

FINANCIAL MANAGEMENT FOR THE HOTEL INDUSTRY

BMIH5007

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Declaration

I confirm that I have not used any AI tools in the research and creation of this assignment .I confirm that I have not presented any AI generated materials as my own work. I confirm I have copies of my drafts ,notes, and other resources I used, which I may be asked to provide in evidence.

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1.0 Introduction

Management of the finance of an organisation is critical to optimise overall operations and allocate resources which results in the performance improvement of the company in the competitive market. Through considering different financial data such as revenue and cost of operation and financial commitment towards different factors, the company's current business position and brand value can be recognised. This study aims to make an in-depth comparison of the finances of Shangri-la Hotels and Premier Inn hotels. Under it, total revenue, its trends and different sources contributing towards the revenue increase will be discussed. Additionally, financial commitment towards organisational CSR will also be discussed in this study. It will aid in making justified recommendations for these two companies.

2.0 Analysis of the total revenue of two hotels

Management of revenue in the hotel business is key to meeting the specific requirements of the consumers. Shangri-La and Premier Inn are two big hotel brands in the current hospitality market. As per the financial report of 2023, the revenue of Shangri-La Hotel was \$2.8 billion (shangri-la, 2024). On the other hand, the revenue of Premier Inn was £2.5 billion in that same year (theguardian, 2023). The revenue of both these two hotels is witnessing upward growth. Shangri-La has witnessed a 95% recovery since the pre-pandemic business which is a positive revenue growth trend (shangri-la, 2023). On the other hand, Premier Inn has witnessed 50% growth since last year which is also suggesting that the company is witnessing a positive growth trend (theguardian, 2023).

On the other hand, two of these hotels are also witnessing an increase in the cost of operation due to business expansion. Shangri-la has witnessed a \$975048000 cost from the 2023 operation (shangri-la, 2023). Premier Inn has witnessed £1722 million in cost of operation (whitbread, 2023).

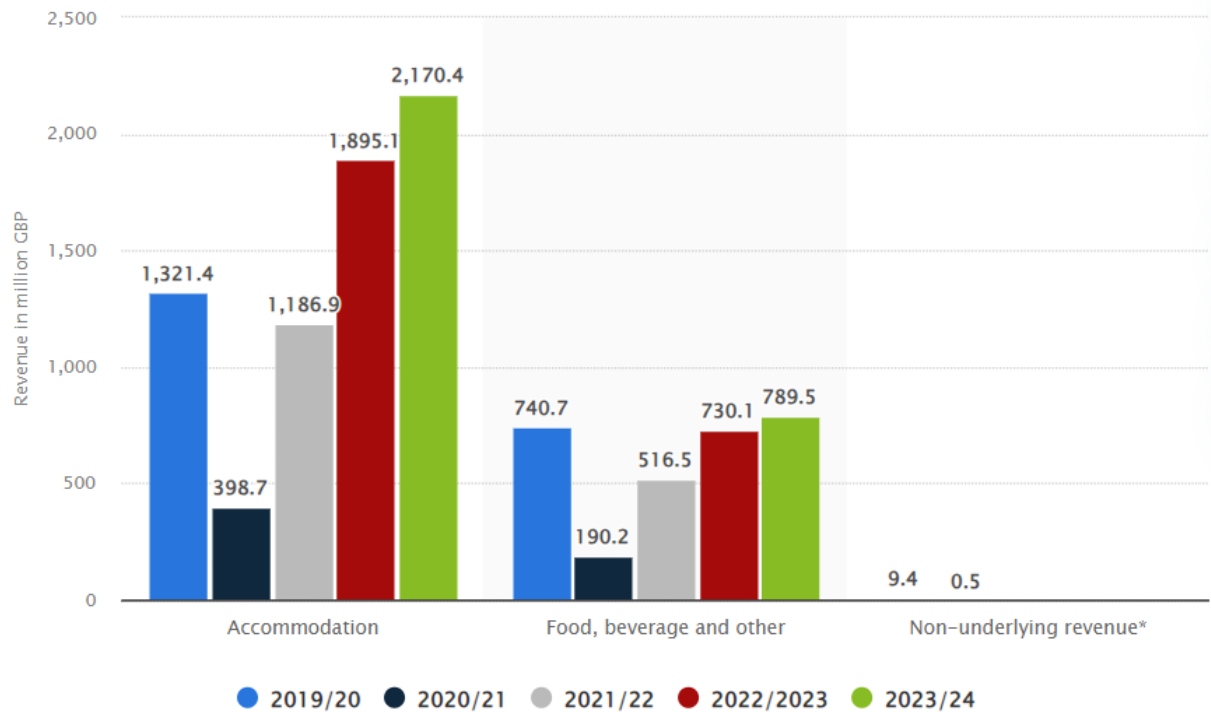


Figure 1: Premier Inn revenue division

(Source: statista, 2024)

The main source of revenue for Shangri-La is hotel operations according to last year's revenue breakdown. From mainland China, it has generated \$702.6 million in revenue from the hotel operation (businesstimes, 2024). Additionally, investment properties are another source of revenue generation for this organisation. In the case of Premier Inn, accommodation offered to the guest is the main source of income which has generated about 2170.4 million British pounds (statista, 2024). The food and beverage sector is also highly contributing as a source of revenue. An increasing number of global travel has deeply contributed towards the revenue increase of Both Shangri-La and Premier Inn (statista, 2024). According to the New Growth theory, an organisation is witnessing economic growth by fulfilling the requirements of the people (Foley *et al.*, 2019). By meeting the increasing tourism demand of the market, both these hotels are able to increase revenue. In the latter hotel, increased marketing operations have also improved its revenue stream.

3.0 Comparison of Market Position

Market positioning refers to the marketing ability of brands to create a unique identity that influences consumer perception (CFI, 2022). The two renowned hotel chains, Shangri-La Hotels and Premier Inn operate in different geographical areas within the hospitality industry. The marketing of Shangri-La portrays its hotels as a luxury getaway (Shangri-La, 2019). The brand has established a strong presence in Asia, particularly in countries like China, Malaysia, and Singapore and is one of the most prominent luxury hotel chains in the Asia-Pacific region (Colliers, 2024). Shangri-La's positioning is defined by its high-end services and amenities. Market shares are numerical figures which tend to fluctuate with the variations in the business environment. Shangri-La has been recognized as one of the leading luxury hotel brands in Asia, competing with other high-end chains such as Four Seasons and Mandarin Oriental. The brand perception associated with Shangri-La hotels includes abstract expectations of high-end services which leaves no stone unturned to uphold the values of luxury for the guests.

On the other hand, the Premier Inn is a hotel chain that primarily operates in the UK (Premier Inn, 2024). The market share of the Premier Inn reflects positively on the luxury segment as the brand outperforms competitors like Hilton and Marriott in terms of brand awareness ratings in the UK (Statista, 2023). However, its prominence as a hotel chain has declined globally as compared to larger chains. Premier Inn is a budget hotel chain that primarily serves the UK market, focusing on affordable accommodations for business and leisure travellers (Premier Inn, 2024). The services of Premier Inn are known for their consistent quality and value (Glassdoor, 2024). Premier Inn commands a substantial share of the UK hotel market, which has been recorded to be around 78% (Statista, 2024). It competes with notable hotel chains like Travelodge and Ibis. The brand perception that has been cultivated by the management of the Premier Inn aligns with affordability in an uncertain economy. Potential customers can book accommodation services for distinct rooms that are available in a diverse price range.

The data extracted from Statista (2023), provides insight on the age distribution of affluent travel consumers in terms of the global tourism and hospitality industry. From the graph, it was noted that individuals whose ages are between 18 and 34 are more frequent travellers as compared to individuals aged above 40. Therefore, these are the potential customers for both Shangri-La

Hotels and the Premier Inn and can be classified into the demographic segment for each business. Thereafter, customers who prioritise a high-end lifestyle and seek out luxurious vacations are included in the behavioural segment of Shangri-La Hotels. Conversely, travellers who prefer budgetary options in terms of accommodations are targeted by the marketing operations of the Premier Inn Hotel because of the similarity in offerings and consumer demand, and thus, these individuals are classified in the behavioural segment of the Premier Inn Hotels. Positioning maps are visual representations of brand attributes that provide a vivid overview of the state of competition among contemporary firms (Moon *et al.*, 2017). The map below portrays the brand positioning of Shangri-La and the Premier Inn in terms of the value propositions for the customers.

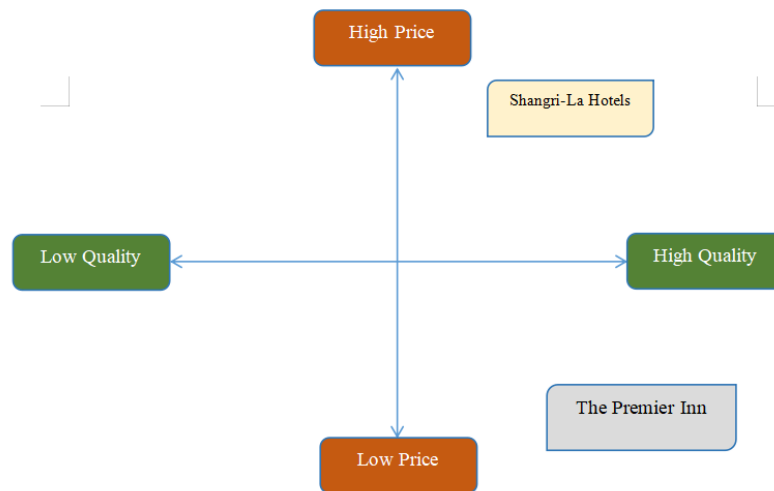


Figure 2: Positioning Map
(Created by the learner)

4.0 Comparison of Growth Potential

The Shangri-La Hotels and the Premier Inn offer distinctive services that appeal to the consumer behaviour of a diverse consumer segment. The company information posted on the website of Shangri-La Hotels iterates that the service offerings of Shangri-La are designed to maintain alignment with luxurious lifestyles (Shangri-La, 2020). The emphasis on a high-end lifestyle has allowed the organisation to establish itself as a key player in the Asian luxury hospitality segment. Conversely, the website of the Premier Inn provides insights into its service offering portfolio, which includes both luxurious amenities and also budget-friendly options for premium

suites and accommodation (Premier Inn, 2023). The facilities provided by the management of the Premier Inn appeal to the group of tourism and hospitality consumers, whose primary concerns are flexibility in accommodation.

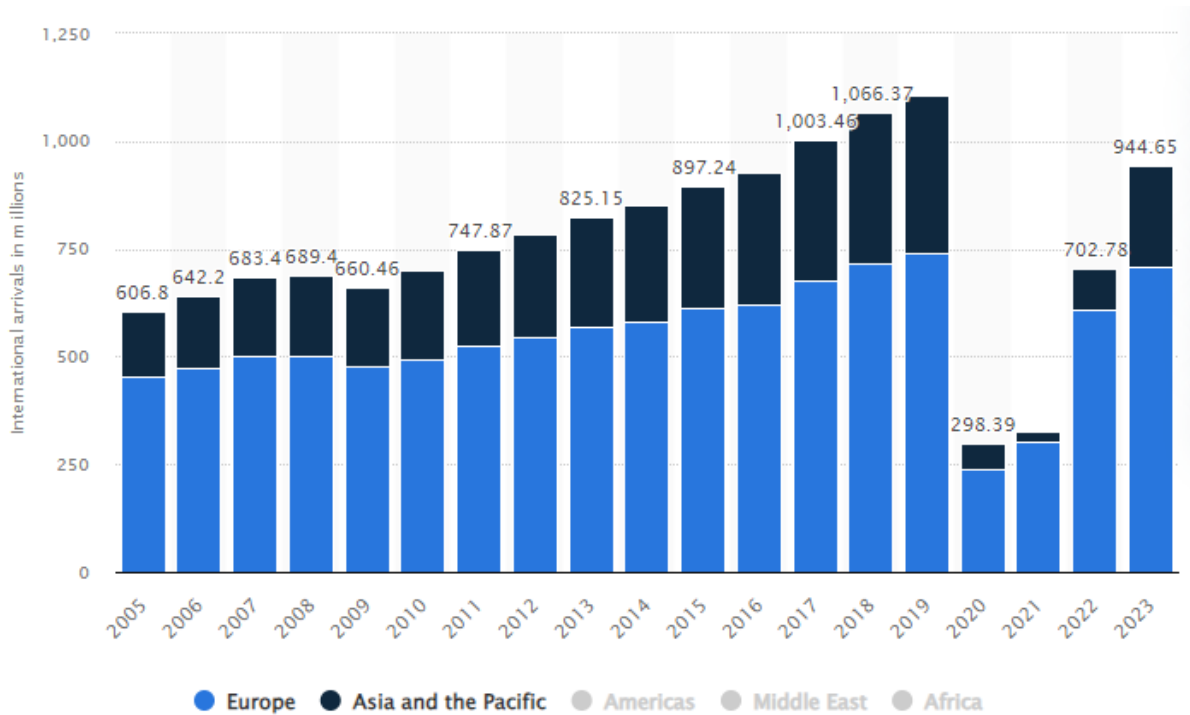


Figure 3: Number of Tourist Arrivals as per Region

(Source: Statista, 2023)

The graph displayed above gives a vivid representation of the growth of tourism and hospitality on a global scale. Rationalising the information embedded in the graph, it was noted that tourism and hospitality activities have maintained stable growth in the 21st century till 2020 (Statista, 2023). The decline of these activities in 2020 and 2021, is accredited to the consequences of the pandemic, which induced substantial economic damage to businesses in the tourism and hospitality industry (Ntalakos *et al.*, 2022). However, financial aid from the government and the upliftment of the COVID-19 restrictions gradually allowed these businesses to recover from the financial repercussions of the pandemic. Moreover, the industry has been forecasted to experience growth till 2029 (Statista, 2024), which can be interpreted as a market opportunity for both Shangri-La and Premier Inn Hotels.

The previous expansion strategies employed by Shangri-La facilitated its expansion in the Asia-Pacific region, and other selective locations in North America, the Middle East and Europe (Shangri-La, 2019). A prominent absence from European countries has been noted in the expansion strategies of Shangri-La's management. On the other hand, the expansion strategies of the Premier Inn have established its operation in multiple locations in the UK and Germany (Premier Inn, 2021). A steep emphasis on preserving the geographical roots of the organisation can be noted in the expansion operations of both the Shangri-La Hotels and the Premier Inn, which seeks to expand in countries which are close to its headquarters. This approach to expansion limits both businesses from capitalising on the growth of tourism and hospitality in other notable regions across the world. Thus, the approach to business growth and expansion can be labelled as a prospective barrier which can potentially harm the profit margins of the Shangri-La Hotels and the Premier Inn in future stages.

5.0 Comparison of Financial Commitment of Organisations to CSR

As a large hotel organisation, both Shangri-La as well as Premier Inn are heavily investing in CSR activities. It helps organisations to meet environmental and social needs and keep a good brand image in the competitive market. According to the *triple bottom line theory*, consideration of people, the planet and profit within an operation allows the companies to stay accountable towards social, environmental as well as governance (Tseng *et al.*, 2020). From the sustainability report of Shangri-La, it has been noted that management is following the Triple S model which aids in coving ESG commitment of the company (shangri-la, 2023). To manage the social commitment this organisation is involved in different community development projects and for that \$3.2 million was invested in the previous year (shangri-la, 2023). Additionally, this company is also involved in green financing which showcases its sustainability commitment. In this sustainable financing, this organisation has contributed \$3.9 billion. It can help in meeting the environmental sustainability agenda in an efficient manner. Employee training in the hotel business is critical to keeping a productive workforce (Walker, 2021). It also allows the organisation to contribute towards the skill development of the society. Currently, it has invested \$58 for per-person training. This hotel is also committed towards the well-being of the children

and therefore, \$30000 was donated for their development. Across Hong Kong, China, and Macau region, it has given rewards valued at \$1000000 (shangri-la, 2023).

On the other hand, Premier Inn is involved with different charitable organisations and each year company is donating £3 million to these partners. Additionally, the company is also valuing the contribution of the hourly as well as salaried members and considered £40 million as a payment award for the teams in Germany along with the UK (whitbread, 2023). Furthermore, in the Children charity, it has contributed about £24 million which aided in future talent development. By partnering with the Disaster Emergency Committee, this organisation is able to raise £700k which is helping people with needs (whitbread, 2023). These commitments have helped this company to meet social sustainability through CSR activities. Additionally, the company has invested £234 million in green construction and £277.5 million in green operations which aided in achieving environmental sustainability. Furthermore, 38.5 million has been invested by Premier Inn in the process of green procurement (whitbread, 2023). Thus, it can be stated that both these hotels are investing significantly to meet the CSR agenda in the market.

6.0 Recommendations

It has been noted from the annual report that Shangri-La is providing premium services to its consumers (shangri-la, 2023). This service comes under the differentiation strategy of the Bowman's clock. Differentiation strategy refers to when price along with perceived benefits, are high in the service (nepedup, 2023). Therefore, to maintain this strategy in the operation, this hotel is suggested to expand business in other Asian countries Such as Vietnam or Malaysia and differentiate services without premium pricing. It can allow the company to capture new consumer segments in the new country which will reflect in the revenue.

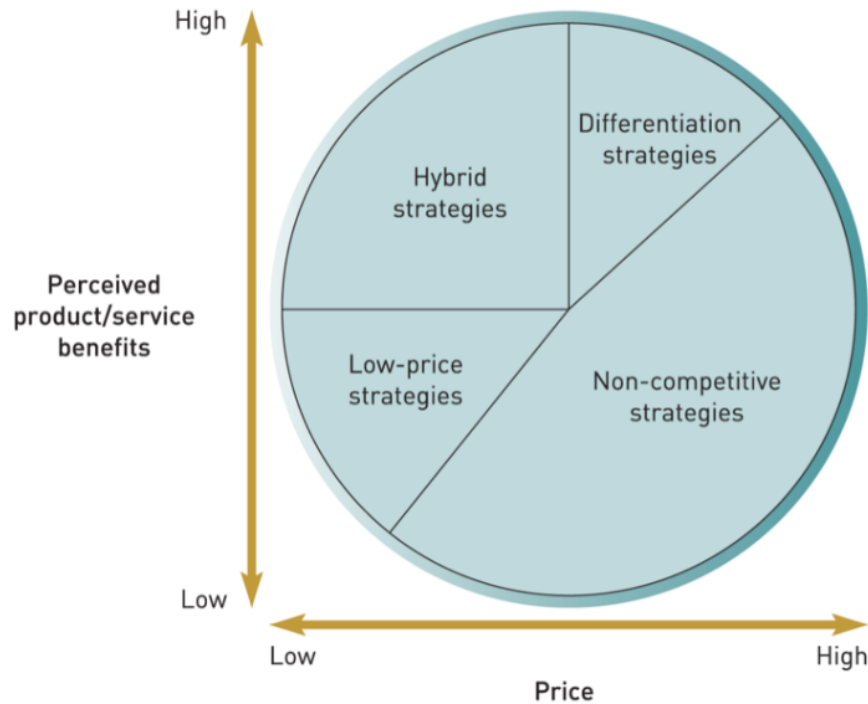


Figure 4: Bowman's strategic clock

(Source: nepedup, 2023)

Contrary to Shangri-La, Premier Inn is using a competitive pricing strategy (whitbread, 2023). It comes under the hybrid strategy under Bowman's clock. Therefore, this company is recommended to increase the overall volume of operation by entering into new European markets and opening new accommodation services. It will allow us to serve more people with the help of advanced technologies and employee commitment. Thus, it will also be able to achieve a competitive advantage in the market.

7.0 Conclusion

The research conducted into the financial management of the Shangri-La Hotels and the Premier Inn provided substantial insights that reflected positively on both organisations. Concluding the study, both hotels exhibit effective financial management practices designed to complement their respective positioning initiatives. Shangri-La outperforms competitors in the luxury segment, showing positive revenue growth and significant investment in sustainability and CSR initiatives. Its emphasis on a premium service differentiation strategy supports its luxurious market positioning. On the other hand, Premier Inn's focus on competitive pricing and expansion within budget-friendly accommodations has bolstered its market share in the UK. The

company's financial commitment to eco-friendly operations and CSR are responsible for improving its brand value. Both hotels should leverage their financial strategies for continued growth, exploring new markets and operational efficiencies to optimise their financial performance.

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