

School of Hospitality & Tourism Management

BA International Hotel Management

Financial Management for the Hotel Industry

Business Report – Comparison of Corinthia Hotels and Ibis Hotels

Student Name: Ana Pescleveï

Student ID: 2208738

Teacher Name: Tristan Hawkins

Table of Contents

Introduction	3
Total Revenue Comparison between Corinthia Hotel and Ibis Hotel	4
Market Position Analysis of Corinthia Hotel and Ibis Hotel Companies.....	5
Growth Potential Evaluation of Corinthia Hotel and Ibis Hotel Companies	6
Financial Commitments of Corinthia Hotel and Ibis Hotel to Corporate Social Responsibility	7
Conclusion	9
Recommendations for Corinthia Hotel and Ibis Hotel	10
References.....	11

Introduction

Financial management can be explained as the systematic process of monitoring, tracking and controlling financial activities based on the expected financial performance (Salaam, 2023). In every organization, especially in business organizations, financial activities are the key drivers for the operations. In such situation, financial activities need to be monitored and systematically tracked so that such activities bring the expected financial outcomes (Harmon, 2021). That is why financial management is significantly important for a firm. This report will cover brief discussion on financial management from the different aspects in the context of two popular hotel chain companies, Corinthia Hotel and Ibis Hotel. Comparison of different financial aspects of Corinthia Hotel and Ibis Hotel companies - comparison of total revenue of Corinthia Hotel and Ibis Hotel, market position of Corinthia Hotel and Ibis Hotel, growth potential for Corinthia Hotel and Ibis Hotel, financial commitments of Corinthia Hotel and Ibis Hotel to corporate social responsibility (CSR), and recommendations for them will be highlighted in this report.

Total Revenue Comparison between Corinthia Hotel and Ibis Hotel

Total revenue is defined as the amount of money that a firm generates from the sales of goods and services, and other selling items (Tisanes, and Assad, 2021). It is the key area from which a firm derives income. A firm needs to be very much efficient in its revenue management, especially hospitality industry based firms. If business firms provide interactive focus on sales, it will provide more revenue, and so the profit margin will be higher as well (Allis-Reid, 2023). On the other hand, if a firm provides less focus on sales, it will reduce its revenue which will minimize the profit margin as well (Allis-Reid, 2023). In such situation, concentration on revenue generation is significantly important, and firms need to show interactive cares on firm's revenue generation (Allis-Reid, 2023).

Corinthia Hotel company is a popular luxurious chain hotel company that has strong presence in the hospitality industry. In 2021, the company generated around £111 million revenue, and in 2022, it generated more than £204 million revenue (Corinthia.com. 2024). It is visible that the company generated almost double of the revenue in 2022. As most of time period of 2021 went under global pandemic and travel restrictions, hospitality firms hardly had the opportunity to generate revenue. They somehow struggled to survive. From 2022, the companies started recovering from their losses, and so it is visible to the revenue collection of Corinthia Hotel. Major sources of revenue collection of Corinthia Hotel are - accommodation facilities, spa, bars, event organizing etc.

On the other hand, Ibis Hotel company is a popular economic hotel chain company that is known for offering premium hotel services at affordable price. Ibis Hotel has strong presence in the hospitality industry as well. In 2021, the company generated around £709 million revenue, and in 2022, it generated more than £1,785 million revenue. It is visible that the company generated almost double of the revenue in 2022. As most of the time period of 2021 went under global pandemic and travel restrictions, hospitality firms hardly had the opportunity to generate revenue, and so Ibis Hotel. From 2022, the Ibis Hotel started recovering from its losses, and so it

is visible to the revenue collection of Corinthia Hotel though it marinated well in 2021 as well. Major sources of revenue collection of Corinthia Hotel are - accommodation facilities, wedding program arrangements, other event organizing, spa, bars etc.

From the discussions above, it is clear that the revenue size of Corinthia Hotel and Ibis Hotel is different. Ibis Hotel generates more revenue than Corinthia Hotel as it is dependent based on their business size. Above all, it can be seen that both Corinthia Hotel and Ibis Hotel have growth in their revenue compared to their revenue generation in 2021 and 2022. However, it can be seen that Ibis Hotel has more growth in revenue generation. On the other hand, the revenue growth driving factors for both Corinthia Hotel and Ibis Hotel are - economic condition, recovering of the hospitality industry, government's plan for the tourism industry etc.

Market Position Analysis of Corinthia Hotel and Ibis Hotel Companies

Market position plays a significant role for a business firm. If a business firm has strong market position with larger market share, it is recognized as the market leader that gets a wide range of business operation advantages in the market (Uneven, 2021). On the other hand, if a business firm has small portion of market share with a weak market position, it may struggle with its business survival in a competitive business environment, because larger firms will give it cutthroat competition that may hamper its operations and financial performance. That is why, ensuring a strong market position is important. It helps business firms to be sustainable by strengthening its market operation in the industry. In hospitality industry, especially for hotel business firms, the markets quiet competitive as there are many large size multinational hotel companies like Marriott Hyatt, Hilton etc are available in the market (Alibi, 2023). In such situation, hotels companies need to be effective enough with their operations so that they can ensure a standard market position (Collegian, et al., 2021).



In this case, Corinthia Hotel can be identified as a balanced market position, which is not so stronger, or not even weaker. As a medium sized hotel chain company, Corinthia Hotel known as the luxurious hotel group that provide luxurious hotel accommodation service with a high price range. As a luxurious hotel, it has limited customer base. That is why it does not have strong market position. Since a limited portion of market is its target customer, it could not have much floor to ensure a leading market position. The customers of it have been segmented based on demographic segmentation that covers the income range, lifestyle, location etc (Corinthia.com. 2024). On the other hand, Ibis Hotel company is an economic hotel accommodation provider with luxurious services and affordable price range. Ibis Hotel has an affordable price range for most of the customer portion, which is why it has a strong and large customer base. In such situation, it has a strong market position as well. Ibis Hotel competes with multinational hotel chain giants, such as - Hyatt, Hilton, Marriott etc, yet it has a strong market position (Alibi, 2023). Ibis Hotel company is considered as a leading hotel company in the hospitality industry. In addition, it maintains customer demographics by considering - age, gender, race, income range, location etc (Ibis.accor.com. 2024).

So, it can be said that Ibis Hotel maintains a stronger market position with higher market share than Corinthia Hotel.

Growth Potential Evaluation of Corinthia Hotel and Ibis Hotel Companies

Growth is an important fact of consideration for business organizations. In a competitive business environment, business organizations have to operate their business with cutthroat competition. Many large and strong business organizations give such competition. Hospitality industry, especially the hotel business market is one of the most lucrative areas of business because of different business opportunities, internationalization, high profitability rate etc (Shrug, et al., 2021). There are many multinational hotel chain companies compete in this industry, such as - Hyatt, Marriott, Hilton etc. In such situation, medium and other hotel

companies need to ensure business growth in order to sustain in the business and strengthen its market position.

In this case, both Corinthia Hotel and Ibis Hotel companies have growth potential. After COVID-19 pandemic, tourism sector is recovering which is why, hospitality industry based businesses are growing as well. In such situation, hotel companies have the opportunity to grow and expand their business both domestically and internationally. Corinthia Hotel came to London millions of investment (Corinthia.com. 2024). Now, it has the opportunity to flourish in different parts of UK as well. Corinthia Hotel has strong business expansion strategy; however, it has been paused during the pandemic. Now, it requires expanding its business and ensuring its growth by opening new hotels in UK. It will help Corinthia Hotel to strengthen its market position. On the other hand, Ibis Hotel is continuously expanding its business size by setting new hotels around the world where it finds the location suitable for them. As a leading hotel company, Ibis Hotel has growth strategy that is supporting its business expansion and market position (Ibis.accor.com. 2024). In addition, both Corinthia Hotel and Ibis Hotel have market opportunities to expand their business and utilize the growth opportunities which will increase their market share in the competitive hospitality business environment.

Financial Commitments of Corinthia Hotel and Ibis Hotel to Corporate Social Responsibility

Corporate social responsibility is defined as the initiative taken by the corporate firms for the betterment of the society (Raman, et al., 2022). Business organizations are social enterprises as they operate in a particular society. So, they are dependent on different social factors for their



successful operations. In such situation, they have the responsibility to do something for the society. Corporate social responsibility is the scope where business organizations contribute financially or sometimes in

different ways to ensure the social development. It can be charitable work, or it can be the

protection of natural resources, ensure sustainable business practices for the betterment of the society (Carroll, 2021). So, business firms need to be socially responsible in the way they can and contribute more in the social development for mitigating social problems under their corporate social responsibilities.

In this case, both Corinthia Hotel and Ibis Hotel have shown their strong financial commitments for the corporate social responsibility. Corinthia Hotel practices business according to the sustainable requirements. They are building new hotels using sustainable materials. In addition, they are replacing different materials of their existing hotels with sustainable materials so that the society gets benefits from their businesses (Corinthia.com. 2024). In addition, they provide financial supports to different non government organizations that focus on social development activities, which show their strong commitment of corporate social responsibility (Corinthia.com. 2024). On the other hand, Ibis Hotel hotels are now focusing zero plastic usage. They avoid all kinds of plastic usage in their business practices in order to ensure sustainable business practices and show their commitment to the corporate social responsibility (Ibis.accor.com. 2024). In addition, they contribute financially in different charitable foundations and initiatives to work for social development and social problem mitigation (Ibis.accor.com. 2024). Furthermore, both Corinthia Hotel and Ibis Hotel have shown their ethical business practices over the years, as there were no such major obligations have been identified against their operations.

Conclusion

Financial management is the aspect that firms to monitor and track their financial activities so that such activities bring the expected financial outcomes. That is why firms, especially business firms need to be more efficient with financial management, so that their financial management practices ensure their expected financial outcomes. This report covered brief discussion on financial management from the different aspects in the context of two popular hotel chain companies, Corinthia Hotel and Ibis Hotel. Comparison of different financial aspects of Corinthia Hotel and Ibis Hotel companies - comparison of total revenue of Corinthia Hotel and Ibis Hotel, market position of Corinthia Hotel and Ibis Hotel, growth potential for Corinthia Hotel and Ibis Hotel, financial commitments of Corinthia Hotel and Ibis Hotel to corporate social responsibility (CSR), and recommendations for them have been highlighted in this report.

Recommendations for Corinthia Hotel and Ibis Hotel

From the discussions and analysis on Corinthia Hotel and Ibis Hotel, two recommendations for Corinthia Hotel and Ibis Hotel have been given below -

- **For Corinthia Hotel:** Corinthia Hotel should focus more on its revenue management. Based on the comparison, it has been identified that Corinthia Hotel has slow growth rate in its revenue generation compared to the Ibis Hotel. So, Corinthia Hotel should focus more on revenue generation management and operating cost reduction.
- **For Ibis Hotel:** Ibis Hotel should focus more on its commitment for corporate social responsibility. Based on the comparison, it has been identified that Ibis Hotel has less contribution in corporate social responsibility in terms of its business size and market position. So, Ibis Hotel should focus more on its contribution for corporate social responsibility.

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