

Module Title: Financial Management for the Hotel Industry Program

BA International Hotel Management

Module code: BMIH5007 Module leader: Tristan Hawkins

FINANCIAL MANAGEMENT FOR THE HOTEL INDUSTRY

ASSIGNMENT 1

BUSINESS REPORT – COMPARISON OF SHANGRI-LA HOTELS

AND PREMIER INN HOTELS

Student name: Ana Maria Stoica

Student number: 2245028

Student Declaration:

I confirm that I utilized Grammarly (<https://www.grammarly.com/>). On 9 October 2024 I will put my work through) to check for spelling and grammar errors. Grammarly didn't require me to specify anything; it just marked issues and I decided what to correct and what to leave alone. I also state that I haven't used any AI tools in the investigation or creation of this assignment. I am not submitting any AI-generated material as my own. Should I be asked, I keep copies of my drafts, notes, and other resources I used.

Table of Contents

1	Introduction.....	3
2	Total Revenue Comparison.....	3
3	Market Position.....	6
4	Growth Potential.....	9
5	Financial Commitment to CSR.....	11
6	Recommendations.....	13
6.1	Shangri-La Hotels.....	13
6.2	Premier Inn.....	13
7	Conclusion.....	14
	References.....	15

1 *Introduction*

This report aims to compare the two big hotel chains, Shangri-La Hotels, and Premier Inn, regarding their financial management, market positioning, growth prospects, and CSR. It has been evaluated by Kee et al. (2020) that Shangri-La is a global luxury hotel with a particularly large presence in Asia; Premier Inn is part of UK-based Whitbread PLC and is the largest player in the UK's budget hotel market. The report considers the major segments, including the revenue streams, the market shares, and the strategies the brands use to grow and extend their portfolios. Furthermore, it analyses how both brands engage in CSR and the characteristics of their market segments (Colucci et al., 2020). Based on this assessment, recommendations are made to help each organization improve its growth and financial viability prospects while positioning it to capture the current trends and expectations among customers within the hospitality industry.

2 *Total Revenue Comparison*

Shangri-La Hotels is a subsidiary of Shangri-La Asia Limited and is involved in the luxury hotel business Sinha and Fukey (2020). It has more than 100 hotels and resorts located worldwide, which is the main source of income through rooms, F&B, and banquets.

The total revenue of Shangri-La in 2022 was USD 2.1 billion, 35% lower than the revenue the company recorded before the COVID-19 pandemic, which affected travel across the world. Moreover, it has been discussed in the research of (Mun et al., 2021) that F&B services bring about 40% of the total revenues to the company; however, room sales bring 50% of the total revenues. Other revenues are derived from spas and MICE (Meetings, Incentives, Conferences, and Exhibitions).

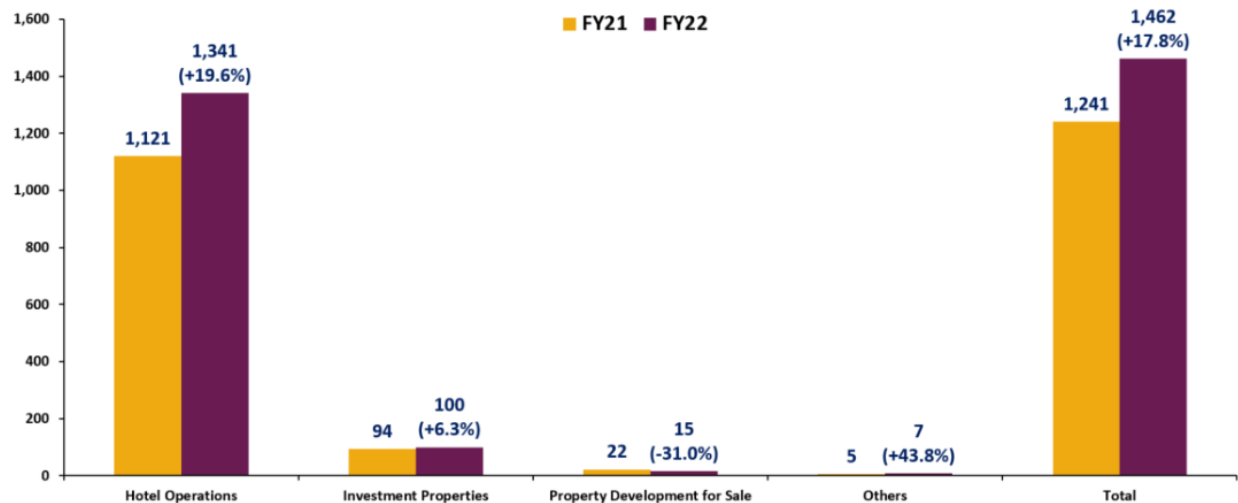


Figure 1 Revenue Analysis of Shangri-La Hotels
Source: Ng (2023)

According to Bas and Sivaprasad (2022), Premier Inn is a chain of hotels operating in the UK and owned by Whitbread PLC; this is the largest hotel chain in this country, providing low-cost service. This differs from Shangri-La, where F&B sales form a smaller proportion of the overall revenues than room sales for Premier Inn. Premier Inn's business recorded a total revenue of GBP 1.52 billion for the year ending 2023, which was a huge improvement after the adverse effects caused by COVID-19 (Bas and Sivaprasad, 2022). Of this revenue, room sales formed the biggest share at 85%, while F&B and other services made up 15%.

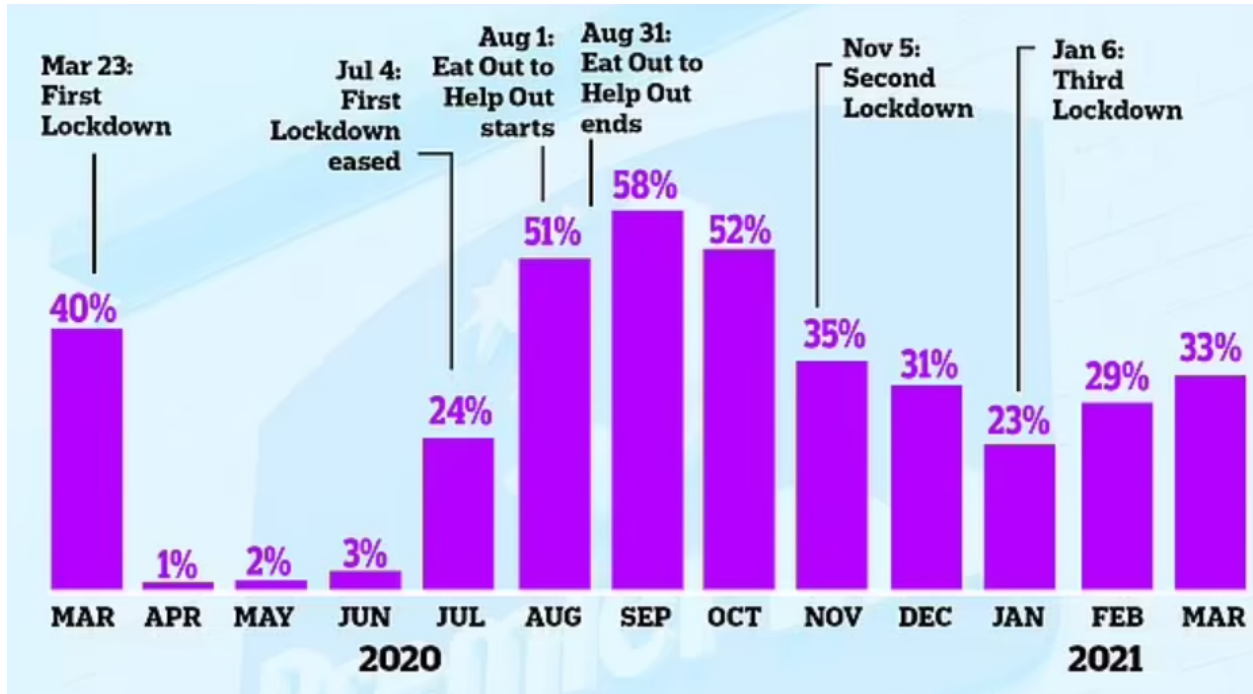


Figure 2 Premier Inn Hotel Revenue
Source: Pyman (2021)

Table 1 Revenue Comparison of Shangri-La and Premier Inn

Year	Shangri-La Revenue (USD Billion)	Premier Inn Revenue (GBP Billion)
2020	2.7	1.13
2021	2.1	0.94
2022	1.8	1.38
2023	2.1	1.52

The analysis indicates that, although both companies derive most of their revenues from room sales, Shangri-La boasts relatively diverse income-generating activities, including F&B and other luxurious services, as opposed to Premier Inn's relatively concentrated income-generating activities (Lesley, 2024). However, Premier Inn's room sales percentage is higher; this indicates a low-cost business model that relies on many rooms sold at relatively low prices and high occupancy rates to generate revenues. Furthermore, this statement has been supported by Lau (2022), that Shangri-La is in a luxurious position, which leads to high RevPAR with an estimated figure of USD 180 in 2022, while Premier Inn has a RevPAR of GBP 55 in the same year.

3 Market Position

As per Sadhale (2023), the market niche for Shangri-La is identified as an upmarket or full-service business, first flagship travelers and tourists, and first-time foreign travelers. On the other hand, Premier Inn has been a market leader in the UK budget hotel segment and positioned itself as a business venture delivering basic, affordable, and standard accommodations to international travelers, domestic customers, families on a limited budget, and business tourists. Shangri-La holds 10% of the world's market share in the luxury segment and 20% in Asia. These are China, Hong Kong, and South East Asia, where it targets affluent clients and companies. Premier Inn currently occupies 25% of the UK's budget hotel market, with over 800 branches (Giousmpasoglou and Hua, 2020).



Figure 3 Strategy Clock Graph

It has been anticipated in the study of Dawe (2020) that the brand perception of Shangri-La is oriented toward the high class, insularity, and highly qualified services for the representative of the upper stratum and the participants of large-scale international activities such as conferences and forums. On the other hand, the low-cost leader is seen in the “okay” but reliable and easily accessible hotel called Premier Inn. The services offered by Premier Inn are standardized, and the company has easy access to most of the strategic city markets in the United Kingdom. While Shangri-La targets the high-end market of affluent travelers and global tourists, Premier Inn targets a wide demographic of customers, domestic tourists, and families, more particularly (Solas, 2023).

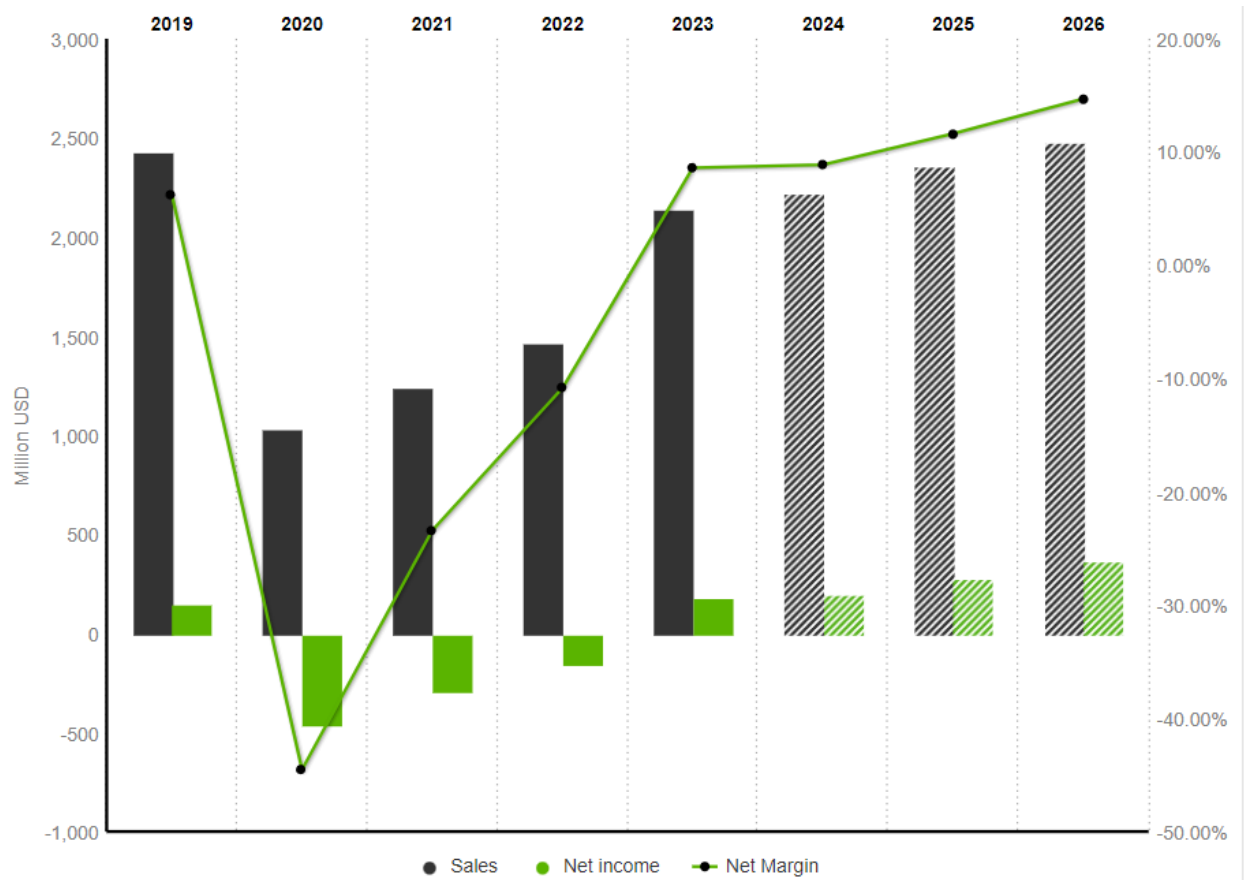


Figure 4 Shangri-La Hotels Market Position
Source: MarketScreener (2023)

In addition to this, the Shangri-La luxury segment is well-positioned with urban and resort properties that provide customized services to its target market. On the other hand, Premier Inn has opened outlets in Germany, copying what has made it popular in the UK while offering affordable accommodation for guests in major European cities (George, 2021). This geographic diversification is helpful because it opens up new locations for Premier Inn while focusing strongly on the brand's selling point: low prices and easy access. In addition to this, it has also been claimed by Dasgupta and Jamader (2024) that Shangri-La is positioned in the luxury and exclusive market in Asia while Premier Inn is positioned in the economy market in the UK and expanding to Europe with standardization.

4 Growth Potential

It has been highlighted in the research of Hirslund (2024) that the major source of growth for Shangri-La is attributed to the fact that it operates in unexplored luxury markets across Europe, North America, and Africa. The company has a good pipeline in emerging markets such as Vietnam, Cambodia, and the Philippines, where tourism is rapidly developing, making the company more competitive in the high-end hotel industry. While Whitbread’s development plan for Premier Inn has been more aggressive, it has pinned its hopes on Germany, where it wants to open at least 50 more hotels within the next five years and expand the successful business model of the UK across Europe (Page and Connell, 2020).



Figure 5 Growth Potential
Source: Technavio (2024)

It also plans to expand into the growing market of luxury wellness tourism worldwide by developing wellness resorts and spas, which is also expected to increase its revenues. In the same way, Premier Inn has positioned itself to appeal to the increasing market for affordable city holidays, driven largely by low-cost airlines (Page and Connell, 2020). Another researcher, Gursøy et al. (2022), has examined in his research that the brand's concept is to offer guests comfortable and affordable accommodations in the city center, which allows for the expansion of the target audience. Nevertheless, there are threats to its future growth in operation cost, particularly in the Asian region, and competition from similar force forces that affect the operations of Shangri-La-Potential Barriers to Growth.

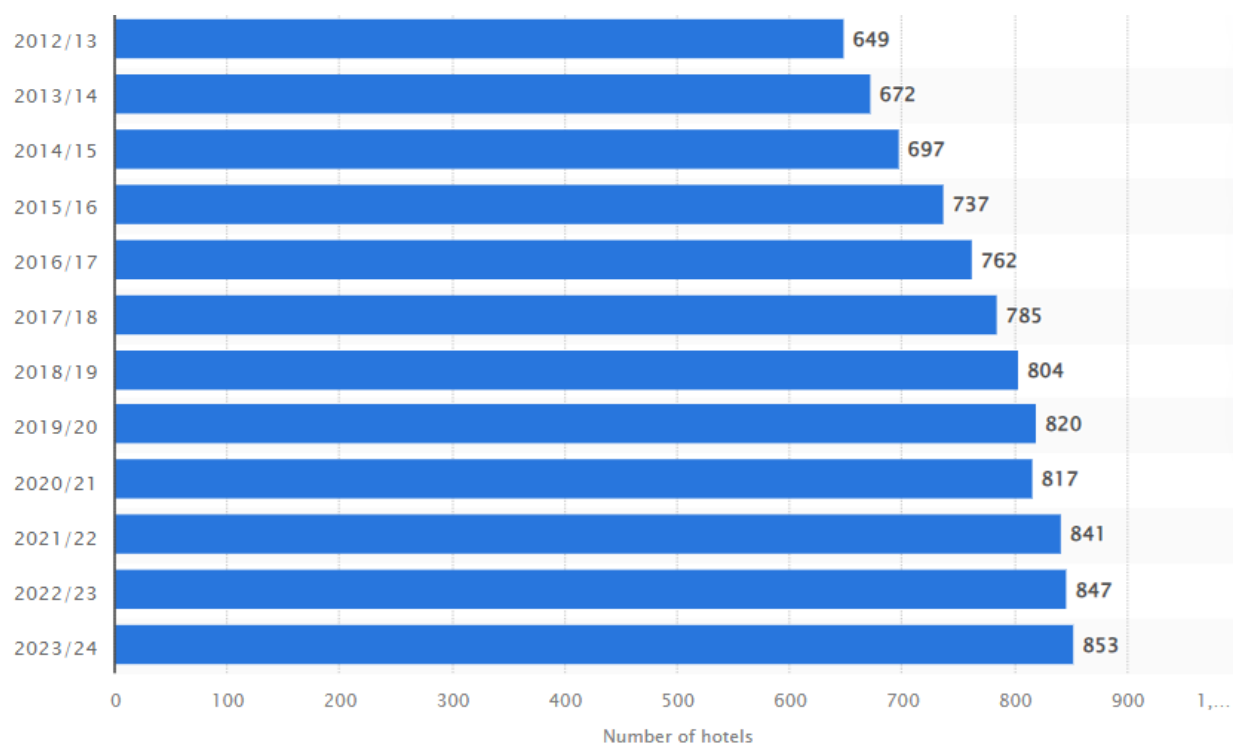


Figure 6 Premier Inn Growth Potential
Source: Statista Research Department (2024)

In addition to this, as posted by Sadhale (2023), the company's emphasis on growing MICE and F&B businesses shows Shangri-La's second diversification to spread facility risks and receive new revenue sources in a changing market. On the other hand, Premier Inn's growth determinant is the macro environment, whereby inflation rates and other indicators of economic slowdown affect a country's population spending power, thus slowing down growth (Gursoy et al., 2022). All in all, Shangri-La's growth dynamics are based on its market diversification into the luxury segment and service differentiation, while Premier Inn's future development is associated with the further extension of the budget hospitality model in Europe, with a key emphasis on the cost leadership strategy.

5 *Financial Commitment to CSR*

Shanghai La Hotels has set a very ambitious target for its financial commitment to corporate social responsibility (CSR), pledging to reduce carbon emissions by 30% by 2030 (Tufail et al., 2024). In addition, CSR has made considerable progress, as has Premier Inn, part of Whitbread PLC, through its “Force for Good” program, aiming to achieve net zero carbon emissions by 2040. In 2022, Shangri-La invested around USD 15 million in CSR initiatives into community, education, and healthcare support for the less privileged areas in Asia. It has been highlighted in the research of Samans (2023) that Whitbread invests a more modest GBP of 5 million annually to support its sustainability goals, for example, food waste reduction and energy efficiency, than Premier Inn, which allocates GBP 20 million a year towards its CSR budget.



Figure 7 Financial Commitment to CSR in the Hospitality Industry
Source: Peng et al. (2023)

Moreover, it has been determined in the research of Sinha and Fukey (2020) that sustainable sourcing and minimizing food waste are important to Shangri-La's F&B operations. Premier Inn has taken similar steps, setting a target to halve food waste by 2030 and reducing its carbon footprint by 2023 compared to 2020. Shangri-La emphasizes luxury sustainable initiatives specific to its affluent customers, whereas Premier Inn emphasizes cost-effective, large-scale sustainable practices like reducing single-use plastics and sourcing 100% renewable energy (Gursoy et al., 2022). Therefore, although hotel groups have committed to sustainable development, Shangri-La makes such a commitment based on its luxury sector positioning. In contrast, Premier Inn strengthens sustainability practices based on efficiency and affordability. This comparison represents the different financial investments in CSR that each brand carries and the different market segments each brand serves.

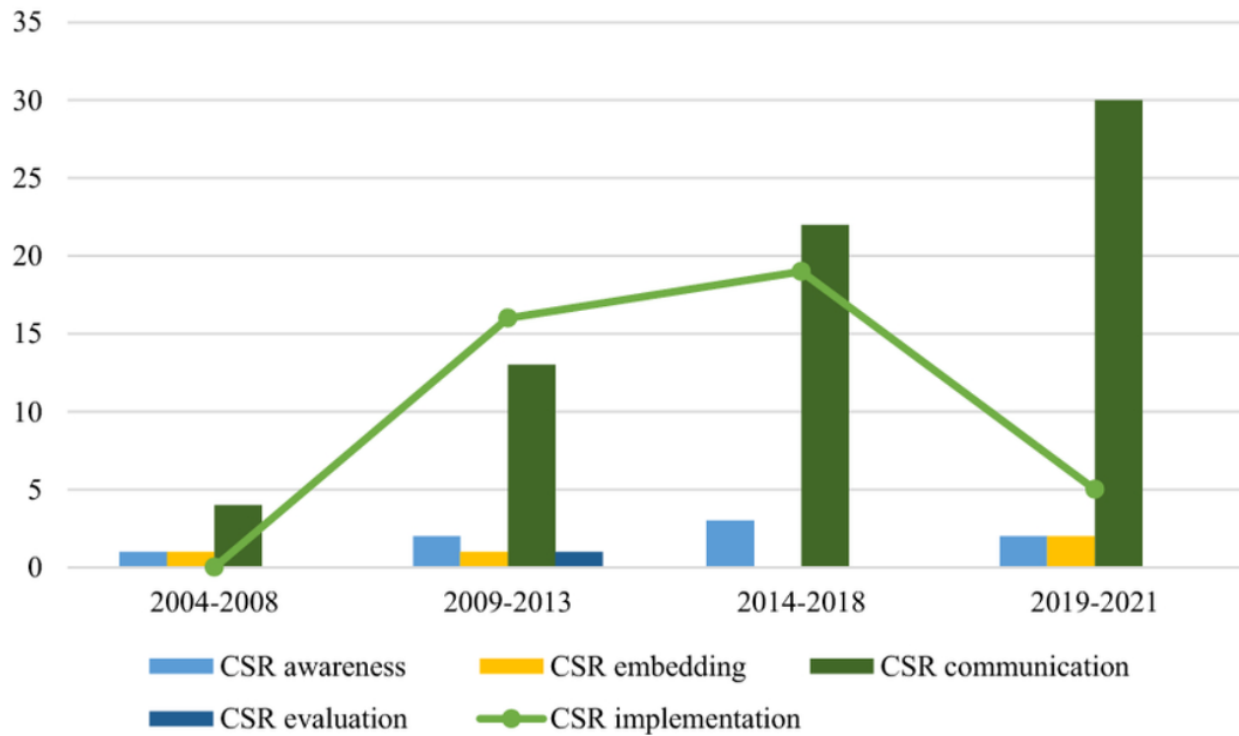


Figure 8 CSR Awareness and Budget Growth
Source: Fatima and Elbanna (2022)

6 Recommendations

6.1 Shangri-La Hotels

Shangri-La's luxury market positioning and its relative strength in the Asian market suggest that the company should concentrate on growing its footprint in new luxury travel destinations in emerging markets that are untapped, such as Africa and South America. As per Mishra and Kukreti (2022), tourism growth is occurring in these regions, and Shangri-La can use its brand reputation to attract high-net-worth travelers looking for exclusive and luxurious experiences. The global trend toward wellness tourism forecast to expand by 7.5% annually through 2026, will enable Shangri-La to further invest in wellness resorts and luxury spas (Holz, 2020).

Therefore, this is evident in how Shangri-La has been laying out its strategy over the past few years of diversifying its revenue streams through strong F&B and MICE offerings. Moreover, the study of Woo and Mun (2020) suggests that moving into these growth areas will allow Shangri-La to offset the risk of competition in the increasingly saturated luxury markets and expand its global brand footprint and international presence.

6.2 *Premier Inn*

It has been evaluated by Aguilera et al. (2021) that Premier Inn should continue to grow aggressively in European markets, particularly Germany, where budget travel demand is increasing. Premier Inn can replicate its UK success and open 50 new hotels in the next five years by maintaining its value-for-money proposition and consistent service quality (George, 2021). Moreover, the company could use technological innovation, particularly AI, to offer its customers AI power for customer service or personalized booking experiences so that the shop can run more efficiently and give better service to its clients.

Contrary to this, Giousmpasoglou and Hua (2020) have argued in their study that digital investments could also save them money on labor and minimize operations to align or stay as affordable as possible, which Premier Inn is a focus on. Furthermore, expansion of ancillary services, like on-site retail and food & beverage, would allow Premier Inn to diversify its revenue and generate additional spending from value-hungry travelers, thus increasing long-term profitability.

7 Conclusion

It is concluded that Shangri-La is positioned in the luxury market segment, and Premier Inn dominates the budget hotel segment. Health Way derives its revenues from room sales, spread over F&B subscales and MICE events as revenues. At the same time, the hotel chain Premier Inn earns its revenues from high occupancy rates and affordable accommodations. Shangri-La has rising costs as there is more competition in the luxury markets, and Premier Inn faces competition from budget hotel chains and Airbnb. Nevertheless, both have excellent growth prospects: Shangri-La targets wellness tourism and underdeveloped markets, while Premier Inn spreads across Europe, particularly Germany. All brands have committed to corporate social responsibility, with Shangri-La focusing on luxury sustainability and Premier Inn on large-scale, cost-effective action. Brands can also sustain successful long-term growth and success if they continue to align with market demand.

References

- Aguilera, R.V., Federo, R. and Ponomareva, Y., 2021. Gone global: The international diffusion of hedge fund activism. *The Oxford Handbook of Hedge Funds*, pp.318-367.
- Bas, T. and Sivaprasad, S., 2022. An Exploratory Insight into the Impact of COVID-19 on the Travel and Tourism Sector: UK Evidence. *Bas, T. & Sivaprasad, S.(2022). An exploratory insight into the impact of COVID-19 on the travel and tourism sector: UK evidence. In S. Karabulut (Ed.), Economic and Financial Analysis of Global and National Developments*, pp.355-369.
- Colucci, M., Tuan, A. and Visentin, M., 2020. An empirical investigation of the drivers of CSR talk and walk in the fashion industry—*Journal of Cleaner Production*, 248, p.119200.
- Dasgupta, D.S. and Jamader, A.R., 2024. Comprehensive Housekeeping Guidebook. *Available at SSRN 4731150*.
- Dawe, K., 2020. Introduction: islands and music studies. In *Island Musics* (pp. 1-30). Routledge.
- Fatima, T. and Elbanna, S. 2022. 'Corporate Social Responsibility (CSR) Implementation: A Review and a Research Agenda Towards an Integrative Framework', *Journal of Business Ethics*.
- George, R., 2021. Tourism and Hospitality Marketing Principles. In *Marketing Tourism and Hospitality: Concepts and Cases* (pp. 3-31). Cham: Springer International Publishing.
- Giousmpasoglou, C. and Hua, T.T., 2020. The use of self-service technologies in budget hotels: the case of Bournemouth. *European Journal of Tourism, Hospitality and Recreation*, 10(3), pp.251-261.
- Gursoy, D., Buttle, F. and Bowie, D., 2022. *Hospitality marketing: Principles and practices*. Routledge.

- Hirslund, D., 2024. CONSTRUCTION, LABOR, AND LUXURY IN KATHMANDU'S POST-CONFLICT TOURISM ECONOMY. *Insidious Capital: Frontlines of Value at the End of a Global Cycle*, 35, p.151.
- Holz, C.A., 2020. The Process of Economic Development in West Sichuan: the Case of Daocheng County. Available at SSRN 3169125.
- Kee, D.M.H., Ang, Z.L., Woh, M.T., Soleimani, M., Jayant, J., Quttainah, M.A. and Pandey, R., 2020. Shangri-La Hotels and Resorts' People and Culture Strategy in Deriving Employee Satisfaction. *Advances in Global Economics and Business Journal*, 1(1), pp.1-11.
- Lau, G.K., 2020. *Better than Home—the value of homeliness in the design of hotel guestrooms for female business travelers* (Doctoral dissertation, Swinburne).
- Lesley, G.M., 2024. A Growing Dome in the Clouds of Everest: An Applied Anthropology Project in the High Himalayas.
- MarketScreener. 2023. Shangri-La Asia: 2022 Final Results Presentation. MarketScreener.
- Mishra, A. and Kukreti, M., 2022. Challenges and prospects for Oman in the making of luxury tourism destination. *The Emerald Handbook of Luxury Management for Hospitality and Tourism*, pp.101-121.
- Mun, S.G., Woo, L. and Seo, K., 2021. Importance of F&B operation in luxury hotels: the case of Asia versus the US. *International Journal of Contemporary Hospitality Management*, 33(1), pp.125-144.
- Ng, C., 2023. Idea of the Week: A suite deal in Shangri-La's bonds. Bondsupermart.
- Page, S.J. and Connell, J., 2020. Tourism accommodation and hospitality services. In *Tourism* (pp. 216-241). Routledge.

- Peng, X., Wang, H., Fang, P., Song, W. and Zhou, D., 2023. Mapping progress in hospitality CSR research: A bibliometric review from 2006 to 2023. *Journal of Hospitality and Tourism Management*, 57, pp.284-302.
- Pyman, T., 2021. Premier Inn owner sinks to £1bn loss in year of Covid restrictions. MailOnline.
- Sadhale, M.V., 2023. *A study of customer engagement as a business strategy concerning five-star hotels in Pune city* (Doctoral dissertation, Tilak Maharashtra Vidyapeeth).
- Sinha, M. and Fukey, L.N., 2020. Circular Economy: Assessing a Progress of Resources Efficient Practices in Hotel Industry. In *Circular Economy for the Management of Operations* (pp. 89-117). CRC Press.
- Solas, S., 2023. Enhancing customer satisfaction through the implementation of meaningful leisure activities. Case: Hotel F6, Helsinki.
- Technavio. 2024. Luxury Hotel Market Analysis North America, Europe, APAC, Middle East and Africa, South America - US, UK, China, India, Germany - Size and Forecast 2024-2028. Technavio.
- Tufail, H., Ghazal, W. and Gillani, Z., 2024. Corporate Social Responsibility and Consumer Psychology: A Competitive Advantage. *Corporate Social Responsibility-A Global Perspective: A Global Perspective*, p.205.
- Woo, L. and Mun, S.G., 2020. Types of agglomeration effects and location choices of international hotels in an emerging market. *Tourism Management*, 77, p.104034.