

Matthew Childs

2128038

Report Case Study: The Seaview Resort

Tristian Hawkins

BMIH5007

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Executive Summary

In a rapidly growing market of UK stays, the Seaview Hotel has seen a 10% decrease in occupancy rates from 2020 to 2022. Due to outdated facilities and unhappy customers they recorded a £47,500 loss in 2022 developing the need for a serious turnaround strategy. This is where the suggestions below look to repair the hotel's reputation and increase bookings thus increasing REVPAR (revenue per available room), leading to increased revenue and higher profits.

One suggestion is to market towards eco-conscious guests by upgrading facilities and practices in order to be more environmentally friendly as well as reducing overall costs for the hotel. Another strategy suggested is to target social media by creating an online presence, with free advertisement to millions of people and creating potential for new guests. Finally, a dynamic pricing strategy, focusing on changing prices determined on different factors such as time of year or local events, looking to increase REVPAR to the maximum possible.

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Introduction

The Seaview Resort owned by Mr Henderson has seen a 10% decrease in occupancy rates from 2020 to 2022 despite the ARR (average room rate) decreasing by £40 over the 2 years. This defies the rule of inflation where prices are expected to increase year on year as costs increase. The current rate of inflation is 6.7% (Bank of England, 2023) meaning that prices should be expected to rise by the aforementioned figure, however Seaview appears to be struggling to attract a demand level which meets supply levels. This could be partly due to reviews based on outdated facilities and declining service. This would suggest the requirement for updated training in order to ensure staff are offering a high level of service which is expected from the high pricing structure averaging £210 per night (2022).

Financial Management

From 2020 to 2022, total revenue has decreased by £90,000 while operating costs have increased by £60,000 leading to a net loss of £47,500 (2020) in comparison to a £78,000 profit in 2020. This shows a huge necessity for a turn-around strategy in order to regain customers and increase total revenue.

One turnaround strategy I would recommend would be promotional pricing. This offering guests deal only pricing in order to increase demand where guests can receive stepped discounts for increased nights stays, a loyalty scheme, with this offering a higher percentage discount for increased nights may lead to guests booking longer stays, thus increasing demand meaning more rooms are filled each night, increasing revenue and also the possibility of up-selling with room upgrades or breakfast packages for example. During low season (winter months), offering heavily discounted rates below the location averages are likely to attract more customers from competitor hotels, thus building customer loyalty if impressed with quality and level of service received.

Yield Management

Hotels are an inventory based business where once the current night is over any empty rooms are a lost income as they cannot be sold again. Therefore operating a Dynamic pricing strategy can be extremely useful for the Seaview Resort, as the hotel is based in a heavily tourist occupied area, charging a higher price for weekends than weekdays can increase potential income for exactly the same service however due to a higher demand a higher price can be charged. In relation to this high season (summer), especially during school holidays, demand will be much higher therefore the hotel can increase prices in comparison to a room in January for example. REVPAR relates to the revenue per available room (Investopedia, 2023), this is the available revenue for each room therefore the higher the occupancy, the higher amount of REVPAR, meaning selling 100 rooms with a REVPAR of £50 would be a revenue of £5000 however if demand is lower and only 60 rooms sold then the revenue would only be £3000.

There are ways in which the Seaview Resort can increase occupancy rates during off-peak periods. During the weekdays, offering a deal price for a whole week stay can increase demand where offers such as pay for 4 nights, receive 3 nights free for example can attract a higher amount of guests and increase occupancy rates for a quieter time of year. The average occupancy rate of 60% in 2022 for the Seaview Resort explains a higher supply than demand meaning that the hotel is losing 40% of potential income. Therefore offering discounted rates with a dynamic pricing strategy during lower demand periods can increase the occupancy rates thus increasing revenue.

Guests

It has been made clear that numerous guests have complained about the level of service at the Seaview resort; this means that existing staff must undergo updated training in order to offer the level of service expected by guests. I would recommend

a customer service course in order to better the level of customer satisfaction with the complaint handling process as well as general guest interaction.

Due to the current cost of living crisis, in the UK the average person has less disposable income in comparison to previous years therefore where people do spend money on a hotel for leisure, guests will expect a satisfactory level of service where they feel they received value for money as with hotels such as Premier Inn or Travelodge.

Competition and Social Media

Seafront resorts are highly populated with hotels with varying prices ranging from £30 per night up to £400 per night (Booking.com). Due to this the market is densely populated with competitor hotels looking to attract guests.

This means for the Seaview resort, with an average price of £210 per night, guests must feel a value for money with facilities on offer, whether this be a spa, or leisure facilities or room service for example. If guests visit the hotel and stay in an outdated room with no facilities or service offered then it is likely they will be disappointed and wish they booked a hotel within a budget hotel receiving the same, if not a better service and value for money.

D.Solnet (2010) suggested that Increasing competition, globalisation, technology, social change and internal weaknesses are the cause for the decline and failure in the hotel sector. This could be one of numerous reasons why the Seaview hotel has failed to succeed over previous years. Therefore, as suggested in reviews, the hotel is outdated and hasn't kept up with the times changing, meaning that an update in systems with online presence could increase bookings, with numerous sites such as booking.com and expedia it is of high importance that the hotel has an online presence on these platforms as well as social media advertising on sites such as facebook and Tiktok. These free advertising platforms are the most frequently used apps within the UK with Tiktok having an estimated 15.9 million users by the end of 2023 Embryo.com (2023). Also Facebook, 44.84 million users within the uk. Social Films (2023). These 2 apps together cover a huge market within the UK therefore

making use of the free advertising available via these platforms can rapidly increase bookings.

UP Hotel (2023) shared that '97% of millennials share photos on social media during travels', thus demonstrating that an online presence can allow guests sharing photos and experiences can be linked directly to the hotels page allowing other social media users to look online and consider booking the hotel.

Due to the Hotel recording a £47,500 loss in 2022, social media advertisement is one of the best ways in order to turnaround the hotel without the need of costly resources, with the likely increase in revenue from advertisement and the possible use of social media influencers by offering complimentary stays in exchange for reviews online, using social media can prove highly profitable for Mr Henderson and the hotel.

SWOT Analysis

Strengths

Location is one of Seaviews biggest strengths with high season, staycationers will look for picturesque locations within the UK. Overnight stays within the uk were 25.1 million in quarter 2 of 2023, VisitBritain (2023), with a huge market for stays the hotel has a real opportunity to take a chunk of the 25 million guests with its fantastic location.

With facilities such as F&B as well as event facilities, the Seaview Hotel can offer business packages for conferences with the potential to fully book the hotel and gain a reputation as a perfect business travellers location with great amenities for them.

Travelperk (2023) reported that the tourism sector is set to reach £257 billion by 2025. Showing the rapid growth of the sector which Seaview is already established allowing them to focus on advertisement and improvements to attract a large proportion of the market.

Weaknesses

Outdated facilities have been noted by guests whom are more likely to opt for newly built hotels, with an average of 5 new hotels opening its doors every day in 2022, Statistica (2022), the market is ever-changing with new and improved facilities pushing their way to the front offering a better quality stay for similar or lower prices.

Opportunities

One major opportunity is to advertise to business travellers who may be visiting for conferences or site visits nearby, by offering superfast wifi, business centres and even Conference Rooms, the hotel is likely to attract a larger customer base. Offering discounts for business solo travellers or group booking discounts to businesses, it is likely that room occupancy rates will increase. 40% of hotel guests in the UK are work travellers (Condor Ferries, 2023) meaning that tapping into the market and advertising to business guests is likely to increase bookings hugely providing the correct facilities are in place. While it may require investment to update facilities and internet facilities, the benefits will outweigh the risk due to the large market saturation of business travellers.

It is proven that customers seek a more eco-friendly vacation with 78% of people in the UK looking to stay in at least one eco-friendly hotel in a year. There are many easy and cost effective changes which the hotel can make in order to advertise as eco-friendly. Providing large bathroom amenities which are refillable as opposed to miniature disposable ones is both environmental as well as cost saving. Also removing daily servicing, offering on request, can save resources as well as electricity and water with washing towels and bedding every three days as opposed to daily which is one move Premier Inn took with a 20% decrease in water usage per guest by 2030. Advertising such visions can attract a more environmentally conscious guest, opening the hotel to a whole new market.

Threats

Once again, new hotels are posing a huge threat on Seaview as facilities are more improved offering a better quality stay for guests.

Only 10% of international travellers visit the coast when visiting the UK, NCTA (2023), meaning demand is predominantly from UK travellers who rely mainly on school holidays and improved weather conditions for vacations from May-September, Rove (2023), meaning there are numerous months when demand can be dramatically low.

Financial Projections

With an occupancy rate of 60% in 2022, selling at an ARR of £210, i would hope for an increase year on year after the changes above suggested have been made of a minimum 5% per year which at the current ARR would be an additional £95,813 in total revenue, with this there is likely to be an increase in revenue for F&B as well as leisure facilities and a possibility for up-selling with room upgrades and F&B packages.

As of 2022 here are the figures of financial standings:

Current Ratio: 1.39

Debt to Equity ratio: 1.28

Return on assets: -0.05

Return on equity: -0.11

These show a necessity for increasing profit by either reducing operating costs or increasing total revenue in order to increase return on assets and return on equity to be positive showing a positive investment.

At the current ARR of £210 using the total costs of £450,000 this would determine the breakeven unit to be 2,143 rooms (expecting costs and room rates remain same).

Hotel Room rates have increased by 13% in 2023 as (Borkar 2023). This means that there is a higher demand, meaning Seaview have the chance to offer their rooms at a slightly lower price than the national average in order to appear at the top of online searches for cheap stays, this increasing REVPAR and also total revenue as well as increasing demand.

Conclusion

Overall, my recommendations to the Seaview Hotel would be to implement a dynamic pricing strategy in order to attract more guests during low season and to choose the right prices in order to meet the demand at one time. Alongside this, as business travellers cover a large segment of the market it is sensible to provide offers and advertisements in order to attract business guests to the hotel with the promotion of fantastic business facilities in which competitors may not offer.

Furthermore, offering a more eco-friendly stay with new policies is likely to both increase bookings from a new customer segment as well as reduce costs faced by the hotel from not being eco-friendly. Alongside this, tapping into the social media market can massively increase possible customers by the use of influencers and free advertisement to reach out to a wider audience who perhaps had not heard of the Seaview Hotel previously.

In conclusion, I believe the Seaview Hotel can be turned around to make a profit in the coming years by using the strategies above, which face a low cost but provide high returns.

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