

# 3 Factors affecting hospitality operations in travel and tourism organisations

The success of a hospitality provider is affected by several issues both internal and external. These can be assessed by means of **SWOT** and **PEST** analysis, terms which you may recall from other areas of your course, particularly marketing.

## Key terms

**SWOT** – analysis of the Strengths, Weaknesses, Opportunities and Threats of an organisation. Strengths and weaknesses are internal, threats and opportunities may be internal or external depending on their nature.

**PEST** – analysis of the Political, Economic, Social and Technological factors affecting an organisation.

## 3.1 Internal factors

### Products and services offered

The range of hospitality products and services offered is determined by management and, as we have seen, varies to meet the expectations of particular customers. The range is subject to change as customer needs are not static and change according to fashion and current trends. These, in turn, are part of the external environment of the organisation.

### Brands

This can be an internal factor as large groups have many different brands and may be in competition with each other. For example, Accor Hotels offer brands at different market levels – the Ibis, the Mercure and the Sofitel hotels – targeted at different types of customers. However, a customer travelling to London has all these brands open to them, so the brands are in competition to an extent.

### Pricing strategies

Again, prices are pitched at the needs and expectations of different customers. However, all hotels measure their success by an average room rate achieved. This means the revenue achieved by the hotel divided by how many rooms they sold.

Last-minute deals are always offered in hotels as an empty room does not make any money. Always ask 'Is that your best price?' when you make a late booking for a hotel. The rate will often be reduced.

## Promotional strategies

You have studied promotion on your BTEC course and so you are aware of the complexity of planning strategy. This will be undertaken by head office in the case of a group but local promotions might be undertaken by local management with a set budget. Smaller establishments, such as independent restaurants or guest houses, undertake their own activities and they are likely to consist of fairly simple things such as promotion through the local tourist office or placing local advertising. Many establishments choose to have their own websites and they may update and host these themselves or employ web managers, depending on their expertise.

## Location

The location affects hospitality operations as a convenient location should mean good customer flow and high occupancy rates. Restaurants must either be of such high repute that customers travel specifically to them or else they must be in convenient town-centre locations.

## Image and appeal

Customers choose a hospitality provider on the basis of its reputation. A brand is built up over a period of time by having high levels of service and good quality products. For restaurants, popularity is affected by reviews. Once it is established, bookings flow and the restaurant is able to command high prices and be discerning about who is allowed in.

Sometimes, several of these internal factors are combined to attract customers and increase profitability. Hilton is one of the world's most famous hotel chains. It offers a range of different packages. However, sometimes these packages need to be adapted to appeal to local customers. An example is the provision of murder mystery breaks at its hotel in Dartford Bridge; these include a three-course dinner along with the entertainment.

## 3.2 External factors

### Legislation

In some companies the Human Resources department is responsible for ensuring legislation is complied with. The department needs to be aware of the latest legislation, as new legislation might make it necessary to set up special training to ensure staff comply with it, or changes to legislation might affect recruitment. Examples of such legislation include the Disability Discrimination Act 1995 and 2005, which makes it unlawful for providers of goods, facilities or services to discriminate against members of the public on the grounds of disability. This also relates to employment. Smaller organisations, for example guest houses, may use organisations such as their local Chamber of Commerce or Business Link to help them ensure they comply with legislation. They must be aware of health and safety legislation, fire regulations, food regulations and licensing laws.

### Economy

The UK hotel industry turns over about £27 billion per year but is affected by economic issues, including exchange rates, which impact on tourist arrivals. When the pound is strong against the dollar and the euro, tourists are less likely to visit the UK as they find it expensive. Fewer visitors results in rooms being let for lower rates and in lower room-occupancy levels.

In addition, the domestic economy affects bookings. People are less likely to take leisure breaks and eat out when their disposable income is reduced through factors such as higher interest rates or increased taxation.

### Availability of skilled workforce

Much of hospitality work is part-time. This might be a good thing in terms of flexibility for employees but the work is also low paid and often seasonal. Employers are allowed to top up wages with tips so that the minimum wage is met, in spite of strong criticism from trade unions. The employers argue that food and accommodation are often provided for workers and that this should be taken into account when setting wages.

#### Did you know?



According to the People 1st State of the Nation report 42 per cent of hospitality work in hotels and 50 per cent in restaurants is part-time – compared with only 25 per cent across all industries.

These factors cause recruitment difficulties and jobs are often taken by those who have difficulty finding work in other sectors, such as refugees and people with few basic skills, or those for whom English is a second language. Having workers who have problems communicating in English, or lack other basic skills, impacts on customer service and hotels and restaurants often have to keep people lacking such skills away from customer-facing activities, giving them, for example, kitchen work. Even there, a lack of English may cause other problems as instructions on catering and kitchen products cannot easily be read.

As there is a high turnover of staff in this sector there is a need for constant training to cover existing and replacement staff. However, if good quality training were available it would be expected that staff retention would improve. Some businesses, encouraged by organisations such as **People 1st**, have understood this and managed to reduce staff turnover and recruitment costs by providing relevant training.

#### Key term

**People 1st** – the Sector Skills Council (SSC) that represents the hospitality, leisure, travel and tourism sector on skills matters, to optimise skills funding and to identify and endorse suitable training provision.

Other organisations encourage training, for example the British Institute of Innkeeping has developed a qualification which will eventually become a requirement for new pub tenants.

Many organisations offer on-the-job training leading to work-based learning qualifications in hospitality and catering.

## Competition

New businesses open and close as organisations merge or dispose of assets. These factors affect hospitality providers as they can mean more or less business.

## Accessibility

If a hospitality provider is not accessible, it will not attract business – a restaurant off the beaten track has to be excellent to warrant a difficult journey. Accessibility does not just relate to location. Some restaurants are deliberately exclusive, for example The Ivy in London and often are not generally accessible.

## Proximity to markets

Proximity is closely linked to accessibility. A coffee bar must be centrally located for passing trade. Hotels are often near motorways, airports or exhibition centres to attract business people.

## Current trends

Customers' expectations change according to current trends. These may be legally imposed, such as the smoking ban, or be related to health or fashion, for example the desire to eat more healthily. Hospitality providers must be aware of trends and provide products and services in anticipation of them.

### Assessment activity 20.3



Joshua Kintuck runs a pub in a small village in Suffolk. His partner is Spanish and a superb chef. She specialises in Catalan dishes, particularly fish dishes. Over the last ten years she has built up a reputation and people flock from far and wide to eat in the pub. On Friday and Saturday nights it is impossible to get a reservation without booking weeks ahead.

Although the business is successful, it is not an easy life as the Kintucks take only one day off a week and rarely find time to visit their grown-up children. Besides running the business and ordering and preparing the food, they have to hire and train staff. To attract staff, Mrs Kintuck advertises in a London listing magazine. She has had some excellent young people who have come to the UK to learn English. She has trained them as much as she has time for, particularly in food safety. Unfortunately, they do not always stay very long as there is a limit to the attractions of the countryside. This leads to a further round of recruitment and basic training. Some of her staff are from outside Europe and Mrs Kintuck has found it difficult to understand all the regulations regarding the employment of non-Europeans.

Another problem facing the Kintucks is the change in licensing laws. They still close promptly at 11 p.m. and do not wish to open longer. Although the law, which came into force in November 2005, does not mean they are forced to open longer, they are under pressure from a few customers to do so.

They are also worried about the smoking ban, but they have provided more outside tables and gas heaters and haven't noticed any change in custom.

- 1 Explain how internal and external factors impacting on the pub/restaurant business in general affect their operations. **PE**
- 2 Assess how pubs and restaurants have responded to internal and external factors affecting their operations. **ME**

Present your findings orally to your group.

Make sure that you cover the full range, referring to the content and assessment guidance in the unit specification for the detail required.

### Grading tips

**PE** You should explain at least two internal and two external factors affecting hospitality provision in general and then demonstrate your understanding by explaining how selected factors affect this business.

**ME** You should focus on the actions that hospitality providers have taken as a result of internal and external factors, following on from **PE**. You should research real examples. Copies or examples of promotional material could be included to support assessment.

### PLTS

By exploring issues from the perspective of the pub owners, you will be practising your **independent enquirer** skills.



### Functional skills

In presenting your findings to your group and practising speaking skills by making an effective presentation, you will be developing your **English** skills.

