

assignment

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Case Study: The Seacrest Lodge

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Financial Management for the Hotel Industry

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Table of content

Introduction

Market Analysis

- Competitive Landscape
- Shift in Customer Preferences
- Service Quality and Amenities

Financial Performance Analysis

- Trend Analysis
- Ratio Analysis

Identification of Key Issues

- Internal Analysis- Out-of-date facilities
Operational Inefficiencies
Poor Customer Service
- External Analysis- Economic Downturns
Shifts in Travel Behavior
Increased Competition

Report Structure

Turnaround Strategy

- Operational Improvements
- Marketing and Branding
- Financial Management
- Investment in Amenities and Services

Conclusion and Recommendations

- Operational Efficiency and Technology Adoption
- Rebranding and Marketing
- Financial Restructuring and Cost Control
- Amenities and Service Investment
- Sustainability Initiatives

Introduction

Case study perspective

The Seacrest Lodge, previously known for its luxurious accommodations on the picturesque coast, has been highly praised for its outstanding service and peaceful atmosphere. The lodge is well-known for its extensive amenities, such as a distinguished restaurant, a welcome bar and varied event spaces, which appeal to a wide audience looking for both relaxation and luxury. The lodge's success highlighted its importance in the hospitality business and made a substantial impact on the local tourism economy (Christou,2022).

Recently, The Seacrest Lodge has had notable difficulties, including a consistent decrease in important performance metrics like revenue, occupancy rates, and customer satisfaction. Financial analysis indicates a troubling pattern, as revenue decreased from £1,200,000 in 2021 to £950,000 in 2023, while operational expenses exceeded income, resulting in a net loss in the latest fiscal year. Simultaneously, there has been a significant decline in both the average room rate and occupancy rate, from £260 and 65% in 2021 to £210 and 50% in 2023, respectively. Customer feedback has indicated concerns about outmoded amenities and a perceived decrease in service quality, which are affecting the lodge's market position (Hill, Roche and Allen, 2007).

This research seeks to perform a thorough evaluation of The Seacrest Lodge's operational, financial, and competitive environment to pinpoint the key issues behind its decline. The goal is to investigate the feasibility of a turnaround strategy to revitalise the lodge's financial well-being and restore its status as a top vacation spot. This inquiry will analyse the overarching economic and market trends impacting the hospitality industry to generate practical insights and strategic recommendations aimed at improving the lodge's financial situation (Mejjad, Rossi, and Pavel 2022).

Market Analysis

purpose of introduction

- **Competitive Landscape**

In recent years, the coastal resort market has changed significantly due to the rise of new, technologically advanced resorts designed to appeal to a sophisticated customer base. These facilities typically provide a combination of high-end comfort with environmental consciousness, with intelligent rooms, eco-friendly initiatives, and services that align with health and wellness movements. The emergence of contemporary resorts has increased rivalry, prompting conventional establishments to review and enhance their services to maintain their market share (Peters,2012).

The Seacrest Lodge, with its rich history and classic charm, faces the challenge of competing against these contemporary alternatives. The market's shift towards properties that not only provide luxury but also embody modern values of sustainability and wellness has placed traditional resorts at a disadvantage. To remain competitive, it is imperative for The Seacrest Lodge to modernize its facilities and services, aligning more closely with current industry trends and guest expectations (Wijaya, Ni Ketut Widiartini and Made, 2022).

- **Shift in Customer Preferences**

Modern travellers are now looking for personalised and distinctive experiences that align with their interests and values, rather than just a place to stay. This change in preferences involves an increasing need for resorts that provide customised experiences, such as personalised tours, culinary explorations, and wellness getaways. Moreover, there is a significant shift towards environmental sustainability, where customers prefer businesses that show dedication to eco-friendly methods and ethical tourism (Hudson and Hudson, 2017)

Adapting to these evolving preferences is essential for The Seacrest Lodge. The lodge should seek ways to broaden its range of experiences and integrate sustainable practices into its operations. This may include forming collaborations with local craftspeople and businesses to offer distinctive local experiences, investing in eco-friendly technologies, or establishing initiatives to reduce its environmental impact (Legrand, Chen and Laeis, 2022).

- **Service Quality and Amenities**

Customer reviews and suggestions have identified multiple areas for improvement at The Seacrest Lodge. Common concerns are obsolete amenities, subpar service, and a failure to keep up with current living trends. Guests have requested modern room designs, improved digital connectivity, and wellness and exercise services .

It is crucial to address these problems to enhance client satisfaction and encourage repeat business. Enhancing the visitor experience can be achieved by upgrading hotel furniture and technology, providing high-speed Wi-Fi, and introducing wellness-focused activities like a spa, fitness centre, or healthy dining alternatives. Investing in staff training to ensure high service quality and visitor involvement will help distinguish The Seacrest Lodge in a competitive industry, as stated K. Thirumaran, Klimkeit and Chun Meng Tang in 2021.



Financial Performance Analysis

- **Trend Analysis**-Financial data for The Seacrest Lodge during the last three years show a worrying pattern of declining revenue and rising operational expenses, resulting in a negative effect on net income. The revenue has decreased from £1,200,000 in 2021 to £950,000 in 2023. Operating expenses have risen from £900,000 in 2021 to £1,100,000 in 2023. The rising costs and declining revenue have caused the lodge's net income to go from £300,000 in 2021 to a loss of £150,000 in 2023, showing a worsening financial situation. Income decline
Cost Increases
- **Ratio Analysis**-The profit margin decreased from 25% in 2021 to -15.8% in 2023. The lodge's profit is declining since operating expenses are increasing and income is falling. The current ratio decreased from 5.0 in 2021 to 1.0 in 2023. The reduction shows a decline in liquidity, indicating that the lodge may have difficulty meeting short-term obligations with its current short-term assets. Good
The debt-to-equity ratio rose from 2.47 in 2021 to 5.17 in 2023. This significant increase indicates a shift towards using debt rather than equity to finance the lodge's assets. A larger debt-to-equity ratio suggests increased financial risk, as it shows that the lodge relies more on debt to support its operations. Link to Strategies

Identification of Key Issues

Internal Analysis

- **Out-of-date facilities** - Customer feedback indicates discontent with the lodge's amenities, which are considered antiquated in comparison to the newer, more modern resorts nearby. This difference adds to the lodge's decreasing attractiveness to potential guests looking for modern conveniences and pleasures (Rajpal, 2013).
- **Operational Inefficiencies**- The rise in running expenses, alongside declining revenue, indicates inefficiencies in the lodge's operations. The reasons could be attributed to increased maintenance expenses for ageing infrastructure, ineffective resource utilisation, or even mismanagement across many departments (C. Guilding, 2002). Real-World factors
- **Poor Customer Service**- Guest reviews and feedback suggest a decrease in the quality of service. The problem, which includes slow service and poor guest interactions, significantly affects customer satisfaction and loyalty, making it harder for the lodge to keep existing customers and recruit new ones (Hudson and Hudson, 2022).

External Analysis

- **Economic Downturns**- Macroeconomic factors such as inflation, decreased disposable income, and the possibility of recessions have impacted spending on travel and leisure. Downturns can result in reduced occupancy rates as customers reduce spending on non-essential items such as vacations (Maurer, 2022).
- **Shifts in Travel Behavior**- The competitive environment has changed due to shifts in customer tastes towards distinctive and environmentally friendly travel experiences. Travellers are now looking for hotels that provide luxury, environmental sustainability, and genuine local experiences, which The Seacrest Lodge may lack now (Eduardo Fayos Solá, Cooper and Springerlink (Online Service, 2019). Good
- **Increased Competition**- The rise of contemporary resorts providing superior amenities and services has increased competitiveness. The competitors, with their modern amenities and new services, have gained a large proportion of the market, attracting potential customers from established institutions such as The Seacrest Lodge (Morrison, 2022) 4

Turnaround Strategy

- **Operational Improvements-** The Seacrest Lodge must prioritise the improvement of operational efficacy to enhance both its financial health and customer satisfaction. The implementation of novel technologies, such as property management systems (PMS), has the potential to optimise various operational processes, including booking and invoicing, thereby guaranteeing a smooth and satisfactory experience for guests. Furthermore, allocating resources towards staff training initiatives that prioritize the delivery of exceptional customer service can augment visitor contentment, thereby fostering favorable word-of-mouth and increased employee retention (Hayes and Ninemeier, 2019).
- **Marketing and Branding-** Repositioning The Seacrest Lodge in the market requires a comprehensive effort. Revamping the brand image to embody a contemporary, high-end experience in line with sustainability practices might appeal to a wider demographic. Expanding to attract new consumer segments like environmentally conscious travellers and remote workers seeking workcation opportunities might generate additional sources of income. Using digital marketing, particularly through social media and content marketing, can improve exposure and interaction with potential visitors according to Oliveira, 2022.
- **Financial Management-** Alternatives to financial restructuring, such as reassessing creditor terms or exploring fresh financing alternatives, may furnish the lodge with the necessary liquid assets to execute urgent enhancements. Operating expenses can be decreased through the implementation of cost-control measures, such as energy-efficient enhancements and renegotiations of vendor contracts. Financial stability can be further enhanced by diversifying revenue streams via the implementation of novel services, including the provision of spa and wellness packages, as well as the hosting of events and conferences (Ogbeide, 2013).
- **Investment in Amenities and Services-** To remain competitive and meet contemporary market demands, The Seacrest Lodge must allocate resources towards enhancing its amenities and services. This encompasses the integration of intelligent technology into guest rooms to provide customised experiences, the improvement of outdoor areas for recreation and activities, and the integration of sustainable business practices to attract environmentally aware visitors. Additionally, the lodge can distinguish itself from rivals and attract visitors genuine experiences by allocating resources towards distinctive, regional activities (Ransley, Ingram and Adams, 2022).

Market Positioning

5

6

7

Strategy query

Conclusion and Recommendations



The examination of The Seacrest Lodge has unveiled that its present difficulties are the result of a confluence of internal and external elements. Customer dissatisfaction and financial performance have been negatively impacted on an internal level due to obsolete amenities, inefficient operations, and a slide in service quality. The situation has been further aggravated by external factors such as economic downturns, changes in consumer preferences towards contemporary and environmentally conscious travel experiences, and heightened competition from more recent resorts.



Key Recommendations

- **Operational Efficiency and Technology Adoption-** Incorporate innovative property management systems to optimise operational processes and elevate the overall visitor experience. To enhance customer satisfaction, allocate resources towards staff training initiatives that prioritise service excellence (Cannon, Gustafson and American, 2013).
- **Rebranding and Marketing-** Refresh the brand's image to correspond with a contemporary, environmentally conscious luxury resort. Effectively reach and engage a broader range of customers by customising marketing campaigns for each segment (Santos and Silva, 2020).
- **Financial Restructuring and Cost Control-** Consider options for financial restructuring to increase liquidity. To mitigate operating expenses, it is recommended to execute cost-control strategies that centre on energy efficiency and supplier contract renegotiation (Chatfield, Dalbor and Willie, 2009).
- **Amenities and Service Investment-** Elevate amenities to align with contemporary standards by integrating intelligent technology and sustainable methodologies. To differentiate The Seacrest Lodge from its rivals and appeal to patrons in search of genuine travel experiences, it is imperative to curate distinctive, regional encounters (Legrand, Chen and Gabriel, 2022).
- **Sustainability Initiatives-** Embrace sustainability in operations, from energy use to sourcing, to appeal to eco-conscious travellers. Certification in sustainable tourism can also serve as a marketing tool to attract a broader audience (Saufi et al., 2017).

By strategically focusing on these critical domains, The Seacrest Lodge can bolster its competitive standing, optimise its financial performance, and reestablish itself as a preeminent destination. Adherence to these suggestions necessitates a dedicated, strategic methodology that prioritises short-term enhancements and enduring viability.



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Source relevance

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assignment

GRADEMARK REPORT

FINAL GRADE

GENERAL COMMENTS

55/100

PAGE 1

QM

Word count

need to include the word count as well

PAGE 2

QM

Executive Summary

An executive summary should summarise the key points of the report. It should restate the purpose of the report, highlight the major points of the report, and describe any results, conclusions, or recommendations from the report. It should include enough information so the reader can understand what is discussed in the full report, without having to read it.

QM

Report Structure

you need to ensure the structure is correct for a report

PAGE 3

QM

Case study perspective

you have not considered the perspective of this case study, as was discussed in class



Comment 1

not in an introduction



Comment 2

this came from the task description and not from an external source



purpose of introduction

define the purpose of the assignment and how are you going to answer the question. think about using specific examples



Good

Good

PAGE 4



Comment 3

you have identified some of the key issues, but would be better to consider the finances too before doing this

PAGE 5



Income decline

why do you think revenue is going down? consider what is happening in the world and relate it back to economic theory



Cost Increases

what are the causes of this do you think? consider real-world events as well



Good

Good



Link to Strategies

this needs to be linked with your turnaround strategies

Additional Comment

what limitations will there then be as a result of this?

PAGE 6



Real-World factors

you need to consider real world events for this case study. what other factors are there currently that will be impacting costs and revenues?



Good

Good



Comment 4

depends on the target segment. have you forgotten about your experiential tourism?

PAGE 7

QM

Market Positioning Model

you should consider including a market positioning model to help explain what you want the hotel to do?



Comment 5

how will you do this? this needs to be addressed too



Comment 6

will this control the out of control expenses? more investigation required so you have a better idea on what is causing this



Comment 7

is this feasible and part of this strategic point?

QM

Strategy query

is this possible considering the financial "health" of the business, taking into account the current economy?

PAGE 8



Comment 8

separate sections



Comment 9

more detail required for a conclusion



Comment 10

could your recommendations not then focus on long term considerations?

PAGE 9

QM

Format References/Works Cited

The format of this reference list/works cited page is inconsistent (punctuation, alphabetization, and/or indentation). Revise this list so that all citations follow a consistent format.

QM

Referencing Material

any material viewed online needs links and accessed dates, including books and journals. For many of these references, you do not have access to the physical book/journal

QM

Source relevance

check source for its relevance to the topic being written about

QM

Source relevance

check source for its relevance to the topic being written about

PAGE 10

QM

Source relevance

check source for its relevance to the topic being written about

GRADING FORM: FINANCE AS2 SEPT '23

ALINA GRIGORE

55

ENGAGEMENT WITH LITERATURE /10

Your work must be informed and supported by scholarly material that is relevant to and focused on the task(s) set. You should provide evidence that you have accessed an appropriate range of sources, which may be academic, governmental and industrial; these sources may include academic journal articles, textbooks, current news articles, organisational documents, and websites. You should consider the credibility of your sources; academic journals are normally highly credible sources while websites require careful consideration/selection and should be used sparingly. Any sources you use should be current and up-to-date, mostly published within the last five years or so, though seminal/important works in the field may be older. You must provide

evidence of your research/own reading throughout your work, using a suitable referencing system, including 20 in-text citations in the main body of your work and a reference list at the end of your work.



You have shown evidence of research and further reading from a variety of relevant sources which is good. More care with some of your citations

6

KNOWLEDGE & UNDERSTANDING /20

Knowledge relates to the facts, information and skills you have acquired through your learning. You demonstrate your understanding by interpreting the meaning of the facts and information (knowledge). This means that you need to select and include in your work the concepts, techniques, models, theories, etc. appropriate to the task(s) set. You should be able to explain the theories, concepts, etc. to show your understanding. Your mark/grade will also depend upon the extent to which you demonstrate your knowledge and understanding. Guidance specific to this assessment: Display a clear understanding of the key reasons behind the decline in the business, along with the financial implications and create a potential solution/turnaround strategy.



You have demonstrated a good level of understanding and have presented your data well, but there needs to be greater analysis and evaluation of the data

12

COGNITIVE AND INTELLECTUAL /40

Guidance specific to this assessment: accurately analyse the financial performance of the business from the provided data and provide the financial ratios that will enable you to make informed decisions on potential turnaround strategies.



You have considered some of the external factors impacting the business, but this needs to be done in more detail and linked back to the financial analysis, which is the basis of your turnaround strategies. You need to be able to justify your strategy, and look at what theories or models you have been taught that could have helped in this

22

PRACTICAL SKILLS /20

Guidance specific to this assessment: you will need to consider contemporary trends and themes that are occurring within hospitality industry today, as well as demonstrating an understanding of current socio-economic realities which are currently impacting the UK.



Although, you have demonstrated some understanding, you need to consider more current real-world factors and apply them. You need to be referring to concepts taught in class, such as supply, demand, market positioning etc and use models to help explain concepts or aid you with presenting your work, such as the Bowman's Strategy Clock for market position and a model on growth strategy, such as Ansoff matrix would be beneficial.

8

TRANSFERABLE SKILLS /10

Guidance specific to this assessment: You should write a report in a recognised format. All writing should be academic style, formal, focused, concise and subject specific. It should use a font of Arial 12 point or Times New Roman 12 point, and have 1.5 line spacing. All graphs, charts, and figures in the main body must be clearly referenced beside or beneath. Where possible they should not be on separate pages but should be incorporated within the text.



Your work is coherent and formatted well,
however you are missing an element to your
report.

7