

Midwest Hotel Ltd

The Midwest Hotel Ltd was opened in 2002. Located in Galway, the business was an instant success due to its location, facilities and the value it gave its customers. Within two years the hotel employed 150 full-time staff and 40 part-time staff, who were employed on short-term contracts as required for functions and conferences. From 2002 until 2009 sales and profits increased each year. The business had no difficulties in meeting its loan repayments. Working capital was never a problem and all bills and financial commitments were paid on time. However, from 2009 the volume of business declined due to the downturn in the economy. During this period some smaller and less profitable competitors ceased trading as they couldn't afford to compete.

David O'Byrne is the Midwest's Human Resource Manager and is responsible for all personnel issues, including recruiting full-time and contract employees, motivating, training and performance appraisal, plus any other related matters. The five star hotel was established to attract high-income customers, corporate functions and exclusive foreign tour operators. The marketing plan specifies how the marketing mix is used to achieve sales and profits targets. The plan also shows how the hotel responds to market trends in relation to customer requirements and competitors' responses. As well as traditional marketing and advertising, the hotel promotes itself extensively on global internet sites.

Since it opened for business in 2002 until 2009 the directors were happy with sales and profits. In 2010 sales fell by 35 per cent due to a big decline in conference business and foreign tourists due to the global recession. A request for staff to accept a 20 per cent wage reduction was refused. Increases in energy costs and interest rates have also impacted negatively on profits. The hotel industry has also suffered as a result of some hotels getting into financial difficulties and drastically reducing their prices just to survive.

A recent report from the Irish Hotels Federation clearly indicates that, unless costs are reduced, many hotels will not survive. The Midwest's board of directors have arranged a special board meeting to consider the situation and what options to implement.

Questions

- (A) Outline four responsibilities of the Human Resource Manager in Midwest Hotel Ltd. (20 marks)
- (B) (i) Explain what is meant by overtrading and its relevance to this business. (10 marks)
- (ii) Discuss the relevant economic variable that affects the business. (20 marks)
- (C) How can the marketing mix be effectively used to promote the business. Refer to the text. (30 marks)

Total 80 marks