

## Comparison of two Hospitality Organisation

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## **Introduction**

The hospitality industry is one of the fastest-expanding markets worldwide. Businesses in this sector include lodging establishments, eating establishments, event halls, and tourist agencies, aiming to please those on vacation or business trips. Competitors in the industry are always looking for a leg up on the competition by delivering distinctive services and products that set them apart (Wu et al., 2022). The hospitality industry has recently placed a greater emphasis on the need for sound financial management. Success in the industry now depends heavily on having good money management skills. It is easier for businesses to get capital, make strategic investments, and plan for growth if they can prove they are practicing good financial management.

This report aims to compare the financial management strategies of Marriott International and Intercontinental Hotels Group, two of the world's leading hospitality organizations. The report will examine several factors, including total revenue, market position, growth potential, and financial commitment to CSR, to reach conclusions about the companies' respective approaches to financial management. The current COVID-19 epidemic has been one of the many obstacles the hospitality industry has had to overcome (Yang et al., 2021). The pandemic has had a major influence on travel demand and has caused many businesses to lose money. In this context, hospitality businesses need to have a rigorous method of economic management to survive and thrive. This report will interact with academic literature and industry standards to offer an in-depth assessment of the economic management procedures of Marriott International and Intercontinental Hotels Group (IHG). The purpose of this report is to help other businesses in the hospitality industry improve their

financial performance and secure long-term success by shedding light on the economic management methods of these businesses.

### **Total Revenue Approach**

A company's total revenue is a key indicator of its financial health and success, particularly in the hospitality industry. It represents the sum of all the money brought in by the company, whether from room rentals, bar tabs, or anything else. A company's success or failure in the hospitality industry may be gauged by looking at key financial metrics like total revenue. An organization's ability to earn significant revenue to support its operations is related to how well its management team has planned (Lu et al., 2021). Therefore, total revenue is crucial for gauging the efficacy of a company's revenue management methods, which aim to maximize income streams. Therefore, every company that wants to succeed in the hospitality industry overall must have an in-depth knowledge of total revenue techniques in the sector.

Marriott International and InterContinental Hotels Group (IHG) are among the world's largest and most well-known hotel companies. As a result of the 2020 COVID-19 pandemic, both Marriott International and IHG saw large drops in revenue: 60% for Marriott International and 48% for IHG. Even with the industry's overall downturn, revenue management has played a significant role in keeping Marriott International and IHG among the world's best-performing hospitality companies. Marriott International's revenue management approach is heavily influenced by its portfolio of over 30 hotel brands and its loyalty program, Marriott Bonvoy, which encourages consumers to book directly with the business (Xia et al., 2020). In addition, Marriott International uses dynamic pricing tactics to modify hotel prices according to supply and demand instantly.

In contrast, IHG's revenue management method focuses on expanding business through strategic alliances and other distribution channels. The firm employs a revenue

management system that considers price information and market demand to identify the most effective pricing methods. It collaborates with OTAs like Booking.com and Expedia to boost bookings. Although both companies experienced losses because of the pandemic, IHG's revenue performance has been constant compared to other hospitality corporations. Top positions in the extremely competitive hospitality industry are held by Marriott International and IHG, thanks to their many hotel brands, customer loyalty programs, strategic alliances, and revenue management techniques.

The revenue management approaches utilized by Marriott International and IHG are different. Marriott International's strategy revolves around its loyalty program, Marriott Bonvoy, which offers members perks for making reservations via business rather than third-party sites. Promoting loyalty and direct reservations, members may earn and redeem points for stays at Marriott hotels throughout the globe. In addition, Marriott International uses dynamic pricing systems that instantly modify room prices in response to supply and demand fluctuations. In this way, the business may optimize revenue while still providing competitive prices to its clientele (Al Shamsi et al., n.d). In contrast, IHG's approach to revenue management focuses on boosting business via key alliances and channels. To increase reservations, the company has partnered OTA like Booking.com and Expedia. IHG also uses a revenue management system to analyze pricing information alongside market demand and set prices accordingly. Different organizations may benefit from using one or more of these alternative strategies for revenue management. Considering external circumstances like the COVID-19 epidemic that may affect revenue streams, choosing the correct revenue management plan can be crucial to the profitability of a hospitality firm.

Revenue management is handled differently by Marriott International and IHG. Marriott International's Marriott Bonvoy loyalty program is geared toward encouraging direct bookings by rewarding members who do so. To guarantee that consumers get competitive prices while optimizing revenue, Marriott International uses dynamic pricing systems, which

alter hotel rates in real-time depending on demand and availability. On the other hand, IHG is more concerned with increasing reservations via its strategic alliances with OTAs like Booking.com and Expedia. The corporation also uses a revenue management system, which crunches numbers to determine the best way to charge customers. IHG can optimize profits and keep its hotel brands readily available to travelers because of its use of strategic alliances and revenue management techniques. While the COVID-19 epidemic dented both organizations' bottom lines, how they handled revenue management showed resiliency in the face of adversity. As there is no one-size-fits-all option for optimizing hotel revenue, these divergent perspectives on revenue management emphasize the need to use the strategy most suited to each hotel chain.

### **Market Position**

Strategically, Marriott International plans to position itself in the market through its dynamic pricing policies and customer loyalty program, Marriott Bonvoy (Antonio et al., 2019). The Marriott Bonvoy program provides members free Wi-Fi, room upgrades, redeemable points for free stays and other awards to encourage them to make direct bookings with the hotel chain. Marriott International can optimize its revenues by decreasing its dependency on third-party booking channels like online travel agents (OTA) by encouraging direct reservations via its loyalty program. In addition, the company uses dynamic pricing systems to instantly modify hotel prices in response to fluctuations in supply and demand. This ensures that Marriott International can optimize its revenue while providing reasonable guest rates.

However, IHG's strategy to market position is based on strategic alliances and channels of distribution. The firm works with several OTA, including Booking.com and Expedia, to increase reservations and expand its customer base. IHG also uses a revenue management system to analyze pricing information alongside market demand and set prices

accordingly. IHG can optimize profits and keep its hotel brands readily available to prospective guests by using these revenue management and collaboration techniques.

Brand differentiation is another crucial element of market position strategies (Bondarenko et al., 2019). To set themselves apart from one another, both Marriott International and IHG have evolved distinctive brand identities and marketing approaches. For instance, Marriott International has both elite and budget hotels under its umbrella, with brands including the Ritz-Carlton, St. Regis, and W Hotels. By catering to a diverse clientele and meeting the demands of several market niches, Marriott International has achieved remarkable success.

However, IHG has devised separate brand strategies for its three primary hotel brands The InterContinental, Crowne Plaza, and Holiday Inn. The Holiday Inn brand, for instance, is more focused on family-friendly lodgings than the InterContinental brand, which is positioned as a luxury alternative for high-end guests. By establishing these distinctions across its brands, IHG can cater to niche markets and satisfy various consumer tastes. Market position strategies include product development and innovation in addition to brand differentiation. Both Marriott International and IHG have put significant resources into the research and development of new products to remain competitive. For example, Marriott International has created the latest brands like Moxy and Edition to cater to millennials and design-savvy guests. As part of its expansion, IHG has introduced new hotel brands, including the budget-friendly Avid Hotels.

### **Growth Potential**

Both Marriott International and Intercontinental Hotels Group (IHG) have grown via the development of unique strategies for increasing their companies' growth potential and penetrating new markets. Marriott International's significant growth potential strategy has been crucial to the company's worldwide growth. Acquisitions, new hotel construction, and

franchising are all components of the company's growth plan (Polyzos et al., 2021). The 2016 acquisition of Starwood Hotels & Resorts by Marriott International was one of the company's most important acquisitions. This deal provided Marriott International access to many high-end hotel brands, including St. Regis, W Hotels, and Westin. With the help of this purchase, Marriott International was able to diversify its portfolio and improve its position in the upscale hotel market.

Marriott International has emphasized new hotel construction, particularly in emerging markets, in addition to acquisitions. The corporation has lofty growth goals, with the addition of 275,000 to 295,000 rooms and the opening of 1,700 hotels by 2021. Asia, the Middle East, and Africa are seen as high-growth markets. Thus, Marriott International has concentrated its development efforts there. The corporation is also putting money into innovative hotel ideas like the Moxy Hotels brand, which caters to the needs of young business visitors (Alrawadieh et al., 2021). It has concentrated on brand development and expansion. Considering this, it is important to consider the brand's growth potential. The corporation has spent much time and money expanding and improving its hotel brands to attract a more diverse clientele. IHG has 17 hotel brands, each with a niche market and value proposition. Recently, the corporation has concentrated on building its brand in emerging markets like China and India.

Introducing the Voco upscale brand is one of IHG's most ambitious brand development projects. The Voco brand was created to meet the needs of a growing demographic of vacationers who want high-end service without the stuffiness of conventional luxury lodgings (Al Ameri et al., n.d). IHG expects the Voco brand to be so successful that it will enable the company to build 200 hotels worldwide by 2028. Franchising is also integral to IHG's strategy for maximizing its growth potential. Its robust franchising model has made the company's quick growth possible, negating the need for costly new hotel construction.

IHG's franchising concept is predicated on giving franchisees access to the company's worldwide reservation system and its marketing and training tools.

### **Financial Commitment to Corporate Social Responsibility (CSR)**

Both Marriott International and IHG have built extensive CSR programs that demonstrate their dedication to social responsibility, environmental consciousness, and the highest standards of corporate ethics. Sustainability, diversity and inclusion, human rights, and local sourcing are the four pillars of Marriott International ambitious corporate social responsibility plan, dubbed Serve 360. For example, by 2025, the firm aims to cut its carbon emissions by 30 per cent and have all its suppliers comply with its sustainability criteria (Prayag et al., 2019). The Marriott Bonvoy Good Traveler program, launched by Marriott International, rewards customers for making eco-friendly decisions throughout their stay. Marriott International has put much money into environmental programs, and it has also put much money into programs that promote diversity and inclusion. The corporation has formed a Global Diversity and Inclusion Council to achieve its goal of having more women and people of color in executive positions. As another example of its dedication to human rights, Marriott International has maintained a flawless score on the Corporate Equality Index maintained by the Human Rights Campaign for over a decade.

IHG has also devised a comprehensive CSR plan dubbed IHG Green Engage, which aims to lessen the negative effects of its hotels on the environment, advance sustainable development, and lend a hand to the communities in which they are located. IHG has partnered with groups like Clean the World and the World Wildlife Fund to promote sustainable tourism and safeguard natural resources, and the company has set lofty goals to minimize its carbon footprint and water use. IHG has put many resources towards advancing diversity and inclusion in addition to its environmental programs. The corporation has created a Diversity and Inclusion Council to increase the number of women and people of color in

executive positions. IHG's dedication to human rights has also been acknowledged, the firm has received a perfect score on the Human Rights Campaign's Corporate Equality Index for many years.

Strong philanthropy programs designed to aid local communities and encourage corporate social responsibility have been created by both Marriott International and IHG. The hotel chain set up the Marriott International Foundation to give back to causes related to youth empowerment, education, and economic growth. Similarly, IHG has its charitable organization called the IHG Foundation, which works to better the world via environmental protection, disaster aid, and local growth. Regarding financial commitment, both Marriott International and IHG have invested in CSR. Both organizations have formed CSR departments and established lofty goals related to sustainability, diversity and inclusion, and community outreach. Both Marriott International and IHG have shown a significant commitment to corporate social responsibility, while the actual cash commitment to CSR may vary based on the programs.

### **Recommendations**

According to the findings, both Marriott International and IHG have established successful financial management strategies in the hospitality industry, which has helped them stay competitive. The financial management techniques of any company may, however, be enhanced in several key areas.

The hospitality industry is not the only source of revenue for Marriott International; they should go elsewhere. Investing in non-traditional revenue sources like vacation ownership, cruises, and tours is one way to do this. Marriott International's loyalty program, Marriott Bonvoy, has shown to be an asset for increasing direct bookings and revenue. Thus, the company should continue to put resources into it. To increase its share of the luxury hotel

market, Marriott International should also look at expanding the reach of its high-end hotel brands.

To boost direct reservations and client loyalty, IHG should consider investing more substantially in its loyalty program, IHG Rewards Club. They should keep growing and developing their hotel brands to increase their market share. In emerging markets like Asia and Africa, the hospitality industry in which IHG operates also has significant growth potential. As a result, the organization may wish to consider branching out into such areas.

We can confidently compare the methods to the financial management of Marriott International and IHG since both have shown strong financial performance and effective revenue management strategies. Marriott International's loyalty program and dynamic pricing tactics have proven to be phenomenally successful in driving direct bookings, whereas IHG has focused on strategic relationships and distribution channels. In contrast to Marriott International's investments in environmental programs, IHG emphasizes corporate responsibility and community outreach.

The former, Marriott International, must do a better job of diversifying its revenue streams, while the latter, IHG, needs to invest more in its loyalty program. Although Marriott International and IHG have solid financial management processes, there is always room for expansion and growth in the dynamic and ever-changing hospitality industry.

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