

BMIH5007 Ass2. final Seacrest Lodge

by Jusna Khanom

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Business Report

Case Study: The Seacrest Lodge

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Executive Summary

Case study perspective

Seacrest Lodge, a renowned establishment nestled along the picturesque coastline, has recently faced a downturn in revenue, occupancy rates, and customer satisfaction. In response, this report delves into the lodge's current challenges and proposes a comprehensive turnaround strategy to rejuvenate its financial health and restore its reputation.

Financial Analysis:

An analysis of Seacrest Lodge's financial performance reveals concerning trends, including declining revenue, fluctuating operating expenses, and swings in net income. Balance sheet changes indicate liquidity challenges and erosion of the lodge's value over time, necessitating strategic interventions to address these issues.

Market Positioning and Branding Enhancement:

Utilising Porter's Five Forces framework and the Ansoff Matrix, the report recommends enhancing the lodge's market positioning and branding to differentiate it from competitors. Creative marketing campaigns and digital engagement strategies are proposed to showcase Seacrest Lodge's unique offerings and attract more guests.

Staff Training and Development Programs:



To tackle declining service quality and outdated amenities, the report suggests implementing comprehensive staff training and development programs. By investing in employee growth and job satisfaction, the lodge can rebuild trust with customers and improve its reputation in the market.

Sustainable Practices:

Introducing sustainable initiatives such as energy-efficient technologies, waste reduction programs, and local sourcing can mitigate environmental impact and demonstrate corporate social responsibility. These efforts not only align with consumer preferences but also contribute to cost savings and enhanced brand image.

Experiential Elements:

By curating unique guest experiences aligned with current trends favouring sustainability and environmental consciousness, Seacrest Lodge can address challenges related to declining service quality and negative reviews. This approach fosters guest loyalty and positive word-of-mouth, leading to improved financial performance.

Conclusion:

In conclusion, the report emphasises the potential for Seacrest Lodge's revitalisation through proactive implementation of the recommended strategies. Effective leadership, collaboration, and ongoing innovation will be crucial for achieving success in the competitive hospitality industry.

Recommendations:

While turning around the lodge remains the primary objective, alternative options such as repurposing the property into rental accommodations or selling/leasing it to another hospitality operator should be considered if the turnaround proves unfeasible. These options offer opportunities for adaptation to changing market conditions and potential recoupment of investments.

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Introduction:

Situated along the scenic coastline, Seacrest Lodge has long been synonymous with luxury and relaxation. However, recent years have seen a concerning decline in revenue, occupancy rates, and overall customer satisfaction. In response to these challenges, the business has enlisted the assistance of an expert to assess the viability of implementing a turnaround strategy.

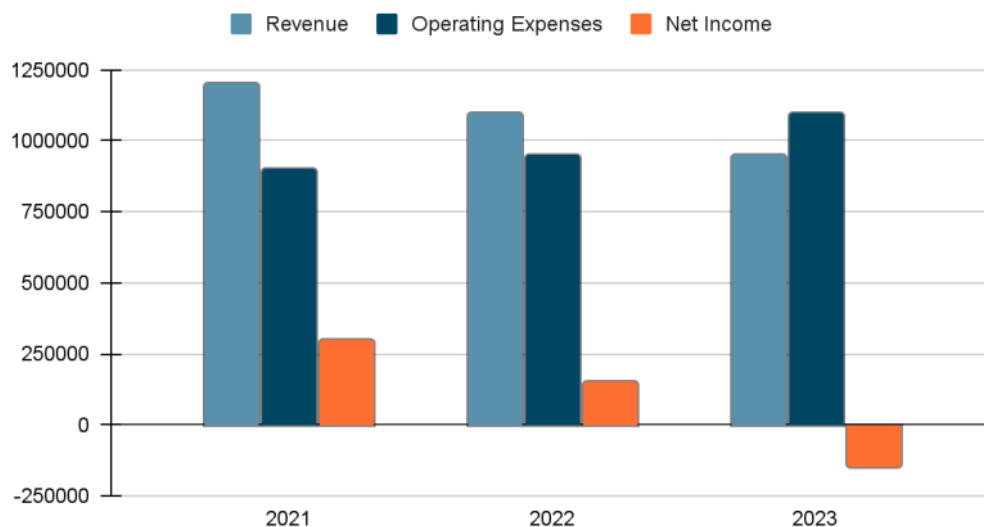


This report investigates the current status of The Seacrest Lodge, an establishment situated along the coastline facing substantial hurdles within an evolving hospitality sector. Within this context, the report explores the contributing factors behind the lodge's diminishing customer satisfaction, declining market presence, and financial challenges. From staffing constraints to evolving consumer preferences and the post-pandemic blues, the analysis delves into the issues impacting The Seacrest Lodge's operations. Through an examination of these challenges, the report aims to provide insights and recommendations to steer the lodge towards rejuvenation and sustainable growth in the hospitality industry.

The Seacrest Lodge's financial performance over the past three years

Figure 1

Income Statement (in GBP)



Revenue Decline: As indicated in figure 1, revenue has steadily decreased. This indicates a diminishing topline performance, which is a critical indicator of the lodge's overall health and viability, highlighting potential challenges in **supply, demand and pricing strategies**.



Operating Expenses: The graph indicates operating expenses have fluctuated. While some variability is expected due to operational needs and market conditions, the increasing trend suggests inefficiencies or cost escalation that may need to be addressed.

Cost Increases

Net Income Swings: The most alarming aspect of the lodge's financial performance is the swing in net income from a healthy £300,000 profit to a significant loss of £150,000 in 2023. This indicates a substantial deterioration in profitability over the three year period.

Balance Sheet Changes:

- **Cash and Equivalents:** A notable decline in cash reserves indicates potential liquidity challenges.
- **Property and Equipment:** This section reflects not only the lodge's assets but also its asset turnover ratio, which provides insights into asset utilisation and efficiency. While there has been a slight decrease in the value of property and equipment, it's crucial to consider factors such as depreciation and market value fluctuations.
- **Equity:** The significant decrease highlights the erosion of the lodge's value, which raises concerns about its solvency and long-term financial stability. Exploring the debt-to-equity ratio may provide valuable insights into its future financial structure, helping to understand the balance between debt and equity financing and its implications for the lodge's financial health and stability.

Average Room Rate (ARR) and Occupancy Rate Trends:

There is a clear declining trend in both the average room rate (ARR) and occupancy rate over the three year period at The Seacrest Lodge, indicating potential pricing pressure or struggles to maintain rates amidst heightened competition or shifting market dynamics.

The diminishing revenue and occupancy rates reflect a mismatch between supply and demand dynamics, necessitating a reassessment of pricing strategies and market positioning. The declining ARR and occupancy rates reflect increased competition from the resorts' other accommodation options in the area, with competitors offering lower prices, better amenities, or more attractive packages, drawing guests away from The Seacrest Lodge.

Good

Primary reasons for the decline in profitability

Economic Uncertainty and Inflation:

Figure 2



(UK Parliament, 2024)

Figure 2 depicts the UK's cost of living crisis, exacerbated by pandemic-related impacts and disruptions to global supply chains since 2021 (UK Parliament, 2024).



External factors such as the COVID-19 pandemic and Brexit have significantly disrupted the hospitality industry, affecting Seacrest Lodge's operations and financial performance. Similarly, Brexit-related uncertainties, including labour shortages and regulatory changes, have added operational complexities and financial strains. [Expand on comment](#)

The Russian invasion of Ukraine has further intensified these pressures, with companies halting operations in Russia due to economic sanctions and reputational risks. This caused shortages in Ukrainian exports, disrupting agricultural commodities leading to global food price hikes

(Council of the EU and the European Council, 2023; Hourston, 2022). Gas prices have also been severely impacted, as Russia reduced fuel sales to Europe.

Recent attacks by Houthi rebels in Yemen meant rerouting numerous vessels to longer and more expensive routes resulting in increased shipping costs (Berman, 2024).



Keynesian Economic Theory (2023), helps understand the impact of economic factors on business profitability. Rising inflation, supply chain disruptions, and economic uncertainties have adversely affected Seacrest Lodge's financial performance. Inflationary pressures increase operating costs, while supply chain disruptions disrupt inventory management and procurement processes. These economic challenges erode profit margins and limit the lodge's ability to invest in growth initiatives.



To mitigate these challenges, the government has implemented measures such as the Energy Bill Relief Scheme, which provided discounts on wholesale gas and electricity prices, aimed at providing stability to businesses. Further relief measures on business rates for eligible firms were introduced. While there is not much the Seacroft Lodge can do to solve the inflation issue, exploring eligibility for these schemes could help alleviate some financial pressures.

Intense Market Competition:

Seacrest Lodge operates in a highly competitive market characterised by several modern establishments in the resort offering similar amenities and services. Using Porter's Five Forces framework, can identify the competitive rivalry among existing players as a significant driver of the lodge's declining profitability. The presence of numerous alternative accommodation options puts pressure on Seacrest Lodge to differentiate itself and maintain competitive pricing strategies to attract guests. Moreover, fluctuations in supply and demand dynamics further intensify the competition, requiring Seacrest Lodge to continuously adapt its offerings to meet changing market conditions. Failure to effectively compete in this crowded market has led to a loss of market share and reduced revenue generation.

Good

Shift in Customer Preferences:

Kotler's Model of Consumer Behaviour (2019), highlights the importance of understanding and adapting to changing consumer preferences. Modern travellers seek unique and immersive experiences beyond traditional accommodation offerings. Seacrest Lodge's failure to align its services with evolving consumer demands, such as experiential activities and sustainable practices, has resulted in decreased customer satisfaction and loyalty. To address this, the lodge must tailor its offerings to meet customer expectations. Good

Declining Service Quality and Outdated Amenities:

The Service Quality Gap Model (2023), provides insights into the disparity between customer expectations and perceived service delivery. Customer reviews indicate dissatisfaction with Seacrest Lodge's service quality and amenities, suggesting gaps in meeting guest expectations. Outdated facilities and subpar service standards contribute to negative guest experiences, leading to reduced repeat visits and word-of-mouth referrals. To rectify this, the lodge should invest in infrastructure upgrades, staff training, and service excellence initiatives to bridge the quality gap and enhance guest satisfaction.

Risk Management

Turnaround Strategies for Revitalising The Seacrest Lodge

Market Positioning and Branding Enhancement:

- Utilise Porter's Five Forces framework (2024), to analyse competitive dynamics and identify areas where the lodge can differentiate itself from competitors.
- Leverage the Ansoff Matrix (2024), to explore growth opportunities, such as market penetration, product development, market development, and diversification, to expand the lodge's market reach.
- Develop creative and compelling marketing campaigns that showcase The Seacrest Lodge's unique selling points, such as its scenic surroundings, tranquil ambiance, and authentic local experiences.
- Utilise a mix of digital marketing channels, including social media, email marketing, and search engine advertising, utilising the Attention, Interest, Desire, Action (AIDA) (2023), to reach and engage with potential guests.
- Monitor key performance indicators (KPIs) such as brand awareness, customer engagement, and conversion rates to measure the effectiveness of branding and marketing efforts.



The enhancement of market positioning and branding presents a strategic solution to numerous challenges confronting Seacrest Lodge. These include heightened competition, dwindling revenue and occupancy rates, unfavourable customer perceptions, outdated amenities, and market saturation. The utilisation of the Ansoff Matrix, encompassing market penetration and development strategies, plays a pivotal role in guiding this strategic approach. Seacrest Lodge can distinguish itself amidst competitors, draw in more guests, enhance customer satisfaction and loyalty, communicate upgrades to amenities and services, and emerge as a standout entity in a saturated market.

Staff Training and Development Programs:

- Conduct a thorough training needs assessments to identify gaps in knowledge, skills, and competencies among staff members.
- Design customised training programs tailored to the specific needs of different departments, incorporating adult learning principles and experiential learning methods to enhance knowledge retention and skill acquisition.
- Implement performance management systems to track employee progress and provide ongoing feedback and coaching, drawing on theories of motivation and performance appraisal.
- By adopting Maslow's Hierarchy of Needs (2024), and fostering a culture of continuous learning and development by offering opportunities for professional growth and advancement, utilising career development frameworks and succession planning strategies.
- Establish reward and recognition programs to incentivise high performance and reinforce desired behaviours.
- Create channels for open communication and feedback between management and staff, using theories of organisational communication to improve morale and engagement.

Implementing staff training and development programs would directly address the issue of declining service quality, highlighted by negative customer reviews and decreasing customer satisfaction. Moreover, investing in staff training and development would also contribute to staff recruitment and retention by demonstrating the lodge's commitment to employee growth and job satisfaction. This proactive approach to staff development can help rebuild trust with customers and improve the lodge's reputation in the market.

Sustainable Practices:

- Implementing energy-efficient technologies and practices such as LED lighting, motion sensors, and energy-efficient appliances can significantly reduce energy consumption and lower utility bills.
- Setting up recycling bins throughout the lodge for guests and staff to separate recyclable materials can help reduce waste sent to landfills. Additionally, implementing composting programs for organic waste can further minimise environmental impact, complementing the lodges CSR initiatives.
- Installing low-flow taps and showerheads, fixing leaks promptly, and promoting water-saving habits among guests, such as reusing towels and linens, can help conserve water resources and reduce water consumption.
- Sourcing products and supplies from local and sustainable suppliers can reduce the lodge's carbon footprint and support the local economy. Additionally, choosing eco-friendly and biodegradable products can minimise environmental impact.
- Engaging with the local community through volunteer programs, partnerships with environmental organisations, and support for community initiatives can demonstrate the lodge's commitment to sustainability and foster positive relationships with local residents.

Implementing sustainable practices at the lodge addresses several issues identified in the previous section. By adopting environmentally friendly initiatives, the lodge can mitigate its environmental impact and demonstrate a commitment to corporate social responsibility (CSR). This not only aligns with evolving consumer preferences for sustainable tourism but also enhances the lodge's reputation and brand image. Additionally, engaging guests in environmental education and awareness programs can foster a sense of community and responsibility, further enhancing customer satisfaction and loyalty. Furthermore, reducing utility bills through lower usage of lights and water, as well as implementing recycling programs, will contribute to cost savings for the lodge.

Experiential Elements:

- Enhance guest experiences by curating unique and immersive activities that showcase the lodge's natural surroundings, cultural heritage, and local cuisine, drawing on principles of experience design and storytelling.
- Collaborate with local artisans, tour operators, and cultural institutions to offer authentic and memorable experiences that differentiate the lodge from competitors, leveraging concepts of co-creation and destination branding.
- Continuously innovate and iterate on guest experiences based on feedback and market trends, using design thinking methodologies to prototype and test new ideas before full-scale implementation.
- Invest in staff training and empowerment to deliver exceptional service and create emotional connections with guests, applying theories of service excellence and emotional intelligence.

By incorporating experiential elements aligned with current trends favouring sustainability and environmental consciousness, the lodge can successfully tackle challenges such as declining service quality, negative reviews, and customer satisfaction. This approach guarantees that each guest interaction is positive and memorable, fostering enhanced loyalty, positive word-of-mouth, and ultimately, improved financial performance for the lodge.

Conclusion:

In conclusion, Seacrest Lodge faces significant challenges that necessitate a strategic response to ensure its viability and competitiveness in the hospitality industry. The recommended strategies encompass branding enhancement, staff training, sustainability practices, and experiential elements, offering a holistic approach to address the lodge's current issues. Ultimately, success will require effective leadership, collaboration, and a commitment to ongoing innovation. By carefully considering all available options and implementing the recommended strategies, Seacrest Lodge can navigate through these challenges and emerge stronger in the ever-evolving hospitality landscape. However, it's essential to acknowledge the financial limitations that may hinder the feasibility of a complete turnaround.

Recommendations:

Although the lodge has faced considerable  11 changes, it is not beyond redemption. However, it is essential to acknowledge that such efforts require significant time and financial investment. The prospect of turning around the lodge may prove unfeasible and financially burdensome, exploring alternative options becomes necessary.

Repurposing:

Repurposing the property offers a strategic response to evolving market conditions and consumer preferences, notably the burgeoning trend of Airbnb accommodations. Diversifying into rental properties enables the lodge to access new revenue streams and reach diverse customer segments. For instance, transforming the lodge into rental properties or residential units can appeal to both long-term tenants and Airbnb enthusiasts seeking accommodation in the area.

Selling or Leasing:

Selling or leasing the property allows it to exit the hospitality business while potentially recouping some of the investment. By transferring ownership or management to another hospitality operator, the property could benefit from fresh perspectives, new management strategies, and additional resources. A new operator may have the expertise and financial resources to implement a successful turnaround strategy and reposition the lodge in the market.

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BMIH5007 Ass2. final Seacrest Lodge

GRADEMARK REPORT

FINAL GRADE

GENERAL COMMENTS

62/100

PAGE 1

PAGE 2

QM

Case study perspective

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



Comment 1

your turnaround points should not have their own sections in here.

PAGE 3

PAGE 4



Comment 2

why present this as a table? it does not look good

PAGE 5



Comment 3

what is the purpose of this report and case study? what is the perspective of the case study and therefore, how should this be approached and written?



Comment 4

this was given to you, so you could understand the situation of the case study.

PAGE 6



Comment 5

such as what?



Cost Increases

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

PAGE 7



Good

Good

PAGE 8



Comment 6

how does this relate to the situation?



Expand on comment

Expand on this comment. Why? How?

PAGE 9



Comment 7

how does that impact the hotel?



Comment 8

can you be more specific? which parts of the hotel will be impacted by these?



Good

Good

PAGE 10



Good

Good



Risk Management

you need to be applying the risk management process to this:

identify and assess the risks for their severity, followed by deciding on how to deal with them or if you even can deal with them, based on your analysis of the finances.

PAGE 11



Comment 9

this is what you should be doing and then suggesting



Comment 10

how will they do this and would this be the right option?

PAGE 12

PAGE 13

PAGE 14

PAGE 15

PAGE 16



Comment 11

these cannot be recommendations as they go against what your report has done. you cannot propose a turnaround and then recommend selling the business.

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PAGE 18

PAGE 19

PAGE 20

GRADING FORM: FINANCE AS2 SEPT '23

JUSNA KHANOM

62

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 the consistency of how your references are written

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 could be greater analysis and evaluation of the data with regards to specifics

13

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.



Your turnaround strategies are reasonable, however they need to be linked back to your financial analysis and justified as to why they are the best option moving forward.

26

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.



You have attempted to use models and theories in your work which is good, however they could have been presented better to help with the explanation.

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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, however key sections need to be better written and put the case study in the right context

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