

TITLE: CASE STUDY - SEACREST LODGE

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Introduction

The report will provide a critical analysis of the business performance and financial position in the contemporary market of the organisation namely The Seacrest Lodge. The report will further state and discuss the factors responsible for the decline in the profitability percentage of the business over the period. Furthermore, the report will provide strategies, which may enable the business to regain its position in the industry over the period.

Discussion

Financial position analysis

The financial records of the Seacrest Lodge, which span the three-year period, indicate a decline and that may have an impact on both the financial position and the performance of the business during the same period. In the year 2021, the earnings of the hotel made up £1,200,000. In the year 2022, this drop is remarkable, and the amount of revenue was £875,000. The fact that it carries on in such a pattern gives rise to the first questions, relevant for the factors that lead down to the net turnover decrease. An examination of the past three years' income statements reflects a significant decline from the 2021 figure of £300,000 to £150,000 in both 2022 and 2023, which indicates reduced profitability. In addition, changes in the operating expense structure denote the main thing—they are directly associated with those revenues.

Moreover, in the first phase, income declined drastically from £900,000 in 2021 to £950,000 in 2022, but then it went up even higher to £1,100,000 in 2023. This means that the Lodge had shortcomings in expense control, which it was not inclined to and, on the other side, the net income decline may be the direct effect of those problems. Thus, identifying or putting money-saving techniques into practice to improve outcomes and compensate for operating costs will be necessary for the company to boost its efficiency, thereby enhancing profitability. Other critical data regarding the financial position of this facility are represented on the balance sheet. The warning rings out loud when the company's cash is limited from £100,000 in 2021 to £20,000 in 2023. Lots of liquidity withdrawal can lead to a concern about having sufficient capabilities to pay short-term debts and cover daily needs. Moreover, the receivables have also decreased over the years, which may be because of either fewer credit sales or delays in payments from customers.

One of the key asset classes suffered a great decrease of £200,00 or about 10%, from £2 million in 2022 to £1.8 million in 2023. One of the reasons for the fall may be the depreciation, sale of

assets or the loss that arises. Liability management may also be considered as the number of accounts payable has increased over the years from £30,000 in 2021 to £50,000 as of 2023. This may impact the financial position of the organisation as it may find it difficult to settle its short-term debts. However, the existing bonds may still stand at £15,000,000, thus, it becomes crucial to undertake a more advanced debt management review. The other liabilities of the organisation are at an equilibrium and do not provide a significant impact on the financial position of the organisation. However, there has been a significant decline in the equity of the organisation from £620 in 2021 to £300 in 2023, which indicates a drastic erosion of the owner's capital and a decline in the performance of the business over the period.

Increased advantage against equity may risk the stability of the lodge and the owner's dedication calling for a serious examination of factors that have led to such a situation. Regarding the room performance measures, it is the average room rate (ARR) that has decreased consistently for years with its value from £260.00 in 2021 to £210.00 in 2023. Therefore, the falling trend of ARR could perhaps be the cause that resulted in the declining revenue, as the occupancy rates too saw a decrease from 65% in 2021 to 50% in 2023. The link between these metrics indicates a probable need for the strategic price adjustments, effective marketing campaign or full overhaul of the lodge's amenities and services for guests visiting.

The financial performance analysis highlights the main areas, which require immediate action such as revenue generation, cost management, liquidity improvement, and debt restructuring. Such a declining trend in the profitability percentage of the organisation could be possibly due to the changes in the customer taste and market conditions. The management as well as concerned authority should develop business frameworks and strategies which should lead to the reliability of resources and the better performance of the firm. The organization shall also provide members of the staff with many training and learning platforms that will make them more effective in the hospitality sector of the market.

Factors responsible for the decline in profitability and performance

The decline in the profitability of The Seacrest Lodge can be traced to a mix of internal and external factors which also features some real-world events as well as the prevailing economic conditions. An important issue amidst the lodge's financial predicaments is the stiffer competition space in the coastal market (Tan and Despotis, 2021). The coming up of new and more advanced resorts in the neighbourhood has been the reason why guest preferences are

directed to Seacrest Lodge, which over time has declined. Such competitors are most likely to have already in place the contemporary luxuries and services desired by vacationers who have not been forgotten by changing tastes. To keep up with the ever-changing dynamics in the market, Seacrest Lodge nullifies its ability to hold the market share and hence declines the occupancy rates and average room rates.

In addition, real-world events, which include the economies on both global and local levels, also have been a major contributing factor to the financial decline of Seacrest Lodge. The consequences of the COVID-19 breakout on the tourism sector have been a transformation of the entire nature of the industry (Ubeda-García *et al.*, 2021). Travel restrictions, lockdowns, as well as health concerns have contributed to a significant decline in tourism and travel that will eventually reduce the existing revenue streams of Seacrest Lodge. The financial constraints arising from the economic recession caused by the pandemic have led people to reconsider the way they spend, resulting in a drop in luxury travel. As a result, Seacrest Lodge has seen a drop-in occupancy rate, which is reflected in the revenue and profit on the dashboard. Customer reviews, suggestive of the deteriorated service quality and the lack of contemporary amenities, reveal another internal cause of the lodge's financial objectives.

The quality of customer service is crucial in such hospitality sector, while any failings result in painful reviews and a subsequent drop in customer loyalty. By now the dated facilities at the lodge might have already played a role in the less than satisfactory experiences of their customers, which in turn make the guests look for places that meet their modern and aesthetic preferences. To reverse this trend, Seacrest Lodge should invest in upgrading and renovating to match up to the current expectations and customer expectations for the lodging and a positive and memorable stay. The business operation in the lodge is characterized by financial mismanagement as well as the imbalance in the lodge's cost structure when we do the profitability issues. Steep expenses increase year by year without a corresponding decline in income, which means that there is poor cost management. This could be any expenses tied to operations, limited labour efficiency, or other performance issues that are eating up the margins. With the challenging economic condition, proper control of cost becomes a vital aspect.

Seacrest Lodge should do a deep audit of core operations to spot the areas of cost reduction without sacrificing the quality of services. This may improve the general efficiency of operations and boost profitability. The balance sheet also gives information concerning the

level of stressed financial situation experienced by Seacrest Lodge. The substantial decline to £20k of the cash and cash equivalents from £100k in 2021 implies liquidity problems. The ability of the lodge to pay off short-term debts and allocate resources for the necessary improvements is limited. A further indication of the working capital strain caused by an increase in accounts payable is shown. Harmful economic factors like recession and changes of fiscal policies might have reduced the hotel's chances of benefiting from the favourable credit conditions, thus increasing the resort's financial burden (Yenidogan, Gurcayilari, and Tetik, 2021). Liquidity concerns can be taken care of by skilful financial management and/or negotiating producer-friendly contracts with suppliers, both for short-term survival and growth in the future.

The fall in equity from £620,000 in 2021 to £300,000 in 2023 is a significant warning sign of the lodge's diminishing financial capability. Thus, the loss of owners' portfolio value results from factors such as the decline of profitability, the possibilities of asset write-offs, and the possibility of making additional investments (García-Gomez *et al.*, 2021). Preserving a positive mathematical advantage in a tough economic setting becomes a key to survival in the long run. Seacrest Lodge should analyse the possibilities of financial restructuring, for example, having the management or issuing the additional capital or disposing of the non-core assets to have a healthy balance sheet.

Recommended turnaround strategy

The financial health of Seacrest Lodge and its reputation as a leading vacation spot must be revived through a comprehensive turnaround strategy. An all-inclusive market positioning strategy is indispensable to create a cutting edge for the lodge against the competitors. Seacrest Lodge needs to carry out a detailed review of the offerings and the unique selling points of the neighbouring resorts to be able to pinpoint the comparative advantages. It can be the case that these tourism enterprises implement some exclusive packs, personalized services or themed events that are close to the tastes of the target audience (Chambers and Cifter, 2022). Making Seacrest Lodge a highly desirable destination could be enhanced by collaborating with local businesses, such as adventure tour providers, spa services, etc., which will contribute to guest satisfaction.

Enhancement of the service is a crucial element of the strategy of turnaround. The lodge needs to put emphasis on solving the problems that have been raised by the customers in terms of decreasing service quality and old facilities. Implementation of service-oriented employee

training programs can create a culture of hospitality. Hence customers receive attentive and personalized service from the staff (Uyar *et al.*, 2020). At the same time, to equally improve the quality of amenities, such as the decor of the room, some technological upgrades, and recreational facilities, guests' experience will be elevated too. The incorporation of sustainable practices, their alignment with current environmental-friendly trends as well as and the provision of health-focused services are some of the measures that can be taken to adapt to the changes of today's travellers.

The realignment of the financial system is the first step that ought to be done to deal with the current liquidity challenges and rebuild the lodge's financial standing. Seacrest Lodge is suggested to hold discussions with lenders in which they should consider advantageous terms for the present debts, and they could discuss the possibility of postponing repayment schedules or obtaining lower rates. In the meantime, an evaluation of the path toward equity financing or strategic collaboration with a view to procuring funds for renovation and progressive operations (Pereira *et al.*, 2021). Such review of the balance sheet must be adequately consulted in regard to asset sales or write-offs, with the prioritization of asset utilisation and the reduction of financial burden. From the perspective of cost management, an operational audit is a necessary step to auditing performance levels and identifying inefficiencies and areas for cost reduction without the level of quality being compromised.

Therefore, this may involve renegotiating contracts with suppliers, implementing operational process efficiency, and returning energy consumption to minimize utilities bills. Besides, the structure of staffing needs to be revised correspondingly to the occupation of rooms and the demand of the customer which is efficacious for labour costs. Moreover, technological factors can improve operational efficiency by adopting a strategic property management system and customer relationship management tools can be used to expedite reservations and facilitate communication with guests (Ioannidis *et al.*, 2021). An effective marketing and promotional plan are the key to the process of rebranding Seacrest Lodge, a desirable destination for the vacation. It may involve a total refresh of the online presence with an upgraded website, professional pictures, and actionable content that portrays the unique elements of the lodge.

Integrating social media for targeted advertising, social media partnerships, and user-generated content can be a great tool to create buzz and provide access for a new generation of guests (Varadarajan *et al.*, 2022). Special promotions and loyalty programs are great tools to attract return visits and word-of-mouth recommendations, which are important for the reputation of

the company in the market. It is very important to make strategic price adjustments to affect the productivity of occupancy and the decline in the average room rate. Carrying out a thorough analysis of competing prices and market demand may be a determinant of pricing decisions. Implementing price variations, seasonal discounts and flexible booking policies as tools that may be helpful in attracting different kinds of visitors.

Furthermore, it is possible to combine experiences with accommodation packages or special premium options like unique amenities that provide an opportunity for such unique guests to experience their memorable and unique stay in such a hotel (Shahid, and Paul, 2022). To guarantee the effectiveness of these initiatives, Lodge should develop KPIs (Key Performance Indicators) related to customer satisfaction, revenue growth, and operational efficiency. These KPIs may be constantly monitored and analysed, which may make the management team adapt the strategy to the ever-changing market dynamics and customer feedback. Therefore, providing the company with the agility it needs to efficiently respond to the market and customer needs.

Conclusion

In the last three years, Seacrest Lodge has witnessed a worrying financial retreat as there have been diminishing revenues and profitability. The underlying factors include more competition as a result of the prevalence of modern resorts and the consequences of the COVID-19 pandemic on the tourism industry. External factors such as poor internal resources inadequate infrastructure and financial misuse have also contributed to customer satisfaction and operational issues. Therefore, a detailed turnaround plan shall be implemented to prevent this scenario. This involves market positioning based on unique propositions, service amplification, financial reorganisation, cost optimization, market segmentation, and price rebasing and adjustments. The application of these measures is designed to facilitate Seacrest Lodge's refinancing and to retain its competitiveness in the coastal market, requiring a coordinated and responsive approach by all stakeholders.

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