

**BA International Hotel Management**  
**Module: Financial Management for the Hotel Industry**  
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## **Executive Summary**

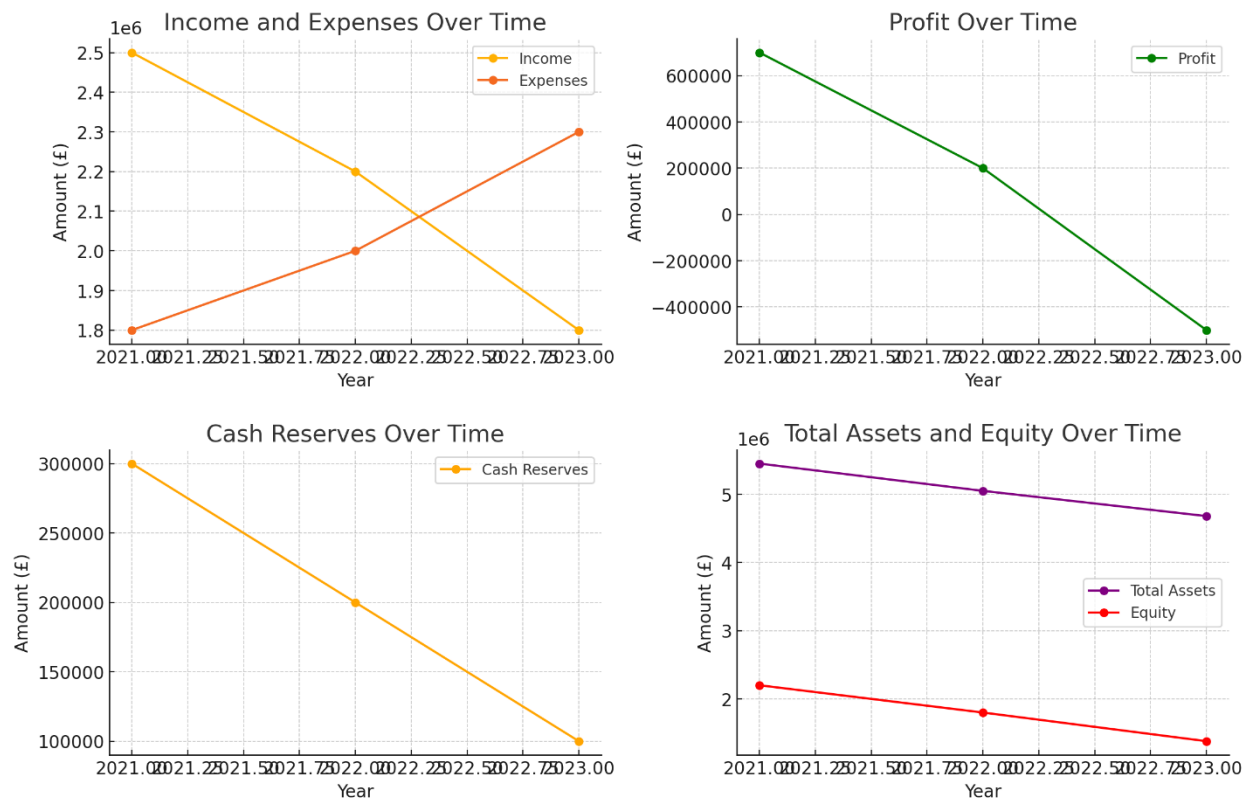
The Urban Heights Hotel's income declined from £2,500,000 in 2021 to £1,800,000 in 2023 due to lower profits, increased operating costs, and worse profitability. Huge 2023 spending generated a £500,000 loss. COVID-19, economic downturns, competition, and other factors are causing hotel budgets to wobble. Poor cost management and outdated procedures increase these issues. The hotel must address these issues. Lowering prices, increasing service, and promoting are examples. A comprehensive recovery strategy must modify how money is earned, boost efficiency, satisfy consumers, and reorganise funds. The Urban Heights Hotel expects that these efforts will help it make money again, increase its market position, and assure long-term financial stability and growth.

## Introduction

The Urban Heights Hotel's three-year financial analysis shows that its income is going down, its running costs are going up, and its profits are going down. The hotel's income, bills, profitability, liquidity, and solvency are all looked at in this report. This report gives useful tips for improving the hotel's image and income. Finding reasons why profits are going down, like economic downturns and practical problems, will help with this. The Urban Heights Hotel might be able to stay open in the tough hotel business with the help of strategic measures and a recovery plan.

## Analyzing Urban Heights Hotel's financial trends

Urban Heights Hotel income has continuously decreased from £2,500,000 in 2021 to £1,800,000 in 2023. This represents a 28% drop from the prior three years. This reduction may be due to lower occupancy rates, more competition, and changing consumer tastes. Airbnb may have deterred clients from staying at established hotels. Economic downturns and exogenous events like the COVID-19 pandemic may have reduced hospitality service demand and revenue.



Source: Author

Income has decreased from £2,500,000 in 2021 to £1,800,000 in 2023. Expenses have increased from £1,800,000 in 2021 to £2,300,000 in 2023. Profit has declined significantly, from £700,000 in 2021 to a loss of £500,000 in 2023. Cash reserves have decreased from £300,000 in 2021 to £100,000 in 2023. Total assets have reduced from £5,450,000 in 2021 to £4,680,000 in 2023. Equity has decreased from £2,200,000 in 2021 to £1,380,000 in 2023. Over the past three years, Urban Heights Hotel running expenses have soared, worsening its financial situation. Operational expenses rose 28% to £2,300,000 in 2023 from £1,800,000. This is significant growth. This trend of spending outpacing income growth is unsustainable and hurts the hotel's profitability. Operational expenses may rise due to inflation, labor costs, and energy costs.

(Ansary, 2021). Rising utility costs may also contribute. Cost management inefficiencies or outdated operational procedures may also be increasing expenses (Revfine.com, 2024)

Due to a drop in revenue and rising running costs, the Urban Heights Hotel has lost money. This indicates a considerable decrease in profitability margins, highlighting the urgent need for intervention to reverse this trend. The hotel's long-term financial and environmental viability is threatened by its failure to generate enough income. Over the past three years, the Urban Heights Hotel's liquidity has worsened, threatening its financial stability. Cash and equivalents, accounts receivable, and the current ratio are declining, indicating liquidity constraints that may make it harder for the hotel to meet short-term obligations (Revfine.com, 2024). Cash reserves fell from 300,000 pounds in 2021 to 100,000 pounds in 2023, limiting the hotel's ability to pay immediate bills or unanticipated events. A decline in accounts receivable suggests problems recovering delinquent consumer payments, which affects cash flow.

Total assets and stock have gone down over the last three years, which shows that Urban Heights Hotel is having trouble paying its bills. The hotel has a lot of problems, not just cash flow. The hotel's total assets dropped from £5,450,000 in 2021 to £4,680,000 in 2023, and its equity dropped from £2,200,000 to £1,380,000. This made people worry about the hotel's funds. Even though the long-term debt is still £3,000,000. If your assets are going down compared to your debts, it could mean that your finances are unstable and that you might have problems with long-term commitments.

### Identifying the reasons behind the decrease in profitability

The economy and real-life events like the COVID-19 spread hurt the business of the Urban Heights Hotel. The environment played a role in this loss.

#### External factor

- Hotel guests and activities are both affected by the economy. Uncertainty and economic downturns can affect how much people spend. When the economy is bad, people spend less, which makes hotels, restaurants, and event holding less popular. The Urban Heights Hotel is losing money because fewer people are staying there, walking by, and buying things. Economies that go through cycles can be hard for hospitality businesses (Thakur, 2007). During economic downturns, businesses must change and put plans into action. Because of COVID-

19, the Urban Heights Hotel has more problems. Because of the pandemic, there are limits on travel, relaxation activities, and hospitality activities around the world. Lockdowns, travel limits, and strict health rules put in place by governments around the world to stop the virus's spread made it harder for the hotel to make money and run its business. The Urban Heights Hotel lost a lot of money because fewer people stayed there, events were canceled, and customers lost faith in the hotel. Because of the outbreak, hotels lost money and had trouble making ends meet.

- The COVID-19 outbreak showed that hotels can be affected by things going on outside of them. The spread came as a surprise and had never happened before. It forced many businesses to change and face new challenges. The Urban Heights Hotel and other companies in the same line of work need to put in place safety measures, change how they do business, and come up with new ways to serve customers that meet health standards. Businesses couldn't make plans because they didn't know how long or how bad the outbreak would be (Soner Gokten, 2017). The Urban Heights Hotel needs to be bold and strategic in order to deal with the unpredictability. The hotel has to deal with COVID-19 and bad economic times.

### Internal Factor

The hotel's profitability margins are declining due to rising operating costs, poor cost management, and antiquated systems.

- The hotel's profitability margins are declining due to rising operating costs, poor cost management, and antiquated systems. Urban Heights Hotel struggles with increased running costs. Inflation, labor, and utility costs have raised operational costs (Hymel, 2022). Operating expenses have outpaced sales growth, lowering profits. The hotel has struggled to control costs and profitability due to increased product and service costs. Poor cost management and resource allocation have hurt the Urban Heights Hotel. Due to inadequate expense management and resource distribution, hotel profit margins are falling.
- The Urban Heights Hotel has struggled because of municipal hospitality sector competition. Rising vacation rentals and boutique hotels have increased pricing competitiveness, eroding business margins (Project Management Institute, 2014). By offering more options and transparency, online travel companies and booking

platforms have expanded market share and cut hotel rates. To succeed in this competitive field, the Urban Heights Hotel must offer value-added services, customized experiences, and smart marketing.

### Customer Satisfaction and Relationships

Any hospitality business needs happy clients and strong relations. The Urban Heights Hotel lost profit due to these relationships and client satisfaction. Poor service, aging structures, and a lack of amenities have affected the hotel's image, turning away tourists (Krishnan, 2019).

- Focusing on customers and providing exceptional service is crucial. Hospitality firms must exceed expectations and provide unforgettable experiences to retain consumers. The Urban Heights Hotel must improve its services, facilities, and amenities to regain guest trust. Proactive guest engagement includes personalized messages, reward programs, and post-stay follow-ups. These boost consumer interactions and awareness.
- Image management is crucial in the digital age. The Urban Heights Hotel must monitor online reviews and respond to guest complaints immediately. By satisfying guests, listening to comments, and correcting issues, the hotel may improve its online reputation and remove poor reviews (Guilding, 2014). Internet marketing that highlights the hotel's unique selling characteristics, exceptional service, and happy guest stays can also attract new customers and increase revenue (Horngren *et al.*, 2018).

### A SWOT analysis

|                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                |
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| <b>Strength:</b> Due to its accessibility, the Urban Heights Hotel draws a consistent crowd. The hotel's long history and brand popularity keep customers coming back (Papp, 2023). Customer satisfaction is enhanced by quality amenities like a restaurant, bar and event rooms. Service-focused staff increase the hotel's reputation. | <b>Weakness:</b> Rising labour and electricity expenses have hurt the hotel's profits. Poor cost control and outdated operational methods have worsened these financial concerns. Old infrastructure and lack of improvements have affected guest satisfaction and competition. The hotel's cash and solvency have diminished, |
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|                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                              |
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|                                                                                                                                                                                                                                                                                                                                       | making upgrades and marketing tougher to fund (Papp, 2023).                                                                                                                                                                                                                                                  |
| <b>Opportunities:</b> Offering events and unique experiences might improve revenue. Digital marketing and social media increase business visibility and audience. Energy-saving and operational-efficiency techniques save money (Papp, 2023). Partnerships with local businesses and celebrities can increase traffic and occupancy. | <b>Threats:</b> Recessions and pandemics like COVID-19 can hurt revenue. Boutique hotels and vacation rentals are raising costs (Papp, 2023). Poor internet evaluations and customer service can hurt the hotel's reputation and repel guests. Inflation and electricity costs endanger financial stability. |

## Market competition analysis

### Competitive Landscape

- Hospitality has recovered slightly from COVID-19.
- Vacation rentals, boutique hotels, and global brands are alternatives.
- First-hand travel rises.

### Market trends

- Individualized experiences are desired.
- Consumers expect smartphone check-ins and online booking as they become more widespread (Daniel, 2021).
- Inflation and labour market dynamics affect corporation pricing and operations.

### Market to Different Clients

- Visitors seeking unique, memorable experiences.
- Event planners need top-notch services and venues.
- Locals seeking culinary and event services.
- Increasing revenue via smart partnerships and events.
- Personalized services and experiences delight guests.
- Grow your audience using digital marketing (Walker, 2021).
- Cutting costs improves efficiency (Daniel, 2021).

## Roadmap to Recovery for transforming Urban Heights Hotel's Financial Performance and Reputation

The Urban Heights Hotel needs an entire recovery plan to get its money and image back on track.

- The hotel should first offer more services and products to make more money. Events, unique experiences, and local business connections can help you gain money outside lodging. Urban Heights Hotel's restaurant, bar, and event space generate revenue. Good pricing and packaging can boost a service's value and revenue per visitor.
- Cost optimization boosts earnings and stability (Walker, 2021). The Urban Heights Hotel should review its cost structure to minimize costs and improve efficiency. These include renegotiating vendor contracts, saving energy, and streamlining operations to cut waste and boost productivity. Cost reduction boosts hotel performance and profits.
- Improving guest experiences is crucial to hotel reputation and retention. For excellent service at every touchpoint, the Urban Heights Hotel should prioritize service excellence and personnel training and development (Zinia, 2023). Improvements can boost hotel facilities and welcome guests. Customer service and exceeding visitor expectations may help the hotel regain premium hospitality status and repeat business.
- The Urban Heights Hotel requires better branding and marketing to attract new customers. Hotel marketing should highlight its central location, amenities, and personalized service. Social media, digital marketing, and online reviews can help the hotel get more guests (Horngren *et al.*, 2018). Urban Heights Hotel must promote its value and competitive advantages to attract new customers.
- Lastly, the hotel's long-term financial health may necessitate major reorganization. Financing debt, renegotiating loan terms, or investing can fund expansion (Drury, 2021b). Optimising capital structure and liquidity can help Urban Heights Hotel survive economic storms.

## Risk Assessment

Designing effective financial management solutions requires risk assessment and analysis for the Urban Heights Hotel. First, this strategy analyses the present financial condition, uses workshop-style brainstorming to produce prospective risks, references past financial stress, interviews internal and external experts, and uses pre-determined financial risk checklists.

- Inflation, labour, and energy expenses raise operating costs, a major corporate issue. If these costs are not controlled, profit margins could drop, sometimes leading in losses. To prevent this risk, the hotel may save costs by saving energy, renegotiating supplier contracts, and improving operations. Keeping some costs while enhancing efficiency may be vital when avoiding high-cost suppliers and outsourcing non-core tasks.
- Market risks including recessions and client demand changes are another issue. Recessions reduce occupancy by 20%, cutting reservations and income (Daniel, 2021). The hotel may obtain insurance to cover market interruption income losses, use flexible pricing methods, target different customer groups, and diversify revenue streams through events and collaborations to overcome this issue.
- Negative internet reviews and irate customers can deter reservations and lower income. Negative reviews cut sales 15% annually (Can Akdeniz, 2015).. To promote guest happiness and brand reputation, the hotel should prioritise quality service, upkeep, and renovations. Online presence and client interactions require proactive service response and reputation management.
- A 20% cash shortfall could impair hotel operations due to liquidity and solvency difficulties. The hotel should optimise its financial structure, keep a big cash reserve, and manage debt to reduce this risk. Maintaining stability requires ongoing financial evaluations and changes, and the hotel should avoid excessive debt and consider financial arrangements to share risk costs with third parties.

## Financial Forecasts due to following strategy

### The Income Statements

- Sales should rise 12% from £1,800,000 in 2023 to £2,500,000 in 2026.
- Cost-cutting should keep operating costs at 2,100,000 pounds.

- Operational profit should reach £400,000 by 2026.

### **Financial Statements**

- Recent investments should increase assets from £4,680,000 in 2023 to £5,200,000 in 2026.
- Equity should rise from 1,380,000 to 2,000,000, indicating profitability.
- The long-term debt will remain at £3 million after repayment.

### **Bank cash flow statements**

- Positive operating cash flow should reach £300,000 in 2026 from £500,000 in 2023.
- Cash reserves should rise from £100,000 to £400,000, improving liquidity (Alma, 2019).
- Improved cash flow handles unexpected bills and investments.

These financial plans aim to keep Urban Heights Hotel competitive in hospitality. The hotel wants financial recovery, operational efficiency, and sustainable expansion.

## Conclusion

The Urban Heights Hotel's financial study shows that it needs to make big changes to fix its problems and make sure it will be successful in the long run. The Urban Heights Hotel can fix its finances and image by finding new ways to make money, lowering costs, making customers happier, and reorganizing. Taking precautions and running the Urban Heights Hotel so well could make it a leader in the hotel industry. The hotel will do better in a market that is active and competitive.

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