal to modern vacationers (Kliman., 2010). Among these options include renovating existing rooms and public spaces, constructing brand-new features like a spa or fitness center, and enhancing the standard of service provided to guests.
- Create a plan for expanding your consumer base and retaining current ones. Among these options include establishing a robust internet presence, running sales and promotions, and forming partnerships with other local establishments.
- Streamlining processes and renegotiating terms with suppliers are two ways to save operational expenses. The resort's bottom line may benefit from this.
- Think about expanding or renovating the resort. This might assist in attracting new clients and improve income.

Key Factors Behind the Decline in Seaview Resort's Profitability

The Seaview Resort's profitability has dropped over the previous three years due to both internal and external issues. Understanding these important factors is vital for designing a successful turnaround plan.

Intensified Market Competition:

Newer, more contemporary resorts have increased competition in the coastal resort industry, where Seaview operates (Cull et al., 2017). These establishments aim to attract guests interested in cutting-edge hospitality by providing a range of cutting-edge facilities, designs, and experiences. As a result of falling behind the competition, Seaview has likely seen its market share and revenue decrease.

Shifting Customer Preferences:

Changes in consumer tastes have played a significant part in the downturn. These days, vacationers are increasingly interested in eco-friendly and experience travel (Seal., 2019). Seaview has alienated its potential customers by failing to adapt its products and services to meet their needs. Seaview seems to have fallen short in providing the kind of sustainable, memorable experiences that today's discerning travelers expect from a luxury hotel.

Service Quality and Amenities:

The resort's failure to satisfy guests' expectations is strongly shown by negative evaluations that focus on the quality of service and the state of the facilities. In a company where satisfied customers are crucial, a drop in service quality may have a dramatic effect on occupancy and referral rates (Ghazzawi., 2017). The antiquated conveniences further reduce the product's attractiveness and competitiveness in comparison to modern options.

Pricing Strategy and Average Room Rate (ARR):

The fact that Seaview's ARR falls from £250 per room in 2020 to £210 per room in 2022 may be indicative of a pricing problem. While a reduction in room prices may entice frugal vacationers, if occupancy rates don't rise in tandem, the hotel may lose money. It suggests that the best equilibrium between price and demand was not found, which likely contributed to the decline in revenue and profitability.

Occupancy Rate Decline:

With the Occupancy Rate dropping from 70% in 2020 to 60% in 2022, business is slowing down. The combination of increasing competition, a misalignment between products and market desires, and the influence of unfavorable reviews on consumer perception has led to this reduction. reduced occupancy rates mean reduced revenue, which puts more of a squeeze on profits (Robbins and Pearce., 2022).

Operational Inefficiencies and High Operating Expenses:

The income statement shows that, despite a drop in revenue, operational costs have remained stable. This highlights possible operational inefficiencies, such as overstaffing, poor resource allocation, or excessive fixed costs (Sabate and Puente., 2021). The company's gross profit and net profit margin took a hit because of its inability to adjust its cost structure to reflect the lower level of sales.

Financial Structure and Debt Burden:

The resort's financial structure is problematic because of its substantial long-term debt of £500,000. Increased interest payments due to a high debt load reduce net income. The resort's declining customer satisfaction and market competitiveness may be exacerbated if its priority is on debt repayment rather than investing in much-needed repairs and enhancements.

The downturn in Seaview Resort's profitability may be attributed to some factors, including increased market rivalry, altering client preferences, problems with service quality and pricing strategies, falling occupancy rates, inefficiencies in operations, and a heavy financial load. To maintain the resort's long-term viability and profitability, a thorough turnaround plan will address all of these issues, with a particular emphasis on repositioning the resort in the market, improving the guest experience, maximizing operating efficiency, and strategically managing the financial load.

Comprehensive Turnaround Strategy for Seaview Resort:

To restore its financial health and recover its standing as a major holiday destination, the Seaview Resort needs a thorough turnaround plan to overcome its current difficulties. Included in this plan are efforts to reposition the company in the market, improve the customer experience, streamline operations, and reorganize the finances.

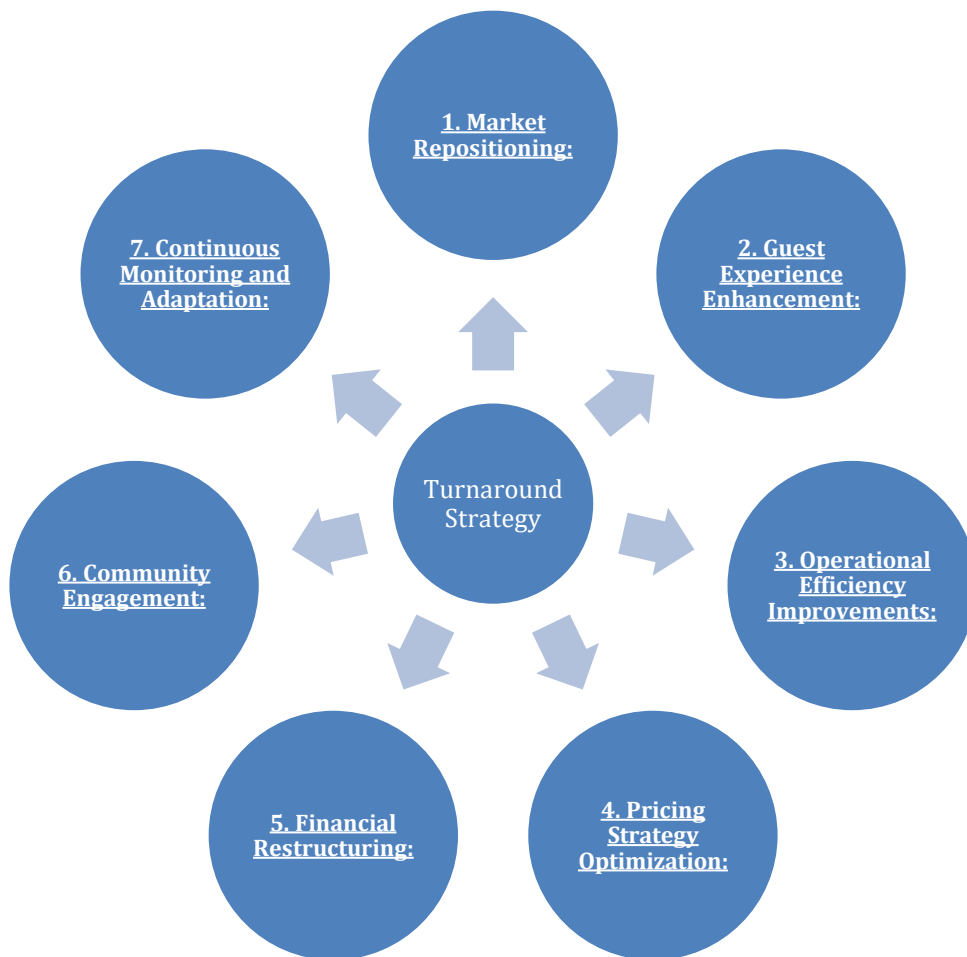


Figure 1: Turnaround Strategy.

Source: Self-made.

1. Market Repositioning:

- **Market Research and Competitor Analysis:** Get a feel for the market and client tastes by doing extensive research (Kliman., 2010). Conduct a comprehensive study of the competition to identify weak spots and develop a strategy for standing out.
- **Rebranding and Marketing Campaigns:** Create a new brand identity that fits well with the growing eco-tourism and experience travel markets. Create multi-channel marketing plans that highlight Seaview's distinctive services and dedication to environmental responsibility.

2. Guest Experience Enhancement:

- **Service Excellence Training:** Improve the level of service provided by investing in extensive employee training programs. Put your attention on people skills, problem-solving, and tailoring your interactions with guests to make an impression.
- **Amenities and Facility Upgrades:** Improve outmoded features and bring infrastructure up to date. To keep up with the times and the sustainability movement, think about implementing eco-friendly initiatives like energy-efficient systems and waste reduction programmes (Atrill and McLaney., 2021).
- **Digital Experience Improvement:** Provide a better digital experience for guests by creating a user-friendly website, booking applications for mobile devices, and digital concierge services. Optimise the check-in process, guest preferences, and interactions via the use of technology.

3. Operational Efficiency Improvements:

- **Cost Management and Process Optimization:** Complete an in-depth assessment of current procedures to find waste. Wherever possible, reduce expenses by adjusting employee quotas, renegotiating terms with key vendors, and simplifying procedures.

- **Revenue Diversification:** Think of ways to bring in more money, such as holding events, teaming up with other companies in the area, or selling bundles. Having many streams of revenue rather than just room rentals is an advantage of diversification.

4. Pricing Strategy Optimization:

- **Dynamic Pricing Models:** Incorporate demand variability, seasonality, and competitors' prices into dynamic pricing models (Sabate and Puente., 2021). Seek to maximise income by striking a good balance between low costs and high profits.
- **Value-added Packages:** Add more value to your hotel stays by offering packages that include activities, meals, and spa services. This method not only improves the entire experience for the visitor but also justifies the higher cost.

5. Financial Restructuring:

- **Debt Restructuring:** Discuss debt restructuring options with lenders; aim for lower interest rates and longer payment periods (Allman., 2013). There will be more leeway in the budget for long-term investments and short-term spending will be reduced.
- **Capital Injection:** Investigate the possibility of receiving supplementary finance via joint ventures, investors, or government subsidies. An infusion of funds may ensure the continuation of necessary renovations, advertising campaigns, and debt payments.

6. Community Engagement:

- **Local Partnerships:** Join together with regional merchants, artists, and tour guides to provide unforgettable experiences for your guests (Brenner., 2019). This benefits the neighborhood and the guests alike, which helps build rapport between the hotel and the locals.
- **CSR Initiatives:** Create and launch CSR activities, such as beach clean-ups, community gatherings, and educational projects. The resort's reputation and visitor loyalty will both benefit from its participation in community events.

7. Continuous Monitoring and Adaptation:

- **Performance Metrics:** Set up metrics to track progress and ensure the turnaround plan is working. Check-in on financial data, customer satisfaction rates, and market share regularly to see how you're doing.
- **Adaptive Strategy:** Always be flexible and responsive to changes in the market. To keep ahead of the competition, it is essential to continuously obtain input from visitors, track industry trends, and adapt the approach appropriately (Sabate and Puente., 2021).

The above-described turn-around approach is designed to help Seaview Resort overcome its many problems. Seaview can begin a journey to not only restore its financial health but also reclaim its reputation as a premier vacation destination by repositioning the resort in the market, enhancing the guest experience, improving operational efficiency, optimising pricing strategies, restructuring finances, fostering innovation, engaging with the community, and maintaining adaptability. The resort's long-term survival and profitability in the competitive coastal market depend on the resort's capacity to execute these strategies successfully, which will attract new visitors and create loyalty among current customers.

Conclusion

The Seaview Resort's financial study reveals the establishment's declining financial health over the last several years. There has been a decrease in revenue, occupancy, and revenue per available room, while there has been an increase in operational costs. Therefore, both gross profit and net profit have drastically decreased. The market trends, customer expectations, operational inefficiencies, and budgetary restrictions are all addressed in the suggested turnaround plan. If these plans are put into action, Seaview Resort will be able to regain its former glory as a premier coastal retreat for visitors in search of rest, relaxation, and opulence.

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