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Introduction

Cost management denotes a key function that includes processes that are necessary for maintaining effectual fiscal control of business projects (Hansen, Mowen, and Heitger, 2021). It is simply the process of approximating, allotting as well as controlling the costs of a business project. Strategic cost management, on the other hand, refers to the process of plummeting the overall costs while at the same time improving the strategic positioning of the business so that it can continue leading in the market. It entails having a meticulous understanding of what costs support a firm's strategic position as well as what costs either weaken or with no impact (Ferreira and Oliveira, 2020). Strategic cost management is reported to have become even more important during the Covid-19 era because it helps organisations increase costs that support a firm's strategic position while and reduce or eliminate costs that either weaken or have no impact on the organisation.

Using the case of HarriotHotel, the paper aims at assessing which costs ought to be increased, reduced or even eliminated to help the firm maintain its leading market position. Besides, the essay aims at providing robust justifications for the decisions made whilst indicating whether every item is a variable or fixed cost.

Demonstration of a Clear Understanding of Various Cost Structures

In the world of business, a cost structure denotes types and comparative proportions of variable as well as fixed costs that a business incurs (Accountingtools.com, 2018). What this means is that the cost structure is made up of two main categories of expenses that include fixed as well as variable costs both of which are, in return, defined by some other small elements of expenses

(Annapoorna, 2021). The fixed costs, in that case, denote those expenses of items that remain constant or unchanged despite the volume of goods as well as services (Yuan, Luo, and Shi, 2021). The variable costs, on the other hand, refer to expenses that fluctuate in proportion to the volume of production (Liu and Tyagi, 2017). The cost structure is a concept that is further explained in relation to smaller units; hence the phrase "various cost structures (Szewieczek, 2017)." Examples of such smaller units include product, product line, service, division or a geographical region as well as customer, among others (Annapoorna, 2021). Ideally, the cost structure is defined by different costs that a business incurs in relation to each cost object hence the point of having various cost structures discussed below:

Product cost structure – under this cost structure, there are cost items that fall either under the category of fixed or viable costs. The fixed costs under this kind of cost structure include manufacturing overhead as well as direct labour, whereas the variable costs include production supplies, direct materials, piece-rate wages and commissions (Accountingtools.com, 2018).

Service cost structure – Among the key notable fixed costs under this type of cost structure is the administrative overhead, whereas the variable costs include staff wages, payroll taxes, bonuses and travel as well as entertainment costs (Annapoorna, 2021).

Product line cost structure – the fixed costs under this type of cost structure include manufacturing overhead, direct labour, as well as administrative overhead (Accountingtools.com, 2018).

Consumer cost structure – The worth noting types of fixed costs under this category of cost structure include warranty claims as well as the administrative overhead for the customer service. The variable costs, on the other hand, can include expenses related to products returned, early

payment discounts are taken, and costs of products as well as services sold to the customers, among others (Annapoorna, 2021).

Nonetheless, there is quality evidence from the available literature sources that it can be challenging to define some of the aforesaid costs. Thus there might be an increased need for the execution of an activity-based costing project for the purpose of assigning costs to an apt and/or closing cost structure of each cost item more closely (Accountingtools.com, 2018; Annapoorna, 2021).

Critical Assessment of the Impact of Various Types of Costs on a Business Performance

In the field of business management, the cost structure is recognised as one of the most important aspects worth understanding when it comes to the profitability as well as the overall performance of a business organisation (Kumar, Routroy, and Mishra, 2018). According to Taube (2018), in particular, the cost structure is so central when it comes to the survival and the overall performance of every firm because it is through it that companies are able to change or rather adjusts their competitive posture accordingly, thus maintaining or sustaining their strong competitive advantage in terms of progressively enjoying more market shares. Such alteration of the competitive posture of an organisation by adjusting its cost structure does not just entail changing the total cost but also the adjustments between components of the fixed as well as variable costs (Annapoorna, 2021). This ideology or concept is relevant or rather applicable when it comes to the case study presented about Harriot Hotel in some ways. In other terms, there are some costs that Harriot Hotel, through its management, should consider increasing, reducing or even eliminating for the purpose of helping the company maintain their market-leading position despite the high level of complexity or rather the countless challenges characterising the

contemporary business environment following the recent pandemic of Covid-19 that broke out worldwide, thus forcing many nations across the globe to impose lockdowns and other stringent regulations/rules that have really crippled the very same industry of hotel and tourism in which Harriot Hotel is operating.

One of the types of costs that the hotel needs to decrease in the project cost breakdown for the UK to enable the company to keep up with its expansion strategy in terms of even increasing its room capacity in the current area of focus, Mainland China, is the Employees' wages (Kumar et al., 2018). From the presented case study, it is evident that Harriot Hotel spends a quarter of its total generated revenue on wages, something that is worth questioning during the current worldwide pandemic of Covid-19. This particular cost item may be comprised of elements of both fixed and variable costs. This is the case since the hotel can consider compensating the junior/lower employees such as housekeepers as well as front desk clerks in terms of hours worked, thus translating into variable costs. For the senior employees with higher compensation, on the other hand, the hotel can consider putting them on fixed terms contracts hence the reduction of fixed costs (Kaushal and Srivastava, 2021). On average, the wages paid to senior employees outweighs that which is paid to the workers in the lower positions meaning that the better percentage of the employees' wages is kind of fixed. Therefore, it is advisable for the company to consider cutting down employees in the senior management positions either by coming up with redundancy packages to offer them or even utilise the Furlough scheme availed by the government of the UK.

The other type of costs that the hotel ought to reduce is expenses related to housekeeping as well as cleaning supplies. According to the projected cost breakdown for the division in the UK, Harriot Hotel is estimated to spend about 8.3% of total generated revenue on housekeeping and cleaning supplies. Again, this cost does not make sense at this unusual time of Covid-19 whereby

the total sales are low due to the low number of customers visiting the hotel. Similarly, this cost item may be comprised of elements of fixed as well as variable costs since the expenses related to direct materials and piece-rate wages can be reduced by cutting down the supply of direct material and/or by negotiating with the suppliers to reduce the piece-rate wages, thus translating to variable costs. Fixed-term contracts for suppliers of direct labour, on the other hand, maybe considered hence the fixed costs (Parker, 2020).

The only type of cost Harriot Hotel may consider increasing is the advertisement expenses. As per the projection, the company spends 12% of its total revenue on the advertisement which is relatively high, but the hotel should consider allocating more resources to this area to reach more customers and get them on board in terms of convincing them to purchase products and services of the hotel. Considering that the company is focusing on expanding more in Mainland China, more advertisement is paramount in getting more customers on board. This cost item may also comprise elements of variable and fixed. Increasing the number of ads targeting new customers translates to variable costs whereas buying more permanent/fixed infrastructure, instruments or tools to be used in the new advertised translates into fixed costs.

Identification of Various Types of Costs

In general, the various types of identifiable costs that can help a business organisation and, in particular, Harriot Hotel to maintain its leading market position once increased, reduced or eliminated include the staff wages, administrative overhead, travel and entertainment as well as bonuses (Kumar et al., 2018). Other types include expenses related to direct labour, administrative overhead, manufacturing overhead, production supplies, commissions as well as direct materials, among others.

Conclusion

The paper concludes that the future of the UK hotel industry looks complex and difficult for firms to maintain their leading position in the global market. It is, therefore, recommendable for Harriot Hotel to consider increasing and reducing various costs to maintain its leading market position. Among the key recommendations in terms of cost items to reduce include employees' wages and expenses related to housekeeping and cleaning supplies. Definitely, the reduction or elimination of employees' wages and expenses related to housekeeping and cleaning supplies to the hotel is reduced operation costs hence more profitability. The possible con of the same, on the other hand, is that the hotel is likely to lose important resources, especially human resource. The recommended cost item that the hotel should increase is advertisement costs. The advantage of this is that the hotel will reach out to more customers whereas the possible disadvantage of the same is the increased costs.

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