

Financial Management for Hotel Industry

BMIH 5007

Comparison of Two Hospitality Organisations

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Introduction

Both Marriott International and Hyatt Hotel are recognised as industry leaders around the world due to the quality of service that they provide. In this study, we analyse and assess the different approaches that these two institutions take to manage their finances. Gaining an understanding of the practices of financial management can help businesses prosper and even survive. Comparisons will be made concerning revenue, market position, growth prospects, and CSR funding. Through the examination of these aspects, we can gain an understanding of how Marriott International and Hyatt Hotel handle their financial matters and provide advice for the expansion and achievement of each business.

Comparison of the two hotels

Total revenue comparison

When contrasting the financial management of Marriott International vs Hyatt Hotels, total revenue is crucial. Total revenue reveals a company's financial standing and market position. While Hyatt Hotel claimed \$4.45 billion in sales, Marriott International recorded \$14.01 billion (Correia, 2022). These figures demonstrate how much more money Marriott International makes than Hyatt Hotel. There are many reasons behind Marriott International's increased revenue. First, across all brands and markets, Marriott International has a larger portfolio of hotels (Hykavchuk, 2023). The firm may target various consumer segments and price points because of this varied portfolio, which boosts revenue.

Through revenue management, Marriott International has also optimised hotel rates and occupancy levels. Sales and earnings are maximised as a result. Despite being less than Marriott International, Hyatt Hotel's income demonstrates its luxury positioning (Wood, 2022). Luxury rooms and individualised attention for discerning tourists are hallmarks of the Hyatt Hotel. Its luxurious accommodations enable higher average room rates and potential revenue per guest despite having fewer hotels than Marriott International. In terms of revenue, Marriott International surpasses Hyatt Hotel. Its greater revenue is a result of its vast brand portfolio, strong revenue management, and global presence (Neves, 2022). Both businesses have unique business models and market niches. Hyatt Hotel's premium focus could increase property profitability despite declining revenue. The corporate objectives and strategies will determine the overall revenue for Marriott International or Hyatt Hotel. Although Hyatt Hotels' luxury focus may appeal to specific market segments and boost property profitability, Marriott International has higher total revenue.

Market position comparison

When assessing the effectiveness of Marriott International and Hyatt Hotel's respective financial management methods, market position is of the utmost importance. A company's market position can provide insight into its level of competition and its potential for growth within an industry. According to an analysis of the market, Marriott International has a market share of 8.9%, while Hyatt Hotel has a market share of 3.7% (Banyeva et al., 2023). Based on these metrics, it appears that Marriott International is performing better than Hyatt Hotel. The growing proportion of the

market held by Marriott International is suggestive of the company's expanding customer base and global hospitality reach.

Figure: Market Position

Source: (Banyeva et al., 2023)

Several factors contribute to Marriott International's dominant position in the market. To begin, the company has brands that cater to affluent, upper-middle-class, and thrifty vacationers (Pashayev, 2022). The Marriott brand can reach a diverse range of customers and adapt to shifting market conditions. Marriott Foreign has made significant strides in penetrating both domestic and foreign markets in recent years. Customers have a wide variety of options to choose from, and the company's global property network increases its visibility.

However, Hyatt Hotel has strengths despite its smaller market share. Luxury travellers are drawn to it for the opulent accommodations and individualised service it provides (Terence, 2022). Hyatt Hotel has made efforts to expand internationally, although Marriott International is a far bigger company. Data from the market indicates that Marriott International is currently in the driver's seat. It has a larger market share, a broader brand portfolio, and a stronger presence around the world, all of which allow it to exceed Hyatt Hotel (Ulusemre and Lam, 2022). Both companies operate in distinct areas of expertise and customer bases; hence, their approaches to financial management must be tailored to the businesses' respective commercial objectives and client bases.

Growth potential comparison

When contrasting the financial management philosophies of Marriott International and Hyatt Hotels, take into account the potential for growth. The ability of a business to grow, enter new markets, and adjust to shifting customer needs is demonstrated by its growth potential. According to market research, Marriott International will grow more quickly than Hyatt Hotels. This is demonstrated by Marriott International's ambitious portfolio growth plan, strategic partnerships, and innovative digital initiatives.

Around 500 hotels are being built by Marriott International worldwide. The business has joined together with Alibaba and Uber to broaden its reach and improve client involvement (Harris, Snell and Harrison, 2022). New mobile applications and online reservation systems were also created by Marriott International. These actions have enhanced revenue, operations, and client loyalty. A more focused growth strategy is in place at Hyatt Hotel. The business has concentrated on premium expansion while having fewer hotels than Marriott International (Kang and Lee, 2022). The company's expansion into other markets may be hampered by this strategy, even though property profitability may increase.

According to statistics, Marriott International has a greater potential for growth than Hyatt Hotel. Its massive pipeline of new properties, tactical alliances, and digital activities demonstrates innovation and expansion (Teitler-Regev and Tavor, 2022). A company's growth strategy should, however, be in line with its business objectives and preferred market segments because both internal and external factors might affect expansion potential. While both businesses have unique strengths and markets, Marriott International has a better potential for growth than Hyatt Hotel. These firms must constantly be enhancing their financial management to fulfil market demands and sustain long-term success.

Financial commitment to CSR Comparison

When analysing the financial management techniques of Marriott International and Hyatt Hotels, it is important to take into consideration the companies' CSR commitments (Yu et al., 2022). CSR, which stands for corporate social responsibility, is beneficial to both society and the environment. Both Marriott International and Hyatt Hotel are devoted to corporate social responsibility, despite potential differences in their financial resources and impacts. It is good knowledge that Marriott International has a CSR. According to the company's sustainability report, the corporation would invest 320 million dollars in employee development, environmental initiatives, and community participation in the year 2020 (Paraskevas and Guix, 2023). The local communities that Marriott International serves are supported by the company through philanthropy, diversity, and environmentally sustainable practices.

The Hyatt Hotel participates in several different CSR projects. However, the company does not make the CSR financial figures public. There is a possibility that Hyatt Hotel is committed to CSR despite the absence of publicly published financial information. The CSR funding promise made by Marriott International looks to be more transparent and comprehensive. The corporate social responsibility investment totals 320 million dollars (Kaefer, 2022). This demonstrates a dedication to improving not only the surrounding areas but also the working conditions of employees.

However, financial contributions are only one component of a company's CSR plan; it encompasses much more. In addition to this, it is important to think about how effective CSR is, how engaged employees are, how sustainable the supply chain is, and how involved stakeholders are (Abdelsalam et al., 2021). Whereas Marriott International has openly acknowledged making a significant financial commitment to CSR, the CSR data for Hyatt Hotels are not easily accessible. Both companies are required to continue incorporating CSR into their strategies for financial management, as well as continuing to measure and report on their impacts on society and the environment.

Recommendation with rationale

Recommendation for Marriott International (Foster Innovation and collaboration)

To be competitive in the hotel industry, Marriott International should prioritise innovation and teamwork in its financial management. Innovation is crucial in a sector that is always evolving. By encouraging innovation, Marriott International can foresee trends and satisfy customer needs (O'fallon and Rutherford, 2019). By encouraging staff to think creatively and come up with novel solutions, the business can discover new opportunities, develop distinctive goods, and better fulfil market expectations.

Innovation and teamwork can improve operational efficiency, leading to cost savings and higher profitability (Neves, 2022). By encouraging personnel to streamline, automate, and use technology, Marriott International can save costs, maximise resource allocation, and increase productivity. Profit margins and financial performance might both get better. Innovative ideas enhance visitor experiences. Marriott International can adapt to shifting visitor demands by fostering innovation and teamwork. Digital concierge services and mobile check-in can enhance the comfort and experience of guests.

Technology providers, business owners, and sector specialists can provide Marriott International with new concepts, tools, and market information (Jackson, 2018). Collaboration can lead to innovation, revenue growth, and market share. By working together, Marriott may discover new markets, business plans, and revenue development. Innovation and cooperation are crucial in a highly competitive market. By encouraging innovation and working with outside partners, Marriott International can stand out from the competition, develop unique value propositions, and increase its market leadership (Francis, 2019). Long-term success, brand recognition, and customer loyalty may follow. Innovation and cooperation should be given the top priority at Marriott International. By encouraging a creative culture, working with outside partners, and utilising technology, the organisation may increase operational efficiency, guest experiences, revenue growth, and competitiveness in the evolving hospitality market.

Figure: Recommendations

Source: Author

Recommendation for Hyatt Hotel (Embrace Sustainable Luxury)

To satisfy market demand for sustainable practices, Hyatt Hotel should incorporate sustainable luxury into its financial management strategy. The hotel industry must satisfy the rising client demand for environmentally friendly practices (Chakravarti, 2018). By providing sustainable luxury, Hyatt Hotel may draw in eco-aware visitors who value sustainability. As a result, occupancy, repeat business, and word-of-mouth advertising may increase. Reduce Environmental Impact: Hyatt Hotel can achieve its sustainability objectives with the help of sustainable practices (Bhatt, 2016). The corporation can invest in renewable energy, use less water, implement waste reduction programmes, and build sustainably to lower its carbon footprint, protect natural resources, and minimise waste. Cost reductions, increased operational effectiveness, and brand reputation may follow.

Unique eco-friendly facilities, activities, and services can improve the luxury experience for visitors (Abdelsalam et al., 2021). By providing organic, regionally sourced, and sustainably produced food and beverages, encouraging green transportation, and offering educational programmes, Hyatt Hotel can provide guests with a unique and pleasurable experience that aligns with their ideals. Sustainable luxury may set the Hyatt Hotel apart from its competitors. By committing to sustainability, the company can earn devoted clients, socially conscious investors, and industry leadership. Long-term success, media attention, and brand awareness can all increase as a result.

Hyatt Hotel may lessen risks from resource scarcity and climate change by implementing sustainable practices. Sustainable business practices reduce the company's reliance on limited resources and the regulatory and financial challenges associated with climate change. This may help safeguard the business's financial future (Kaefer, 2022). Eco-luxury should be a priority at the Hyatt Hotel.

Sustainable business practices assist an enterprise in meeting consumer demands, minimising environmental impact, enhancing visitor experiences, building brand reputation, and lowering potential hazards. Sustainable luxury might aid Hyatt Hotel's ability to maintain profitability and competitiveness.

Conclusion

The financial management strategies of Marriott International and Hyatt Hotels reveal the respective companies' strengths and flaws. The market position, revenues, and CSR of Marriott International are all in fantastic shape. To improve the overall guest experience, operational efficiency, and revenue growth, Marriott International should foster an environment that encourages innovation and collaboration. On the other hand, the Hyatt Hotel places a premium on elegance, sustainability, and expansion. The Hyatt Hotel should implement sustainable luxury to satisfy the demands of consumers, reduce their negative influence on the environment, enhance the experiences of their guests, strengthen the reputation of their brand, and reduce the likelihood of experiencing any negative outcomes. Both recommendations are compatible with the capabilities and market positioning of the organisations. If they follow these guidelines, Marriott International and Hyatt Hotel will be able to maintain their success in the hospitality business, adjust to the shifting demands of their customers, and contribute to the improvement of society and the environment. By maximising the use of their financial management systems and making strategic improvements, both businesses will be able to thrive in an increasingly competitive climate and maintain their positions as market leaders.

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