

ASSIGNMENT 2

REVITALIZING THE MIDLAND HAVEN HOTEL: A STRATEGIC TURNAROUND PLAN

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Declaration

I hereby declare that the work contained herein is original and the help of any forms of artificial intelligence or automation in writing has not been sought. Everything is written by me and these papers were also done within compliance with the requirements of my university. All sources that have been used have been cited and I also confirm that this paper does not imply any form of Academic Integrity Policy set by this institution.

Executive Summary

The Midland Haven Hotel shows the deteriorating situation in the hotel industry as evident by reduced revenue, profitability, and customer satisfaction evidenced by. From the financial years 2021-2023 the hotel sector's total sales declined from £ 1,200,000 to £ 950,000 while operating cost rose and gave a net operating loss of £ 150,000 in the year 2023. Low capital, increasing obligations, and poor solvency also explain more of its financial compromise. Some of the reasons include; poor infrastructure in the resort; fall in service delivery in the resort over the years; increased competition from new fashionable resorts; customers' tastes and preferences; and macro- factors; for instance, inflation and post Covid-19 impacts.

The hotel has numerous strengths such as the strategic location, the historical background and well-established foundational framework. These assets are a sound base for revitalization through a broad ranging corporate renewal strategy. Main elements of this strategy include: facility upgrades, high customer satisfaction, new market image and targeting, and increased use of technology in marketing. As a result of cost control, partnerships, and potential funding sources are important for addressing the financial repairing of the hotel.

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Introduction

Midland Haven Hotel was a first-class luxurious hotel in the Midland that once prided in offering its guests relaxation and orator hotel services. It steadily evolved into a destination for comfort-seekers on vacation, dining options, or event spaces. However, the experience of the hotel has been on a downward trend over the last few years. Overall sales, hotel occupancy, and customer satisfaction have declined, leaving the hotel less competitive relative to new generation resorts in the region and changing consumer tastes and preferences. More and more customers complain about amenities' obsolescence and service degradation, which underlines the need for strategy correction.

The purpose of this report is to evaluate the reasons for the decline in Midland Haven Hotel financial performance and develop the strategic management recommendations about reviving it. The method of analysis involves internal and external factors such as actual economic condition of the world.

The subject of the report is divided into the following main section. First, it analyses the financial ratios and the tendencies for the years 2021, 2022, and 2023. Second, key predictors of decline are outlined. This is followed by investigating aspects of revitalization potential and a quantitatively detailed turnaround plan. Finally, the range of findings and practical recommendations for the hotel's and post- COVID-19 period restoration is outlined.

Main Findings

Financial Performance Analysis

Income Statement Analysis

Total income receipts have also reduced dramatically over the past three years from £1,200,000 in 2021 to £950,000 in 2023. There was a reduction by 20.8% which is owed to increased competition from other emerging resorts and shift in consumer attitudes towards newer products and services.

Sustaining cost has been a significant problem as operating expenses have gone up from £900000 in 2021 to £1100000 in 2023 while revenues have been declining. This increase together with falling revenue led to a position in which a net profit of £300,000 in 2021 has

reduced to a loss of £150,000 in 2023. This change from profit to loss puts into view the hotel's ability to break even or make profit.

Balance Sheet Analysis

The total assets witnessed a net decrease from £2,150,000 in 2021 to £1,850,000 in 2023 due to £200,000 depreciation in the property line and drastic reduction in cash from £100,000 to £20,000 only. Such trends illustrate the negative trends in the financial resource trends and the declining asset value.

On the other hand, liabilities have been on the rise over the years. There was an increasing account payable to £50,000 in 2023 from £30,000 in 2021 due to deferred payments of suppliers and uncooperative suppliers. Long-term borrowings have however remained at £1,500,000 demonstrating a limited credit line that can be accessed.

Equity has reduced significantly from £620 000 in 2021 to £300 000 in 2023, a drop of £320 000, that is, a reduction of 51.6%, evidenced the dilution of shareholders' value, and the need for intervention.

Financial Ratios

- **Net Profit Margin:**

- 2021: $(£300,000 / £1,200,000) \times 100 = 25\%$
- 2022: $(£150,000 / £1,100,000) \times 100 = 13.6\%$
- 2023: $(-£150,000 / £950,000) \times 100 = -15.8\%$

The declining margin confirms the hotel's inability to manage expenses relative to revenue.

- **Current Ratio:**

- 2021: $(£100,000 + £50,000) / £30,000 = 5.0$
- 2022: $(£80,000 + £40,000) / £40,000 = 3.0$
- 2023: $(£20,000 + £30,000) / £50,000 = 1.0$

The plummeting current ratio reflects deteriorating liquidity and increasing financial risk.

The financial analysis reveals unsustainable operations, declining profitability, and weakened liquidity, which emphasised the urgency for strategic intervention to reverse the trend.

Key Reasons for Decline

Internal Factors

1. Outdated Amenities Impacting Guest Experience

The hotel continues to lack necessary facilities to meet customers' demands which has been proved by customer complaints on facilities. Gross amenities on the other hand which are outdated within the context of first impression and general appeal of a luxurious industry, are detrimental to the hotel's ability to sustain guest patronage (Efthymiou et al., 2020).

2. Declining Service Quality

A survey of customers reveals signs of deterioration in service delivery, which forms the heart of hospitality business. Little customer satisfaction directly affects business appointments and negative word of mouth from customers affects the number of subsequent appointments in a hotel (El Naby et al., 2024).

3. Management Inefficiencies

In some cases, the decline has been caused by the failure of the management to notice changes in the market and the outcomes of these changes. For instance, the low levels of investment in modernization and the inability to embrace customer-centred approaches point at operational weakness. Further, the increases in the operating expenses without adequate measures being put in place to ensure operating cost is contained call for poor financial management (Kaydos, 2020).

External Factors

1. Competition from Newer Resorts

Midlands have seen modern resort with the facility of modern technology mixed with new ideas in providing services to the customers. These competitors respond well to the

modern traveller expectations which mostly affects the market share of the Midland Haven Hotel.

2. Shifts in Customer Preferences

Over the past few years, there are profound changes according to demand patterns, which seek unique experiences, personalisation, and sustainable tourism (Toubes et al., 2021). The Midland Haven Hotel has not managed to stick to these trends and, thereby, becoming irrelevant to the market.

3. Economic Pressures and Real-World Events

Macro-economic factors have further pulled down the organisation's performance and other key areas that has affected hotel industry (Khan et al., 2020). There is high inflation whereby the cost of operation has gone high, and the patterns to travel have changed as they recover from the effects of the pandemic, choosing anew the best value for their money (Lee and Chen, 2022). In addition, the pandemic affected the hospitality industry greatly, which caused a decrease in the leisure travel such consequences could be observed through lower Average Room Rate (ARR) and occupancy from the hotel (Gössling et al., 2020).

Potential for Revitalization

Competitive Advantages

1. Location and Historical Charm

The hotel is located in the Midlands which is an accessible and picturesque area and therefore the hotel has a great potential to attract customers (Jarratt, 2021). Its historical appeal becomes an advantage over other modern resorts unlike its competitors appeals to heritage tourists and tourists looking for that unique experience that comes with being in a place with some historical significance. The hotel should capitalise on this identify in order to create a niche market in an ever-growing market (Green et al., 2021).

2. Existing Infrastructure and Potential for Upgrades

The hotel has valuable fixed assets in the form of the property it owns as well as the restaurant, bar and banquet facilities it operates. Though these services need

infrastructure upgrade, the basic structures mitigate the calls for extra infrastructure outlay. A few strategic upgrades, comprising the rooms and the technical aspects of the hotel could easily return the hotel back onto the map and enjoy tourists' favour once again.

Financial Viability

1. Cash Flow Concerns

Cash balances are projected to drop from £100,000 in 2021 to just £20,000 in 2023. This creates a problem in serving short-term commitments and provisioning sources for operating enhancements (Nosov et al., 2021). They are pivotal for keeping operations running on a day-to-day basis and for applying the required strategic change.

2. Feasibility of Attracting Investors or Loans

While the revenues have significantly decreased, and the current financial situation has significantly reduced compared to the past, the location and the special ambiance of the hotel keep the external funding interesting. Superior Stake holders with keen interest in the sector may be potential investors willing to invest in the hospitality industry or; financial institutions who provide loan with renovation intention may be a potential source of capital.

Turnaround Strategy

An effective introduction of a turnaround strategy must be set in order for the Midland Haven Hotel to regain its financial stability and public image. The plan will involve operational strategy changes, strategic marketing strategies, organizational restructuring, and approach to customers.

Operational Improvements

1. Modernising Facilities and Amenities

Sustaining funds for the renovation of tired spaces, improving infrastructure, as well as adopting innovative technologies including fast connectivity and wise room attributes. Such changes will make the hotel conform to industry benchmarks and lead to better guest satisfaction (Baquero, 2023).

2. Enhancing Service Quality

Providing diverse staff training activities aimed at enhancing customers' relations and excellent working standards (Blanchard and Thacker, 2023). This will respond to issues highlighted in the reviews and give the guests a warm and fast customer experience.

Marketing Strategies

1. Rebranding and Targeting Niche Markets

Changing the position of the hotel as a heritage tourism or as an eco-friendly tourism attraction (Atidigah et al., 2022). The overall appeal, culinary delights and cultural attractions in promotion strategies should be highlighted and more attention should be paid to a long history and geographical location, appeals to eco-tourism.

2. Leverage Digital Marketing

Organising the content according to the key factors that have to be optimised for enhanced visibility on social media sites, travel portals, and through highly ranked Search Engine Optimisation (Das, 2021).

Financial Strategies

1. Cost-Cutting Measures

Conducting an audit to identify and eliminate unnecessary expenses along with controlling operations to improve efficiency without compromising quality (Shahriar et al., 2022).

2. Explore Funding Opportunities

Seeking government grants, especially those promoting heritage conservation or eco-tourism, and low-interest loans for renovations (Hartenbeger et al., 2022).

Customer-Centric Approach

1. Revised Pricing Strategy

Controlling the room rates to balance affordability and profitability, along with offering flexible pricing models, including seasonal discounts.

2. Loyalty Programs and Personalization

Launch loyalty programs can be given to incentivise repeat bookings (Koo et al., 2020). Personalised services, such as tailored experiences can be streamlined to build strong guest relationships.

Recommendations

Operational Improvements

- Renovating rooms and common areas to manage costs while maintaining operations. Areas such as the lobby and premium suites should be prioritised to maximise the impact (Wei, 2024).
- Training of staffs should be focused during low-occupancy periods to minimise service disruption, and focusing on hospitality standards.

Marketing and Rebranding

- Rebranding the hotel as a heritage destination by incorporating local history and culture into the guest experience. Local artists and businesses can be contacted to create unique offerings.
- Launching a digital marketing campaign, including targeted ads and influencer partnerships, which will increase visibility.

Financial Strategies

- Performing a detailed audit to identify non-essential expenses and implement immediate cost-saving measures (Revsine, Collins and Johnson, 2021).
- Approaching local banks and government programs for low-interest loans to fund modernisation efforts.

Customer-Centric Approach

- Revising pricing with dynamic rates that balance affordability during off seasons and profitability during peak season.

- Introducing a loyalty program with benefits, encouraging repeat bookings and long-term customer relationships (Negro, 2022).

Conclusion

The Midland Haven Hotel had financial difficulties in the last three years; the revenue has decreased from £1,200,000 in 2021 to a projected £950,000 in 2023 as well as a net loss of £150,000 in the last year. Operating costs have increased, while cash and cash equivalents have decreased, both of which show poor internal controls in cost management and weak sources of liquidity. Further, the hotel's ageing equipment, deteriorating service standards and limited ability to adapt to the market trends has deteriorated the hotel's competitive position.

Externally, the threats include increased competition from new generation hotels, change in customer trend through embracing experiences and sustainable tourism, higher costs through inflation and post Covid 19 recovery, among others. However, these threats are manageable while, the Midland Haven Hotel have certain strengths such as the located area, heritage and existing building construction.

It is possible to achieve a turnaround if the hotel addresses the issues surrounding operations, marketing, finance and the customer persona. Achievement will hinge on the ability to mobilize the required amount of capital; having a firm financial control mechanism in place; and successfully reinventing to fit the contemporary market needs. By implementing such strategies, the Midland Haven Hotel can become one of the favourite tourist spots and can work towards financial stability.

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