

Financial Management for the Hotel Industry (BMIH5007)

Report Case Study: The Seaview Resort

Student: Orsolya Nagy-Fodor

Student Number: 2126671

Student e-mail: 2126671@student.uwtsd.ac.uk

Lecturer: Tristan Hawkins and Jaliya de Silva

Word count: 1853



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

200
1822 - 2022

Executive Summary

Economic and technological changes create new market conditions. Globalization and environmental protection require the rethinking, adaptation, or complete rethinking of business model designs. Investments and keeping with travel trends are cost money, and that means businesses need to think about how they going to finance those additional costs next to operational expenses.

Technology-based and sustainable, low-cost companies are transforming the industry and significantly changing the way profits are made. The more competitive the market, the more important a comprehensive and unique business and financial plan is.

After the precise definition of the target audience, only the most attractive offers should be put together for money-value purpose, and appropriate marketing should be carried out, as well as making sure that presentation of the services and the reservation of the hotel are easily accessible.

The market is an open book for everyday user of the Internet. All information is available “at the push of a button”. The interest is continuous, the competition is huge. Potential customers start looking for deals and lower prices months before their trip. The best way to arouse their interest is to show what the Hotel offers for their money thru digital marketing.

The young traveller and adventure-loving audience can be aroused with great photos and detailed reviews, and those who want to have a great vacation are willing to pay more in exchange for unforgettable service and trendy, local, authentic programs.

Contents list

Introduction p 4

Analysation..... p 5-8

Conclusion p 9

Recommendation p 10

References p 11-14

Introduction

There has always been a lot of competition in hospitality. The travel audience decides about a particular hotel based on various aspects. Hotels must decide which target group they want to attract, and they have to adjust their offer and marketing accordingly in order to reach them.

The hotel owners Mr James Henderson leading the facility to make sure guest are relaxed in luxury environment on seaside. In his lead the total revenue was £520,000 in 2020 but it turned down to £430,000 for 2022. In the meantime, the business operating costs are grown. In addition, the room prices have decreased slightly due to the interest shown in us. With this tendency its clearly the Hotel need help, otherwise they are not able to function in future.

First, let is consider the hotel's strengths, it is located on the beach in a wonderful environment, it has been operating for years and is well known by the traveling public. Unfortunately, however, the interest in the hotel has decreased as it is perceived as outdated, and this has led to a decrease in revenue.

Given that new trends are appearing on the market, the interest of customers may be aroused in the rooms again, but this opportunity requires investment and a new business perspective so it means reducing of cost of expenses and cut costs for current also long term stability, carefully planned budgeting and marketing strategy, for example, offering new services, an environmentally conscious, modernized building, and travel packages can lead to a growth in business in long term view.

Analysation

The Hotels total revenue was £520,000 in 2020 at 70% occupancy rate, that numbers changed for £430,000 total revenue next to 60% occupancy rate in 2022. Between the two financial years, It shows 82.62% loss of profit after the hotel rooms, however the operational costs are increased 115.38%.

To keep customers still engaged in the hotel, Mr Henderson decided to lower the room prices compared to 2022 (it was average £250/night in 2020) and putting on £210 but it does not affect the occupancy rate as it was still less. That technique clearly wasn't helpful according to the financial situation. Also, but it is explaining how businesses trying to survive in current global economic situations when all the bills, cost of living put more expenses on all people.

Netto Profit Margins on the business was 15% in 2020 than it suddenly changed to 8% in 2021 and then 4% at the end of 2022 year. Typically, a small family business working around 7-10% Netto Profit Margins. The hotel should reach higher Netto Profit Margins with higher total revenue and more Net Profit as before. (Investopedia, 2022)

Current ratio of the business is about the liquidity of the money they have as assets or liabilities. In 2022 the current ratio is 1.39:1 (assets:liabilities) because this two number are very close it means this business is struggling and their opportunities and assets tight to cover even short-term debts, shouting for help.

Because of this percentage it is clear the Hotel make less profit operating with higher cost, so it leaves less profit at the end of business years and at 2022 cost are affecting net profitability. (Siteminder, 2023)

While in 2020 the profit was £78,000 it dropped dramatically to £17,500, it means the Hotel lost 77.57% of its profit over the past two years.

To reach to cover higher operational cost with lower room price the hotel needs to sell more room, but it is impossible with decreased customer's interest.

To increase sales digital platform as website is a minimum essential, how people find the hotel otherwise. We must define our target market, the target group that the business wants to attract based on age, gender, location and budget. Mr Henderson's Hotel is primarily aimed at the well-off business class looking for a luxurious and relaxing vacation, in addition to this, favourable family or relaxation packages should also be offered, for example, with the exception of rooms that do not face the sea or the booking destination falls in the season.

Travelers are checking prices and services online before booking a hotel. Booking.com and Expedia sites are very good examples of these, where in addition to being able to compare prices and services, you can also read reviews from previous guests. It's easy to find the hotel through the surf on internet, so it's extremely important to get the discount with good pictures and a description, with the offer of various price packages and last-minute discounts. (Cloudbeds, 2022)

Rethink cost for example manage less busy periods with less staff. Digitalisation can reduce cost if it comes to long term view. Online check in and smart reception can take the place of human receptionist. Online booking system over website of the hotel will provide short notice booking or immediately available services. (Operto, 2022)

The pressure comes from more than half of the companies in relation to working in a corner-conscious manner. The conscious and decisive buyer is very popular. The trend for a sustainable future and a healthy planet has stood out for a long time and it shows connection between sustainability and customer engagement. (Chung, 2020)

Consumers are looking for products that have environmentally friendly packaging, made on organic farms, or businesses that use energy and water efficiently. They prefer to eat in restaurants that use handmade and quality ingredients.

Investors also see more fantasy in those companies that focus on long-term sustainability and tailor those foundations to their individual needs. In any case, I would classify it as a risk-reducing policy, such as insuring existing properties against damage or unexpected weather conditions. The hotel is located on the seaside.

United Kingdom is affected by storms and miserable weather conditions, as vis major natural disasters or damages can be effective ruin the hotels operations. To avoid from those extra costs recommended to have protective insurance. (Allianz Travel, 2023)

Sustainability and going green or eco-friendly means businesses try to leave the smallest environmental impact during the operations. The main elements are included waste management, saving energy, and reducing water usage. With eco-friendly system the Hotel able to serve all the customer requirement with low environment damage also lowering their cost it is a win-win system. (Cognizant, 2023)

Ideas how to turn the Hotel eco-friendly:

- Reducing plastic usage offering own branded water bottles, it functioning as marketing material also
- Using water bottle refill station instead of vending machines,
- Using local farmers products for food and beverage, less packaging, lower delivery cost,
- Also, menu can be seasonable depending on harvest period
- Educating staff to think and act green for example making less food waste or recycle properly
- Placing additional racks to bathrooms to encouraging guests reuse towels.
- Build a roof garden on the top of the hotel
- Room light sensors and smart water showers
- Organic ecofriendly furniture in the rooms
- Reusable coffee mugs instead of paper or plastic
- Compost system and return food donation to charity programs or food bank
- Use energy saver light bulbs
- Eco-friendly cleaning products and linen washing methods

(Eid, Agag, & Shehawy, 2021), (Business News Daily, 2023)

Working together local companies are not just also beneficial to support each other's growth. To engage not just passive but active tourists can be a great opportunity to cooperate with local equestrian centres or sports and tour clubs. (Perić, Vitezić & Badurina, 2019)

In addition to the season, we can also make the hotel attractive to local businessmen by organizing conferences and business meetings or organizing local events.

Looking at the prices of our competitors in gold, I recommend buying a similar category, but in exchange for extra service, which is always attractive when you get something for free or as a gift for example room upgrade if its available or provide additional low-cost facility as Joga room. (Webrezpro, 2023)

In terms of usability, the rooms are constantly noisy, sharp, and contradictory. It is worthwhile to risk overbooking, making sure that few of us are likely to fail.

Conclusion

The main aim of this business plan is to increase the popularity of the Hotel on the market. Market is a constantly changing platform. New businesses are opening with great concepts and with amazing architect design. The competition is high such as customers' expectations. A whole industry is working on to create new ideas and unforgettable moments for hotels guests and nowadays its more than providing accommodation and breakfast. They need adventures, they want great photos and have a taste of local cuisine, visit places which are responsible about sustainability and ecofriendly operations. (Cvent, 2023)

In case of highest popularity will mean higher occupancy and more revenue for the hotel. Also, in the meantime the hotel should rethink of operating expenses to reduce costs and achieve higher profit. This means to replan the fix and variable cost for example waste management, using local products, changing broadband company, staffing. (British Business Bank, 2023)

As the market preferences are changed based on customers reviews to get their attention back the facility and leaderships must be modern and trendy.

Relaxing holidays are the past, traveller audience are more likely to spend their vacation where they can have unique experiences, great environment, and responsible business for eco-friendly aspects even if its cost more. (Casado-Díaz, Sellers-Rubio, Rodriguez-Sanchez, Sancho-Esper, 2020.)

Popularity of social media and influencer generations are losing their mind to post about journey experiences on social media platforms. (Forbes, 2022)

It can be a good and zero cost marketing to spread the fame of the Hotels wonderful uniqueness. (Hotel Minder, 2023)

Recommendation

The current operation of the Hotel cannot be maintained. Without change, the accommodation cannot operate and generate profit based on financial data results achieved in 2022. Customers attention is declining.

If Mr. Henderson is thinking about renovating the hotel, I would recommend the involvement of a second owner, so with the help of his capital, further possibilities would open up.

Cash is always needed for new investments and modernization, but I would not burden the business with further loans, as their repayment would be burdensome in the future. The main aim is to stay stable on market for long term requires long term solution. Effective and smart cost structure, new services, strong marketing, and restyle of the business view would be the key points.

The co-owner would be responsible for the existing loan portfolio and could help with the success of the business with new insights and experience. Investors thinking in the long term view they see the future in sustainable business and and think it is a way to mitigate risk complications. (Forbes, 2023)

Mr Henderson should consider if He would continue to maintain a family run business atmosphere or prefer to belong a multi-company. My recommendation is to spend money on Hotel Seaview to make money from the hotel. Mr Henderson should find an investor partner as soon as possible. (Littlehotelier, 2023)

Those hotels who are in private hands on the market represent a completely different value system on the market than the multi-chain stores. Overall, these are value-based control hotels, so their performance is greater than a calculation-based control and multiple hotel performance. (Monteiro, Malagueño, Lunkes & dos Santos, 2022)

The reason for this is that the family is more involved so they can show more uniqueness and make flexible decisions. (Arcese, Valeri, Poponi, & Elmo, 2021)

For long term view I would suggest to take further loan to refresh the look of the building outside and to build additional apartments on the land.

References

Arcese, G., Valeri, M., Poponi, S., & Elmo, G. C. (2021). "Innovative drivers for family business models in tourism." *Journal of Family Business Management* 11(4), 402-422.

Casado-Díaz A. B., Sellers-Rubio R., Rodriguez-Sanchez C., Sancho-Esper F. (2020). "Predictors of Willingness to Pay a Price Premium for Hotels' Water-Saving Initiatives." *Journal of Travel & Tourism Marketing* 37 (7): 773–84.

Chung, K. C. (2020). "Green marketing orientation: Achieving sustainable development in green hotel management." *Journal of Hospitality Marketing & Management*, 29(6), 722-738.

Eid, R., Agag, G., & Shehawy, Y. M. (2021). "Understanding guests' intention to visit green hotels." *Journal of hospitality & tourism research*, 45(3), 494-528.

Monteiro, J., Malagueño, R., Lunkes, R. J., & dos Santos, E. A. (2022). "The effectiveness of value-and calculation-based management controls in hotels." *International Journal of Hospitality Management*, 102, 103156.

Perić, M., Vitezić, V., & Badurina, J. Đ. (2019). "Business models for active outdoor sport event tourism experiences." *Tourism Management Perspectives*, 32, 100561.

Online References

Allianz Travel (2023)

Available at:

<https://www.allianztravelinsurance.com/travel/planning/natural-disasters.htm>

(Accessed on 10th November 2023)

British Business Bank (2023)

Available at:

<https://www.british-business-bank.co.uk/finance-hub/business-guidance/sustainability/sustainable-business-ideas-for-small-businesses/>

(Accessed on 10th November 2023)

Business News Daily (2023)

Available at:

<https://www.businessnewsdaily.com/5102-green-business-ideas.html>

(Accessed on 10th November 2023)

Cloudbeds (2022)

Available at:

<https://www.cloudbeds.com/online-travel-agencies/best/>

(Accessed on 10th November 2023)

Cognizant (2023)

Available at:

<https://www.cognizant.com/us/en/publications/deep-green-report-on-business-sustainability/>

(Accessed on 10th November 2023)

Cvent (2023)

Available at:

<https://www.cvent.com/uk/blog/hospitality/increase-hotel-occupancy>

(Accessed on 10th November 2023)

Forbes (2022)

Available at:

<https://www.forbes.com/sites/laurabegleybloom/2022/04/27/the-new-trend-traveling-with-instagram-influencers/>

(Accessed on 10th November 2023)

Forbes (2023)

Available at:

<https://www.forbes.com/sites/sap/2023/01/31/sustainability-trends-2023-goodbye-greenwashing-hello-business-results/?sh=6eb100cc2205>

(Accessed on 10th November 2023)

Hotel Minder (2023)

Available at:

<https://www.hotelminder.com/how-to-promote-your-hotel-on-instagram>

(Accessed on 10th November 2023)

Investopedia (2022)

Available at:

<https://www.investopedia.com/articles/personal-finance/093015/whats-good-profit-margin-new-business.asp>

(Accessed on 10th November 2023)

Littlehotelier (2023)

Available at:

<https://www.littlehotelier.com/blog/increase-your-revenue/hotel-investment/>

(Accessed on 10th November 2023)

Operto (2022)

Available at:

<https://operto.com/hotel-labor-costs/>

(Accessed on 10th November 2023)

Siteminder (2023)

Available at:

<https://www.siteminder.com/r/hotel-financial-statements/>

(Accessed on 10th November 2023)

Webrezpro (2023)

Available at:

<https://webrezpro.com/how-to-sell-hotel-rooms-without-offering-discounts/>

(Accessed on 10th November 2023)