Think Ahead ACCA

STRATEGIC BUSINESS LEADER

PRE-SEEN INFORMATION

Applicable for the December 2025 Exam

Contents

1. Introduction

Levwell plc ('Levwell') is a hotel chain in the country of Essland. Levwell owns and operates 35 high-quality, four-star (4*) hotels, located throughout Essland.

Levwell's target market is primarily leisure guests.

2. Hotel industry information

Overview

Hotels provide short-term accommodation to people who pay to stay in a hotel room. People staying in hotels are referred to as guests.

As well as providing accommodation, many hotels also provide additional facilities, such as restaurants, bars, swimming pools, fitness centres, spa and beauty treatments, spaces for private events (for example, weddings, conferences) and rooms for business meetings.

Types of guests

A hotel's guests can be split into two broad groups: business, and leisure. The two groups typically have different requirements from hotels.

Business guests stay for work purposes, so they value convenience (for example, having easy access from the hotel to clients' workplaces for meetings) and productivity (for example, having fast and reliable wi-fi connections to allow them to work in the hotel).

Leisure guests are away from home for personal reasons (for example, on vacation), so they tend to be more concerned with the facilities and atmosphere in a hotel, and its local environment, to help them relax and enjoy their stay. Leisure guests tend to be more price-sensitive than business guests, and they typically stay longer.

Rating system

A 'star' rating system, from one star (1*) to five stars (5*), is used to classify hotels in Essland, with 1* denoting the most basic accommodation and 5* the highest quality. The ratings are awarded annually by inspectors from the national tourist board – 'Visit Essland'. They are based on:

- Room quality (the size of guest rooms, and the range and quality of facilities in them)
- Service quality (the service provided by staff throughout a hotel)
- Range of facilities (for example, restaurant, bar, swimming pool, fitness centre, spa).

The following table is indicative of the key facilities or services which need to be provided to achieve different star ratings:

Facilities/services offered	One star (1*)	Two stars (2*)	Three stars (3*)	Four stars (4*)	Five stars (5*)
Guest room	✓	✓	✓	✓	✓
Private bathroom facilities (en-suite)		✓	✓	✓	✓
Breakfast available		✓	✓	✓	✓
Restaurant and bar, offering food and drinks			✓	✓	✓
Wide range of amenities in guest rooms (for example, television, ironing equipment, wi-fi, complimentary tea- and coffee-making facilities)			✓	✓	✓
Leisure facilities for guests (for example, swimming pool, fitness centre, spa, beauty treatments)				✓	✓
World-class luxury (for example, personalised service; chauffeurs; fine dining restaurants)					✓

The prices a hotel charges for its rooms typically reflect its star rating, with luxury hotels (5*) charging much higher prices than basic hotels (1*).

Industry structure

The hotel industry in Essland comprises a mix of hotel chains and independents.

Chains	Hotel chains are businesses which operate a number of hotels. The hotels in a chain typically share a brand name, and often have standardised designs and quality standards, meaning guests have a similar experience if they stay at different hotels within the same chain. Hotel chains typically have a single website, where guests can make bookings for any of the hotels in the chain.
Independent	These are businesses which operate a single hotel, rather than being part of a chain. Operating independently allows greater flexibility, and enables hotels to offer a unique experience to guests. However, they cannot benefit from the economies of scale which are available to hotel chains.

Independent hotels are a significant part of the market in Essland, accounting for 48% of the supply of guest rooms in 20X4. However, there has been consolidation within the industry in recent years, due to hotel chains buying up independent hotels and larger chains acquiring smaller chains. There is intense competitive pressure between hotel chains.

Hotel chains in Essland have also increased their numbers of hotels through organic growth (opening new hotels) and partnering arrangements (in particular, franchise agreements).

Business models

There are two main operating models for hotels in Essland: owner-managed, and franchised.

Owner-managed	The owner controls and manages all hotel operations and is wholly responsible for strategies and performance. In this context, the 'owner' could be either a chain or an independent hotel business.
Franchised	The franchise model involves fee-based agreement between a hotel chain (franchisor) and a third-party operator (franchisee). The franchisor allows the franchisee to use its brand name, and systems (for example, reservation/booking systems). The franchisor also provides guidance and support to the franchisee (for example, with marketing). The franchisee pays a fee to the franchisor for the use of its brand name and its systems. The franchisee owns the hotel building or leases it from a third-party real estate company. The franchisee controls the day-to-day operations of the hotel but has to follow the franchisor's standards around product and service quality in order to uphold the franchisor's brand.

The five largest hotel chains in Essland accounted for 23·1% of the total supply of hotel rooms in 20X4. Some of these chains use an owner-managed model while others use a franchise model.

Company (hotel chain)	Star rating of hotels	Number of hotels in Essland	Number of rooms in hotels	% of total hotel rooms in Essland	Average number of rooms per hotel	Owner-managed, or franchised
Beston	3*	504	75,600	10·5	150	Owner-managed
Travelwise	3*	288	40,320	5·6	140	Franchised
Vaycont	3*	174	25,200	3·5	145	Franchised
Yelton	4*	115	14,400	2·0	125	Franchised
Halliot	4*	90	10,800	1·5	120	Owner-managed

Revenue streams

Although hotels generate the majority of their revenue from accommodation, food and drink sales are an important additional revenue stream.

Four-star (4*) hotels in Essland typically generate 60–70% of their total revenue from accommodation. This is known as 'room revenue'. Food and drink sales account for between 25–35% of total revenue. Other services (weddings, business conferences/events, spa, beauty treatments, etc) account for 5–10% of total revenue.

The restaurants and bars in many hotels are open to non-residents, meaning people who are not staying in a hotel can still buy food and drink in its restaurant or bar.

The operating profit margin for hotels in Essland is typically around 10%.

Industry challenges

Intense competition – Hotels in Essland need to find ways to differentiate themselves from competitors in order to attract and retain guests.

Economic downturn – Essland has suffered from an economic downturn in recent years, leading to a fall in demand for hotel accommodation, particularly from leisure guests. More generally, volatility in the global economy, alongside concerns about high inflation, has reduced people's willingness to spend. Again, this has reduced demand for hotel accommodation, both in Essland and also in other countries.

Rising costs – Hotels require regular maintenance and renovation to ensure they meet guest expectations, and to comply with health and safety regulations. Despite the economic downturn, high inflation remains a problem in Essland and has led to increasing costs, including maintenance, renovation and energy costs.

Staffing – Hotels face problems recruiting and retaining staff. Employee turnover across the industry is high, due to relatively poor rates of pay, and the long and anti-social working hours (late nights, early mornings, weekends) affecting employees' work-life balance.

Seasonality – Demand for hotel accommodation is seasonal, particularly from leisure guests. Within each year, most hotels in Essland have a 'peak' season when demand is high, and an 'off-peak' season when demand is significantly lower. Hotels need to look for ways to attract guests and to manage variable costs during the less busy, off-peak periods.

Revenue management and pricing – Maximising revenue whilst maintaining competitive prices is a constant challenge for hotel businesses. Hotels need to find a balance between revenue and occupancy. Whilst increasing the prices charged for accommodation will increase revenue, and profitability per room, higher prices will reduce demand for rooms (occupancy).

Threat from new business models – The hotel market faces competition from home-sharing models, in which guests pay to stay in people's private homes as an alternative to staying in a hotel. The growth of home-sharing services increases the potential supply of accommodation available which could reduce demand for accommodation in hotels.

Sustainability – As society becomes more concerned about environmental issues, factors such as a hotel's carbon footprint, its energy and water consumption, and the amount of waste it generates, could influence guests' decisions about where to stay. As a result, hotels need to find ways to make themselves more sustainable – for example, by reducing their carbon emissions, by reducing energy and water usage, and by encouraging recycling.

Environmental concerns could also have a negative impact on demand, particularly from business guests. In order to reduce their own environmental impact, businesses are trying to reduce the amount of travel employees undertake – for example, by holding online meetings rather than 'face to face'. These changes also reduce demand for hotel accommodation though.

Innovation and business developments

Automation and technology – In response to guests' desire for speed and convenience of checking-in and checking-out, many hotels offer guests the option to use mobile devices and apps to check in and check out of their rooms quickly.

Hotel apps also provide guests with a convenient way to order services (for example, making a reservation for a meal) or to control the temperature and lighting in their room. Some hotels also use chatbots – software applications powered by artificial intelligence (AI) – to provide guests with instant answers to commonly asked queries (for example, about local visitor attractions).

However, the increased reliance on technology, and the increased ‘connectivity’ between hotels and guests highlights the importance of data security and cyber security. Essland has strict data protection laws designed to protect personal data. Companies who do not comply with these laws can be liable to substantial fines.

Yield management – The need for hotels to find the optimal balance between revenue and occupancy has encouraged the use of yield management. Yield management software allows hotels to use data analytics (including AI algorithms) to adjust room prices, almost in real time.

Yield management software draws on historic information (about demand and seasonality) alongside current factors to help predict the optimum price for rooms. Current factors include bookings, room availability, competitors’ prices, and market conditions (for example, events taking place in a local area) which could affect demand for rooms. When predicted demand is low, prices are lowered to try to increase demand. When predicted demand is high, prices are increased to take advantage of the opportunity to achieve higher profit margins.

Sale and leaseback – The challenging financial conditions in the industry have prompted hotel companies (both chains and independents) to look at financing options to boost their liquidity. An emerging trend in Essland is the use of hotel sale and leaseback arrangements.

A sale and leaseback arrangement allows the hotel company which currently owns a hotel building to sell the building to a new owner in return for a one-off cash payment. The new owner (the lessor) then leases the hotel building back to the hotel company for an agreed lease period, during which the hotel company makes monthly rental payments to the lessor. The hotel company continues to operate the hotel.

At the end of the lease period, the hotel company has the option to either repurchase the hotel building, renew the lease, or else to stop using the building and return it to the lessor.

Industry success factors

Changes in guest behaviours and expectations, competitive pressures, and developing technologies mean that the detailed factors which influence the success of a hotel business may change over time. However, the most important underlying factor which contributes to a hotel’s success is guest experience.

A number of supporting factors contribute to guest experience: quality and comfort of accommodation; hygiene and cleanliness of hotels; facilities available; quality of service from hotel staff; security; convenience (for example, ease of booking, ease of check in/out); and location and surroundings.

More generally, strong branding and effective marketing and communication are important success factors, particularly among hotel chains. Competitive pricing is also important due to the competitiveness of the hotel industry in Essland.

Key performance indicators (KPIs)

Hotels use multiple performance metrics to measure and monitor performance. Some frequently used KPIs are shown in the table below:

KPI	Definition/comment
1. Occupancy rate (occupancy)	Calculated as the number of guest rooms booked on a given day, divided by the total number of rooms available for guests' use. It is a measure of capacity utilisation. An annual average occupancy rate above 70% is considered good for hotels in Essland.
2. Average daily rate (ADR)	Calculated by dividing total daily room revenue by the number of guest rooms occupied. In general, ADR tends to be slightly higher for hotels in major towns and cities, compared to hotels in rural or coastal locations.
3. Revenue per available room (RevPAR)	Calculated by dividing total daily room revenue by the total number of guest rooms which are available for use. Average RevPAR is a function of occupancy x ADR.
4. Average length of stay	Calculated as the total number of nights booked divided by the number of bookings. In general, shorter stays are less profitable than longer stays, due to the costs of preparing rooms for new guests.
5. Guest satisfaction score	Calculated as an average of review scores given by guests, either directly or on social media, after staying in a hotel. Review scores are graded between 1–5, where 1 is 'very poor' and 5 is 'excellent'. Guest satisfaction score is a measure of the quality of guests' experience.
6. Employee turnover	Calculated as the number of employees leaving during a given period, divided by the average number of employees in that period.

Industry body

There is no specific industry body for the hotel industry in Essland. However, 'Visit Essland' acts as an industry body for the tourism industry as a whole, and the hotel industry is part of that.

'Visit Essland' is a public sector body, accountable to the national government. It is responsible for promoting tourism within Essland, and marketing Essland internationally. 'Visit Essland' is also responsible for improving tourist services, and its hotel inspections form part of this role by acting as a quality control for the hotels. In addition, by using standardised inspection criteria, 'Visit Essland' seeks to ensure that the star ratings provide a reliable indicator to guests of the facilities and services they can expect from hotels.

3. Levwell overview

Company background

Levwell plc (‘Levwell’) is a hotel chain founded 40 years ago, to offer a high-quality hotel experience, where everyone (guests and employees) felt respected and appreciated.

Unlike the hotels in many of the larger chains in Essland, Levwell’s do not have standardised designs. Therefore, although they all operate under the Levwell brand, each hotel has its own distinctive style, often reflecting its local area and local history. The combination of high-quality facilities and individual designs is a feature which attracts guests to stay at a Levwell hotel.

Levwell’s 35 hotels are all similar in size, with approximately 80 guest rooms each, and a restaurant, bar and leisure facilities for guests. The hotels are located in rural or coastal (seaside) locations. The majority of their guests are leisure guests.

All of Levwell’s hotels are in Essland, and each has a 4* rating. Levwell uses an owner-managed business model for its hotels.

Levwell is a listed company, and 80% of the shares are held by institutional investors.

Company growth

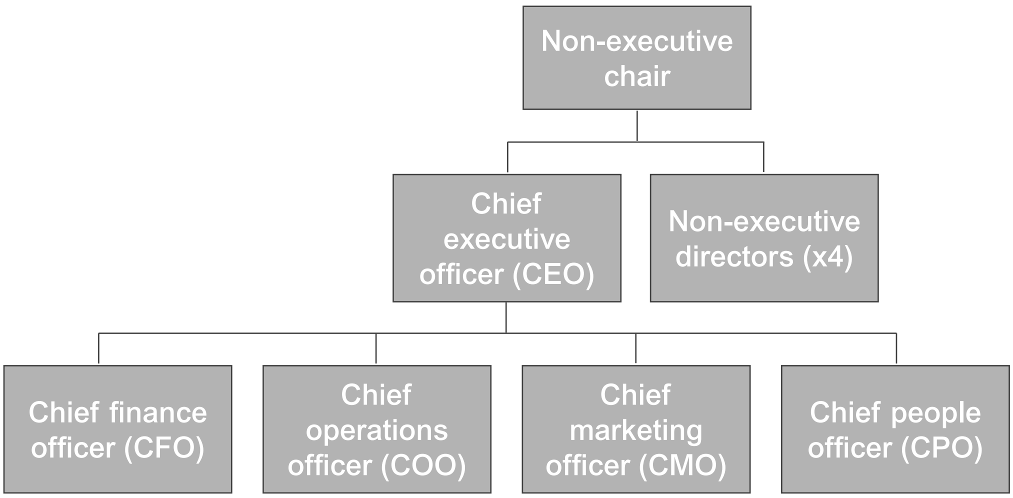
To date, Levwell has grown organically, by opening new hotels itself rather than acquiring other hotel businesses. It continually looks for opportunities to increase the number of hotels it has.

Levwell has a business development manager, who plays a key role in identifying and evaluating potential sites for building and opening new hotels – for example, assessing potential guest demand, and the factors which might attract guests to the local area, as well as the level of competition from other hotels within the area.

Despite Levwell’s overall aim to continue growing, it closed two hotels seven years ago because they were performing poorly and were no longer considered profitable.

Board structure

Levwell has five executive directors and five non-executive directors (including the chair):



There are four sub-committees:

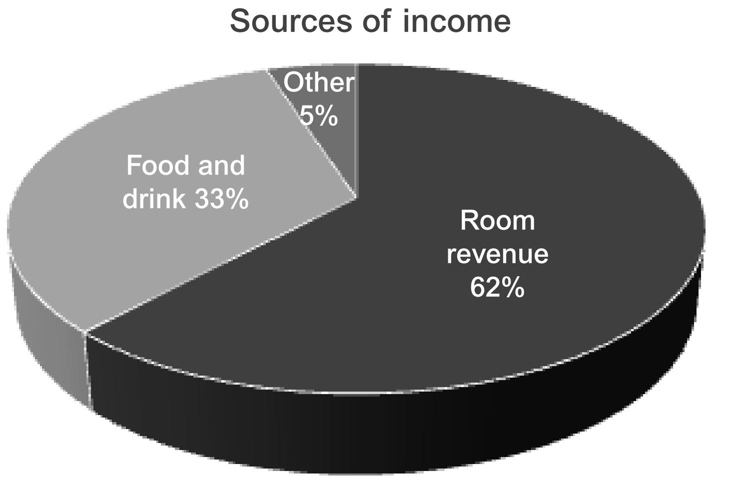
– Audit committee
– Nomination committee
– Remuneration committee
– Risk committee

Levwell has an internal audit department which reports to the audit committee. The internal audit department monitors the effectiveness of Levwell's risk management processes and its control environment. Internal audit's remit includes financial and operational issues, and it makes regular inspections of Levwell's hotels to review their compliance with internal control procedures.

Sources of income

Although room revenue (accommodation) comprises the majority of Levwell's revenue, selling food and drink is also important, both for revenue generation and also for enhancing guest experience. However, the profit margins which Levwell earns from food and drink revenue are lower than the margins from room revenue.

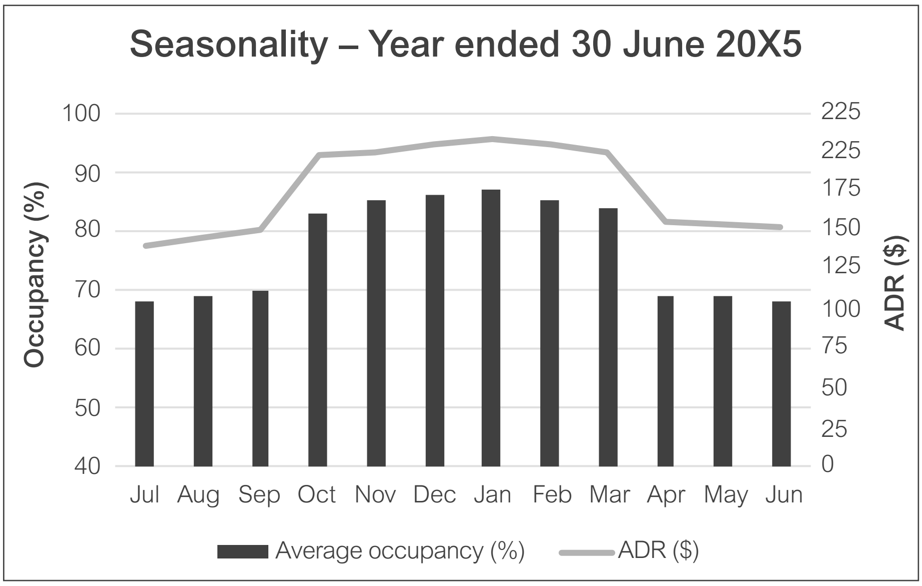
Only guests staying in a Levwell hotel can eat in its restaurant or use its bar.



'Other' = private events

Seasonality

Similar to almost every hotel in Essland, demand for accommodation in Levwell's hotels is seasonal. This is reflected in variations in the occupancy rate and the average daily rate (ADR) charged for rooms throughout the year.



The variations in the occupancy rate, and the variations in average daily rate (ADR), are broadly similar across each of Levwell's hotels.

Pricing policy

At the start of each financial year, Levwell's head office sets the price per night (the 'room rate') for the rooms for each hotel. Room rates are typically higher during the 'peak' season and lower during the 'off-peak' season. However, although there are set room rates, hotel managers have the authority to apply discounts of up to 25% to these rates to encourage bookings.

Key activities and processes

Reservations and bookings	All guests need to book their accommodation in advance, before arriving at one of Levwell's hotels. Reservations and bookings are usually made through Levwell's website, although some are made by guests telephoning the hotel they would like to stay at. Prospective guests check the availability, and price, of rooms in the hotel they would like to stay at, for the dates they wish to stay. If a room is available which meets the guest's requirements, they then make a booking. Each hotel has its own page on Levwell's website, giving pictures of the hotel and its rooms, and summarising the facilities available for guests. The website has an integrated booking mechanism so bookings are recorded on a single, company-wide system rather than each hotel having its own booking platform. For telephone bookings, the details are entered manually onto the system by Levwell staff.
Check-in; check-out (Reception)	During check-in, reception staff verify guests' details, and give them access to their rooms with a keycard or a key. The reception staff also tell guests about the facilities and services available in the hotel. At check-out, guests pay for their accommodation plus any additional purchases they made during their stay (for example, meals in the restaurant). Guests also return their cards or keys for their room.
Housekeeping	The housekeeping team cleans and prepares guest rooms in advance of guests checking in (for example, making up the beds; providing towels for guests to use), and cleans rooms each day for guests who stay for more than one day. The housekeeping team also keeps other areas of the hotels clean and tidy (for example, the restaurants and reception areas). However, laundry services (washing bed linen, towels, etc) are outsourced to a third-party laundry company.
Maintenance	The maintenance team ensures that fixtures, fittings and equipment throughout the hotel are safe and in good working order for guests and staff. The scope of the team's work includes maintenance to furniture, flooring, plumbing, electrical systems, light fittings and air conditioning.
Catering	The catering team provides food and drinks for guests during their stay.

Levwell has standard operating procedures (SOPs) which all housekeeping staff are expected to follow. The SOPs identify the tasks which need to be undertaken in each room (for example, cleaning the floor, cleaning the bathroom, making up the bed). The housekeeping manager for each hotel checks a sample of rooms every day to ensure the procedures have been followed, and rooms are prepared to the appropriate standard.

Reception staff also have SOPs, for example: greeting guests with a smile; and responding courteously to guests' requests and enquiries to make guests feel welcomed and valued. The reception staff receive regular customer service training, aligned to their SOPs.

Hotel managers have a particularly important operational role. The hotel manager for each hotel oversees all aspects of the day-to-day activities of that hotel.

Employees

In common with other hotel operators, a number of Levwell's operational staff (for example, housekeeping staff, catering staff) work part time.

Levwell recognises the crucial role that each of its staff members play in ensuring guest satisfaction, and realises that employees who enjoy their jobs are likely to provide a higher quality of service to guests than employees who are dissatisfied with their jobs.

Levwell runs an employee recognition programme for all staff, through which they can earn cash rewards or shopping vouchers as a 'thank you' for their work. Staff can be nominated for a reward by their manager, or by a colleague.

Suppliers and procurement

Wherever possible, Levwell aims to use locally-sourced, seasonal ingredients in its hotel restaurants. Each hotel's restaurant manager negotiates contracts with local suppliers for these ingredients.

For other goods and services (for example, cleaning products; new bedding and towels; laundry services) Levwell's central procurement team arranges contracts with vendors to supply all the company's hotels. Levwell is committed to responsible procurement, and the procurement team assesses the environmental credentials of potential suppliers before agreeing a contract with them.

Levwell has an in-house maintenance team which deals with routine maintenance in all of the hotels. However, Levwell uses external contractors for major building works, including work on new hotels and the refurbishment of existing hotels. Levwell aims to refurbish each of its hotels approximately every 10 years. The central procurement team arranges the contracts with the external contractors required for major building works.

Information systems

Levwell's central IT department, headed by the IT manager, is responsible for maintaining and upgrading the information systems across the company.

Levwell has an integrated hotel management system (HMS) – an information system which each of the hotels uses to help manage their operations efficiently. The HMS co-ordinates information, for each hotel, across a number of operational activities:

– It co-ordinates reservations, room availability, and online bookings, updating in real time, so that a room cannot be booked twice;

– It collates a guest's spending throughout their stay (for example, in a hotel's restaurant) to include in the guest's bill when they check out;

– It allows reception staff to check on the status of a room (for example, requiring cleaning, ready for guests) as the housekeeping staff are required to update the status of each room on the system (via a mobile app) once it has been prepared;

– It alerts housekeeping staff once a guest has checked out of a room, showing that it is available for them to clean.

If the housekeeping staff identify issues in a room which need maintenance or repair, they record these on the HMS, and the issues are then assigned to the maintenance team to resolve.

Levwell's IT systems are hosted on in-house servers, based at its head office. Levwell does not use cloud computing servers, either to host its IT systems, or to store data.

Risks

Levwell's board, through the risk and audit committees, is responsible for overseeing the assessment and disclosure of the company's key risks. It also oversees the systems of internal control and risk management within the company to help mitigate those risks.

Levwell's principal risks are summarised in its risk register. These have been identified as:

- **Competition**: Failure to respond to the competitive environment and changes in market conditions could result in a loss of market share and a decline in profitability.
- **Pricing**: Finding the optimal price for rooms is a key challenge for the business. If prices are too high, occupancy rates will fall. If prices are too low, Levwell will miss out on revenues which it could have earned if the price was higher.
- **Reputation**: Failure to provide guests with a high-quality experience may damage Levwell's reputation and may result in a loss of future bookings and revenue.
- **People**: Failure to attract, retain and motivate staff, and to embed the company's values, could impair Levwell's ability to deliver the quality of service which guests expect.
- **Technology**: The business is reliant on the availability, security and performance of its website and its critical business operating systems, in particular the HMS. Any disruption to these would adversely affect performance.
- **Data security**: Failure to comply with legal or regulatory requirements relating to data privacy could result in fines and reputational damage, and a loss of future bookings.

4. Levwell's mission, and values

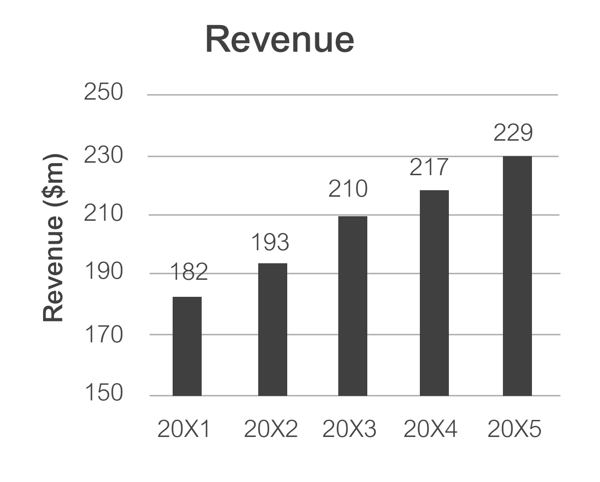
Mission – to provide an exceptional experience for every guest, every time they visit.

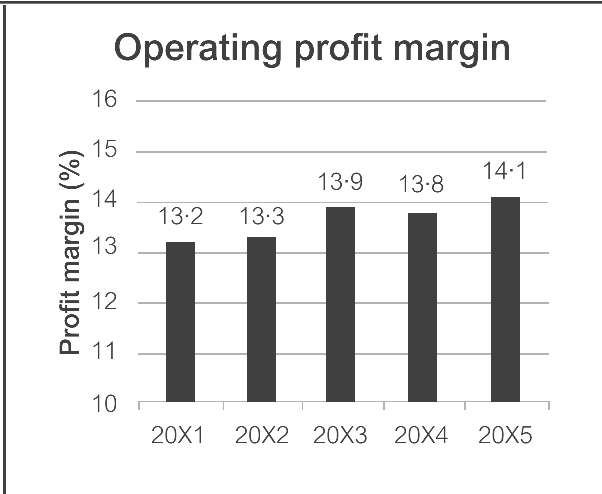
Values

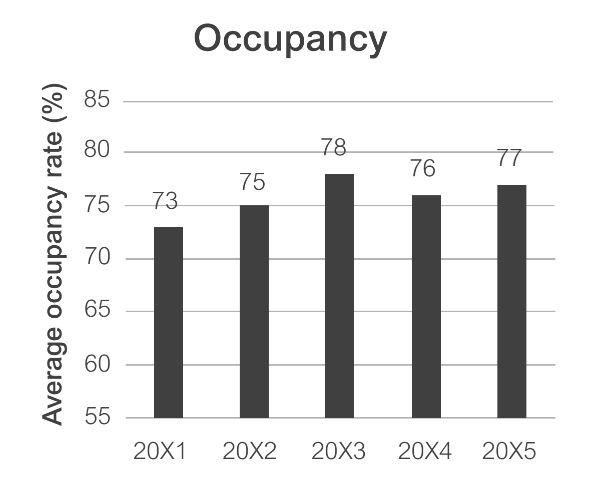
- **Care** – we take care of our staff, and they take care of our guests.
- **First-class service** – we strive to make the guest experience as enjoyable as possible. We strive for excellence in everything we do.
- **Positivity** – we enjoy what we do. We look for solutions, not problems.
- **Responsibility** – we act in a socially responsible manner in respect of guests, staff and the communities and environment in which we operate. We support and develop our staff, and are committed to offering them fair reward for their work.
- **Teamwork** – we work together to deliver exceptional service to our guests.

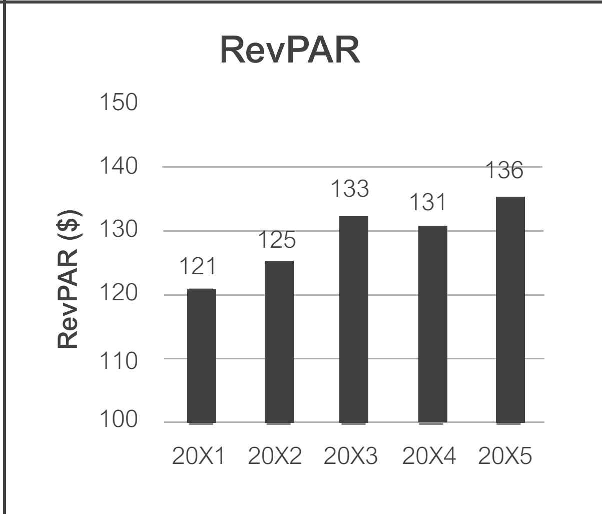
5. Levwell: Financial information and KPIs

Year ending 30 June









1 = very poor; 5 = excellent