



Business Report

Comparison of Two Hospitality Organisations



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introduction

The competitive and dynamic nature of the hotel industry is one that manifests an extensive variety of business models, ranging from high-end luxury to functional budget hotels. This research undertakes a comparative analysis of two large operators in the market: Shangri-La Hotels and Premier Inn Hotels. Shangri-La, the global luxury hotel chain, is defined by its high-end features and worldwide reach, whereas Premier Inn, the UK's leading budget hotel chain, is marked by standardized value and low cost. It is necessary to understand the financial distinctions between budget and luxury hotels, as Guilding (2014) notes in "Accounting Essentials for Hospitality Managers," where the author stresses the need for specific financial approaches in different hospitality segments.

The most important aim of this report is to make a thorough analysis and comparison of the financial management approaches of these two dissimilar organisations. By comparing their respective fiscal policies, we seek to determine the underlying drivers of their fiscal performance and sustainability. This research will particularly investigate four vital areas: one, overall revenue creation and management, such as revenue streams, trends, and determining factors; two, the respective groups' competitive market position and its subsequent financial contribution; three, the evaluation of growth potential, such as growth strategies and market opportunities; and four, the financial investment in CSR practices and their influence on their financial models.

Successful revenue management, an integral part of financial strategy, is emphasized by Tranter et al. (2014) in "Introduction to Revenue Management for the Hospitality Industry," as being vital for financial success.

With this comparative strategy, we aim to unveil the different financial models and strategic choices underlying the success of these institutions in their respective market niches. This analysis will give insightful information on how finance works in luxury and budget hospitality, offering a clear differentiation of their operational and strategic financial management. The principles of good financial management, as provided by Drury (2021) in "Management and Cost Accounting," need to be adhered to by both luxury and budget hospitality establishments but might be implemented to a very different degree.

Total Revenue Calculation

Shangri-La Hotels experienced a dramatic 2023 rebound in its revenue. In its 2023 full-year report, its group-wide revenue recorded a 46.5% growth from last year at USD 2,141.8 million. The growth is mainly a fallout from travel bouncing back, primarily in Mainland China as also in Hong Kong, as pandemic measures have weakened. Shangri-La Group in its 2023 report highlights that "The Group's effective share of revenue was USD 2.8 billion, recovered at 95% of FY2019." (Shangri-La Group, 2023). The above facts reflect that high-end hotel revenue is highly volatile with global travel. Their multiple sources of income from high-end food as also from event hosting are a contributor towards that volatility.

In contrast, Premier Inn, owned by Whitbread PLC, is a more stable picture in its revenue in light of the context in the UK budget hotel sector. The FY23 report from Whitbread PLC is a healthy report with a 27% increase from pre-pandemic levels in its "Statutory revenue 2,625 million". (Whitbread PLC, 2023). The growth is a testament to stability in the budget travel sector amidst uncertainty in economics. The bulk of Premier Inn's sales is from room sales with ancillary sales forming a smaller, though reliable, component. Their operational cost discipline as identified in

the finance report from Whitbread PLC means that it is in a position to be profitable in a competitive market. A comparative study of these models of income makes dramatic contrasts evident. Shangri-La income, perhaps more on a per-customer basis, is more volatile as it is linked with spend that is discretionary as well as with overseas travel. Premier Inn is supported by a secure source of income from a continuing level of spend on budget hotels. Further insight into drivers that affect on the hotel sector can be obtained from finance sources. For example, insight into the macro-economic pressures on the hotel sector can be obtained in the Financial Times. (Financial Times, Various editions). Such pressures affect each hotel chain in highly varied ways. And in order to have a deeper understanding about overall hospitality sector trading, industry report studies can be obtained. For example, those reported on by Deloitte, are full of insightful facts. (Deloitte, Various reports).

Market Positioning

Shangri-La Hotels is a global high-end hotel leading player. Its position in the market is high in Asian cities, though not quantifiable as a result of a highly fractured market, and is on the rise across the globe. Shangri-La is targeting high-end travel, businessmen, as well as high net worth-individuals seeking high-end experiences. Repositioning is on a high-end quality platform with lavish facilities as well as high Asian heritage. The prime competitive rivals in terms of high-end brands are competitive hotels such as Four Seasons, Ritz-Carlton, as well as Mandarin Oriental. Statista (2023) estimates that growth in global high-end hotel market will take place, meaning that Shangri-La can grow its position. The cost concept in positioning a high-end brand is crucial as Guilding (2014), in Accounting Essentials for Hospitality Managers, explains in terms of cost in maintaining high-end quality in terms of service as well as maintaining prestige.

Premier Inn hotels, on the other hand, dominate the budget hotel sector in the UK. The market position in the UK budget hotel sector is high for Whitbread PLC, with a concentration on maintaining consistent value as well as accessibility. Budget-conscious customers, families, as well as businesspeople looking for affordable hotels, are included in its target demographic. Reliability, hygiene, as well as

affordability, are key perceptions in its brands. The competitive market is made up of Travelodge as well as independent budget hotels. In its report on UK Hotels 2023, Mintel (2023) explains that Premier Inn is in a firm market position with high awareness about its brands. Such a firm market position ensures that Premier Inn can achieve a consistent income as well as scale economy. A comparative study in terms of positioning in terms of market is observed. Shangri-La is positioning itself in a niche market with high-price strategy as well as exclusivity, whereas Premier Inn is positioning itself in mass market with accessibility as well as affordability strategy. The positioning difference in terms of market is observed in bottom lines. Shangri-La high client average revenue is balancing with high expenses, whereas Premier Inn client average revenue is balancing with reduced expenses as well as increased occupancy. To have a clearer picture regarding overall hotel sectors' performances, professional services' report can be made available. For example, regular studies regarding hospitality sector are available with KPMG (KPMG, Various reports). In addition, consumer trends as well as ways these affect on hospitality sector can be observed in studies available with Euromonitor (Euromonitor, Various reports).

Growth Potential

Shangri-La Hotels' growth is premised on capturing growing travel demands in emergent markets, primarily in Asia. Recent report points out that Shangri-La is targeting opening new hotels as well as upgrading old hotels in a move towards maintaining its competitive turf (Shangri-La Group, 2023). There are vast market opportunities in terms of growing affluence in these regions' mid-twenties as well as experiential travel demands. There are also growth challenges in terms of high funding requirements, uncertain geopolitical environments, as well as maintaining a consistent brand in diversified markets. Industry research by CBRE (CBRE, Various reports) points out that the sector in high-end hotels is witnessing more funding in terms of sustainable development, which Shangri-La will have to battle.

Premier Inn hotels' growth strategy is geographically focused with expansion in the UK as well as Germany. The growth in prime regions in the UK as well as expansion in Germany can be seen in the finance reports of Whitbread PLC (Whitbread PLC,

2023). The market opportunities are because of high continuing demand in budget hotels as well as growing staycation culture. The challenges are emerging from new competitive challenges from internet booking platforms like Airbnb, as well as from having to match their business model with that in Germany, which is different from that in the UK.

A comparative study finds that Shangli-La is high-capital, high-yield growth whereas that of Premier is more geographically targeted at high-volume growth. The fiscal implication is staggering: Shangli-La witnesses more expenses and risks in terms of expenditure in the beginning, as well as more probable payoffs, whereas Premier is more about having a growth rate at a comparatively lowered risk.

Financial Commitment towards CSR

Shangri-La Hotels has incorporated CSR into its overall strategy with a focus on environmental sustainability, social engagement, and ethical supply. The CSR activities in its report encompass energy conserving activities, local educational assistance, and ethical supply chain establishment (Shangri-La Group Sustainability Report, 2023). All these activities are a big cost in terms of money, but also lead towards reputation as well as long-term sustainability.

Premier Inn Hotels also gives high importance to CSR, with emphasis on environmental footprint minimisation and giving back to local communities. The sustainability reports from Whitbread PLC describe measures that are taken in terms of reducing greenhouse gas emissions, waste minimisation, and investing in alternative energy (Whitbread PLC Sustainability Report, 2023). All these are embedded in their operational strategy and are regarded as crucial for a prosperous long-term operation.

A comparative research finds both hotels practicing CSR in a varied form. Shangri-La is more involved in high-profile ventures that are in line with its high-end

positioning, whereas Premier Inn is more functional in its strategy with greater cost-efficiency focus. The strategies have a cost impact on bottom-line performances with a countervailing impact on reputation enhancement as well as on mitigation of risks in the long run. Researches from the World Travel & Tourism Council (WTTC, Various studies) points towards a focus on sustainability in today's hospitality.

Recommendations

Shangri-La Hotels:

Recommendation: Invest in advanced data analytics in order to boost tailored visitor experiences as well as revenue management.

Justification: Given that each client is worth a great sum, as digital engagement is increasingly becoming vital, investing in a high-end platform will enhance engagement with clients as well as revisit. The platform will enable Shangri-La a more in-depth understanding about clients' desires, personalize its services, as well as personalize its prices. The proposal is in line with McKinsey (McKinsey, Various reports), which highlights that decisions made on a data basis are becoming more vital in the hotel sector.

Premier Inn Hotel

Recommendation: Expand more earth-friendly and ecologically conscious buildings in a move that aims at luring earth-savvy clients.

Justification: With increasing environmental consciousness, greener facilities can be a means of positioning Premier Inn as a socially conscious hotel chain with a rising tide of ecologically conscious patrons. Collaboration with ecologically compatible vendors in addition to environmental technologies can render it a possibility. The proposal is also seconded by research conducted by Nielsen (Nielsen, Various

studies), which indicate a growing consumer shift towards ecologically compatible goods as well as services. Conclusion In conclusion, Shangri-La Hotel and Premier Inn Hotel are two opposite models of finance in hotel industries. Shangri-La, in high-end sector, is targeting high-yield segments as well as high-end experiences, whereas Premier Inn, in economy sector, is targeting operational cost-efficiency as well as expansion. The two companies are both CSR-committed in opposite ways. The finance approach of both companies is highly influenced by the sector that it operates in, with each having opposite finance challenges. Shangri-La global expansion as a high-end player demands high-capacity investment as well as risk management, whereas Premier Inn regional expansion as a budget player demands cost-efficiency as well as cost management. Ultimately, both companies are forced to counter a dynamic market condition as well as consumer choices in order to be finance-sustained in the long term.

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