

Assignment Title: Business report: Comparison of two
hospitality organizations: Shangri La & Premier Inn.

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AI ACKNOWLEDGEMENT: 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 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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Introduction:

The report will analyse two major players in the hospitality industry: Shangri-La Hotels and Premier Inn Hotels. The two brands have successfully positioned themselves in different markets, and evaluating their financial management selected highlights within this report will analyse concepts that affect their financial viability and performance (Burns, 2011). This report will provide information about the comprehensive analysis of the performance of Shangri-La and Premier Inn working with financial aspects that include the total revenues, positioning, growth perspective and CSR statement (Mohd, et al., 2022).

Total Revenue:

Premier Inn Hotel

Total statutory revenue for Premier Inn UK was £500m for 2023, which increased the performance of the UK hotels. This performance was underpinned by the favourable supply environment in the UK hotel market and the strong commercial plan. Premier Inn continued to outperform the wider M&E market. The sales further grew to £594m in the present year which is a great advancement in the market (Whitbread, 2024).

Shangri-La Hotel

The report highlights a notable surge in Shangri-La Hotels' total revenue, rising from £920 million in 2022 to £1.35 billion in 2023, and further reaching £1.85 billion in 2024. This growth was driven by a substantial increase in room occupancy rates, which climbed from 42% in 2022 to 70% by 2024. Additionally, higher average room rates and increased food and beverage sales significantly boosted revenue. The china market mainly impacted the revenue of the Shangri-La Hotel. Total revenue from China properties raised up to £781.9 million by the end of 2023 (Shangri-La Group, 2024).

Sources of Revenue:

Category	Shangri-La Hotels (2020-2024)	Premier Inn (2020-2024)
Revenue (GBP million)	2020: £821 2021: £932 2022: £1353 2023: £1850	2020: £483 2021: £602 2022: £855 2023: £790
Room Revenue	2020: £367 2021: £401 2022: £478 2023: £824	2020: £51 2021: £62 2022: £76 2023: £89
F&B Revenue	2020: £378 2021: £445 2022: £433 2023: £682	2020: £25 2021: £53 2022: £63 2023: £72
Other	2020: £56 2021: £65 2022: £67 2023: £74	2020: £9 2021: £18 2022: £21 2023: £29
<u>CoGS</u>	2020: £521 2021: £550 2022: £650 2023: £720	2020: £22 2021: £31 2022: £47 2023: £63
Operating Costs	2020: £611 2021: £634 2022: £523 2023: £773	2020: £19 2021: £25 2022: £42 2023: £55
No. of Rooms	2020: 39,037 2021: 40,239 2022: 42,571 2023: 49,000	2020: 28,024 2021: 36,548 2022: 42,530 2023: 45,560
Room Rates (Avg.)	2020: £200 2021: £225 2022: £250 2023: £280	2020: £41 2021: £52 2022: £64 2023: £72
Occupancy (%)	2020: 32% 2021: 38% 2022: 46% 2023: 66%	2020: 42% 2021: 63% 2022: 82% 2023: 88%

Room Occupancy Rate (Screener Market, 2024)

Premier Inn

Premier Inn, which operates in the budget segment, faced a different trajectory. While its 2020 revenue also plummeted to £483 million, the hotel chain recovered faster than Shangri-La, thanks to its cost-leadership strategy. Domestic travel rebounded quickly, with room occupancy rates bouncing back from 42% in 2020 to 88% by 2023. Premier Inn capitalised on budget-conscious travellers, with its revenue reaching £790 million in 2023. Although the recovery in average room rates was more gradual—from £41 in 2020 to £72 in 2023—the hotel managed to maintain profitability by minimising operating costs.

Shangri-La Hotels

A luxury hotel chain experienced a sharp financial downturn during the COVID-19 pandemic. The restrictions on international travel, lockdowns, and a decrease in tourism led to a dramatic reduction in revenue in 2020, dropping from £821 million in 2020 to £367 million in room revenue alone. The pandemic forced Shangri-La to implement stringent cost-cutting measures, reducing capital expenditures and conserving cash (Nina, 2024). By 2023, as travel resumed and demand for luxury hotels increased, the hotel saw a substantial recovery, with revenue reaching £1850 million. Room rates and occupancy increased, with average room rates rising from £200 in 2020 to £280 in 2023, and occupancy rates improving from 32% to 66%. The recovery was primarily driven by the return of international tourism and the luxury market's resilience.

Cost of Operations:

Premier Inn Hotel:

Before COVID, Premier Inn kept costs much lower thanks to its standardised, no-frills budget model that emphasised fewer staff members and minimal luxuries. Costs plummeted when COVID hit as many of its properties were closed or operated on skeleton staff. Following the pandemic, costs rose once more, but its efficient model allowed for faster recovery with digital operations and lean staff (Whitbread, 2024).

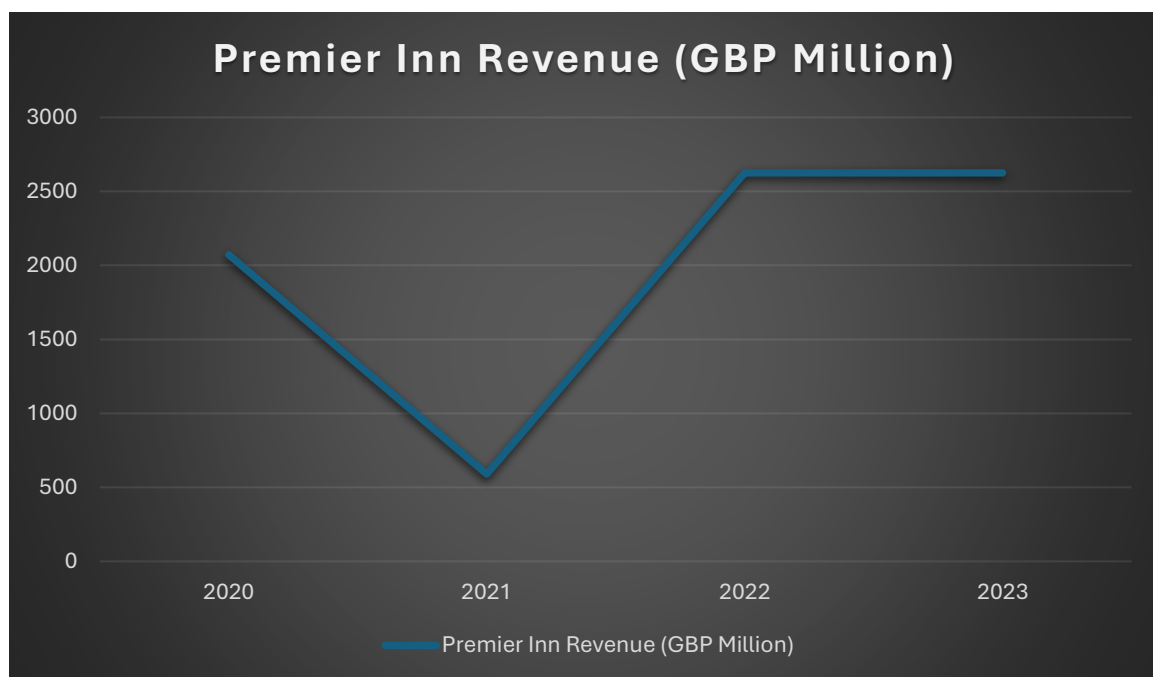
Shangri-La Hotel:

High operational costs arose due to luxury services at Shangri-La between 2017 to 2020, which are labour, maintenance, and utilities for large premium properties. Costs grew step by step along with the global expansion of Shangri-La. Due to property closure and reduction in services due to COVID-19 from 2020 to 2022, costs went downwards. Labour costs were higher at Shangri-La because the operators went all out to retain this talent. The cost was roaring again with the resurgence of luxury in operations post-COVID, 2023-2024.

Rivals Hilton and Marriott both raised their prices as well but to an even greater extent than mid-tier competitors Shangri-La and Premier Inn. Luxury positioning at Shangri-La required more labour and maintenance, while Premier Inn's enormous scale volume would have kept fixed costs.

Factors Driving Revenue Growth & Decline

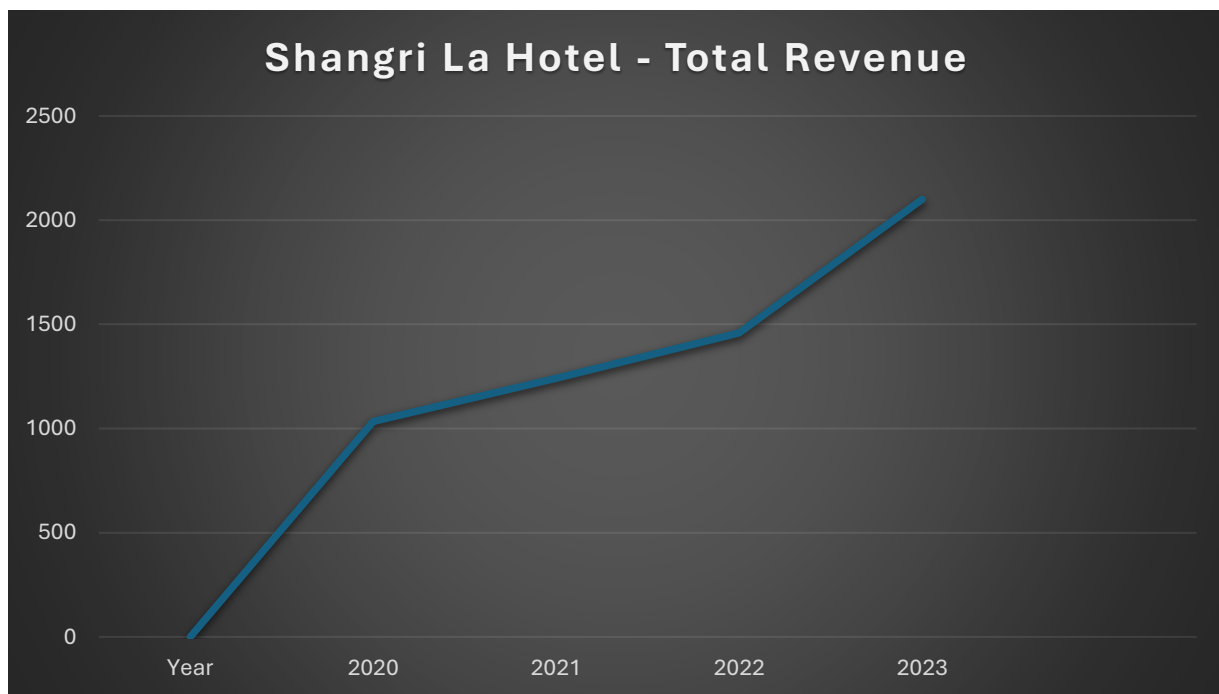
Premier Inn Hotel:



Financial transformation of Premier Inn

The report highlights that Revenue was up 1.1% to £2,072 million for the year ended 31 December 2020, while the business's profitability weakened, with adjusted PBT down by 8.2% due to cost inflation and unfavourable trading environment (Whitbread, 2020). The next year was even worse, statutory revenues declined by 71.5% and adjusting for one-offs the company posted a loss before tax of £635.1m (Whitbread, 2021). In the fiscal year ended 2023 Statutory revenue increased by 27% to £2,625 million due to increasing sales in the UK market. Adjusted operating profit was also up by 12% which underlines good cost management as well as having a good guide to inflation (Whitbread, 2023). In the same year in 2024, Premier Inn has maintained this growth pattern, realising statutory profit before tax of £452 million as outlined in the report (Whitbread, 2024).

Shangri-La Hotels:



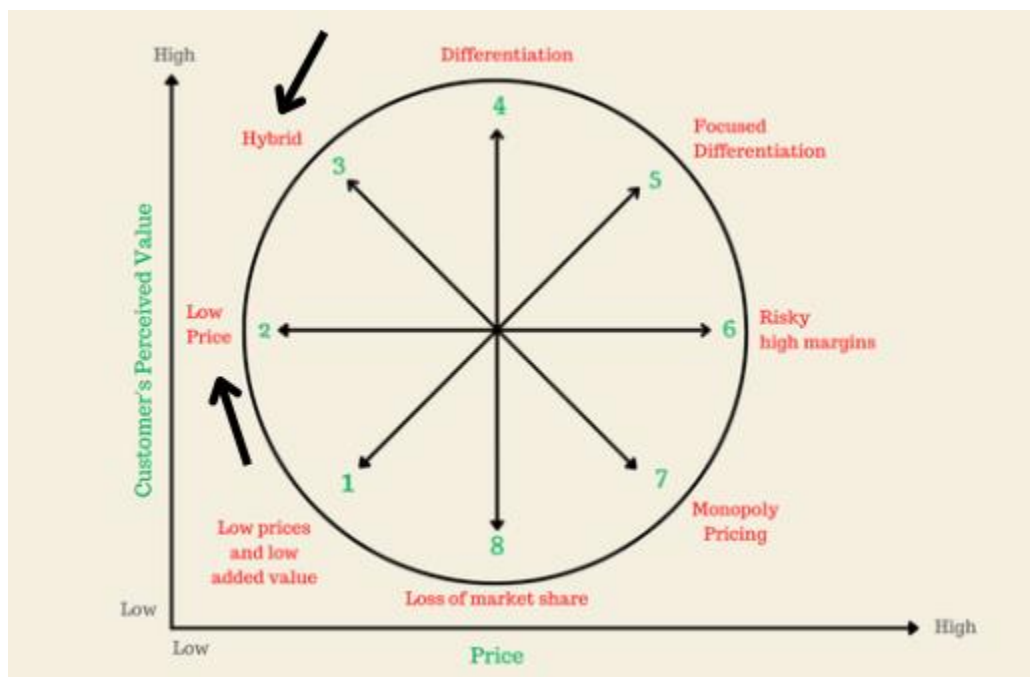
Shangri La Hotel - Total Revenue Source

In the fiscal year ending in March 2020, the company realised a consolidated turnover of only £1,033.4 million, 57.5%. The report depicts that this was amplified by the fact that the EBITDA had reduced by 79% to £181.6 million (Shangri-La Group, 2020). The selling expense of the hotel in 2021 when the impacts of the pandemic started to subdue, also recorded an improvement by

recording a 20.1% rise recording £1,241.0 million (Shangri-La Group, 2021). The recovery was carried to the next level in 2022 as the revenue increased by 18% and amounted to £1.46 Billion (Shangri-La Group, 2022). It took until 2023 for Shangri-La's revenue to fully recover to where it was before the outbreak of the pandemic and it increased by 47% (Shangri-La Group, 2023). The recovery process was sustained in 2024: consolidated revenue for the first half of the year was up by 4.3% and amounted to £1,049.1M (Shangri-La Group, 2024).

Market Positioning

Premier Inn Hotels:



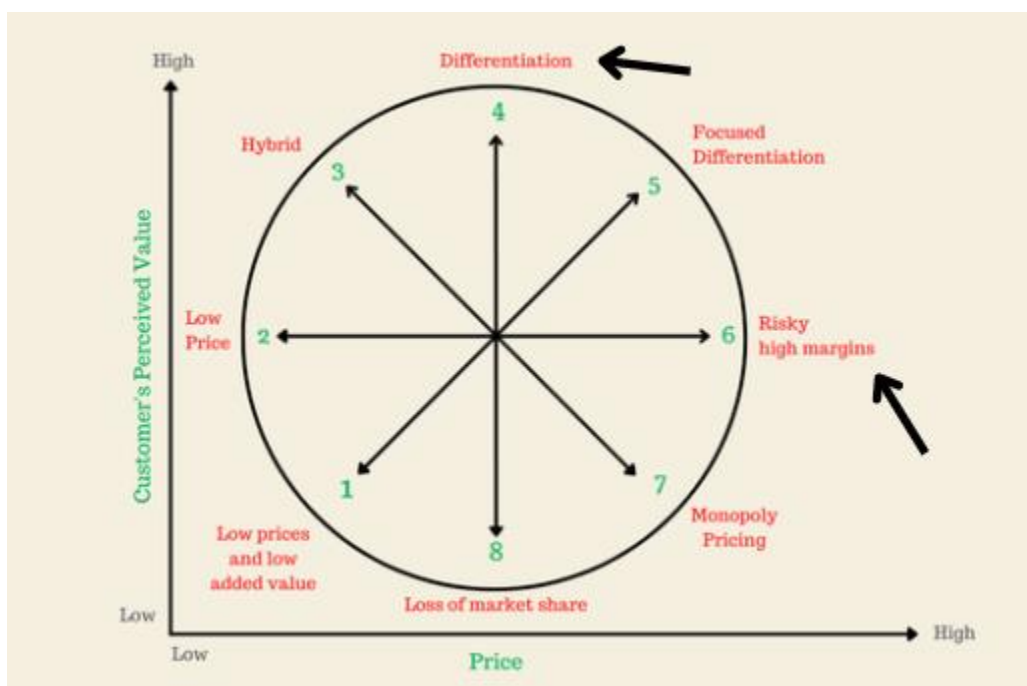
Bowman's Strategy Clock for Premier Inn Hotel

Premier Inn Hotels sits in the low price or hybrid strategy on Bowman's Strategy Clock. Premier Inn cares for good and more affordable accommodations (Nino & Nana, 2021). It scored 77% for customer satisfaction in 2023, winning marks for strong performances in cleanliness, comfortable beds, and reliable service, though minus points for recent increases in prices. The low price strategy for Premier Inn means that the demand is elastic in customers are extremely sensitive to price

changes, while its supply can be more flexible because expansion can be done through opening new locations. In this model, although Premier Inn captures budget-conscious travellers.

There exist several growth opportunities for Premier Inn among them being, the expansion of its market space particularly in the United Kingdom and Germany. The economy segment is emerging as more and more people need cheap and functional lodging strategies after the pandemic. As has been seen in Germany, the market is severely fragmented and therefore presents Premier Inn with the opportunity to replicate its models of the UK market as illustrated in the report (Whitbread, 2024).

Shangri-La Hotel:



Bowman's Strategy Clock for Shangri-La Hotel

The report further explores that Shangri-La Hotels would most likely be differentiated on Bowman's Strategy Clock. The strategy that involves differentiation through premium services, superior quality, and a premium price would mean that the chain could position itself for an upscale market segment that can afford to stay at its properties (Fu, 2023). The group reported revenue growth of 46.5% to £2.1 billion, mainly contributed by the relaxation in pandemic-travel restrictions in its major markets: mainland China and Hong Kong. Shangri-La reported an

attributable net profit of £184.1 million for 2023. A high-price strategy by Shangri-La positions its business in the luxury segment with inelastic demand wherein the customers value premium services more than price. The supply of Shangri-La is relatively constrained because it operates with high costs and keeps premium locations. Shangri-La targets the upscale markets with stable demand from the high-end market.

Growth Potential:

Expansion Strategies

Premier Inn:

Premier Inn is the major player focusing on the mid-price hotels segment, especially within the UK by 40% in 2023. It has the parents' company support from Whitbread PLC and the key area of future growth can be seen in the overseas markets' expansion opportunities. In contrast to the British market, where it trails behind other budget hotel chains, Premier Inn has adopted a more hostile growth strategy in Germany by 50% by the end of 2023 and has as its stated goal the attainment of market dominance in the budget hotel sector.

Shangri-La Hotels

Shangri-La Hotels has suggested a healthy growth possibility backed by stronger recovery in key markets and well-coordinated expansion strategies. The group recorded a 46.5% increase in the company's revenue in 2023 to USD 2.1 billion mainly because of the gradual ease of COVID-19 travel restrictions, especially in Mainland China and Hong Kong where the group has its largest revenues.

Market Opportunities:

Premier Inn

There exist several growth opportunities for Premier Inn among them being, the expansion of its market space particularly in the United Kingdom and Germany. The economy segment is emerging as more and more people need cheap and functional lodging strategies after the pandemic. As has been seen in Germany, the market is severely fragmented and therefore presents Premier Inn with the opportunity to replicate its models of the UK market.

Shangri-La Hotel

These revenues were due to an increase in the occupancy rate; Mainland China was up to 63% and Hong Kong to 70% as demand for leisure and business travellers remains high. Seriously, the group's awnings are equity investments in 80 hotels and a strong pipeline of new and potential hotel projects in cities such as Kunming, Zhengzhou and Kyoto (Cheng, et al., 2019).

CSR Responsibilities:

Premier Inn Hotels:

Whitbread focuses on cost-effective and scalable solutions that improve Premier Inn's bottom line in its sustainability approach, which is very integrated into the operations of Premier Inn. Premier Inn is a budget hotel chain; thus they can keep their carbon footprint relatively smaller (Chishti & Barberis, 2016). Whitbread is prompt in undertaking and supporting corporate social responsibility, promising net zero emissions by 2040. They have spent more than £12 million annually on energy-saving technologies, such as LED lighting, water-saving initiatives, and waste reduction.

Shangri-La Hotels:

As a luxury brand, Shangri-La Hotels is more carbon-intensive due to the bigger property size compared to other brands that are energy-intensive with spas, pools, and fine dining. Their

approach goes beyond mere compliance. Shangri-La gives the full manifestation of integrating sustainability into its core values: more emphasis on ethical practices, such as Fairtrade and sustainable food and material sourcing (Kevin, 2024). For the year 2020, Shangri-La committed to reducing carbon emissions by 30% before 2030, which indicated its long-term sustainability goal. CSR engagements include funding local conservation initiatives, supporting wildlife conservation efforts, as well as building sustainable tourism infrastructure with an estimated £20 million annually (Choy, et al., 2021).

Challenges for investment in sustainability

- **Cost:** Shangri-La incurs very high costs in running its operations where sustainability upgrades may include energy efficient systems and water recycling technologies. As scalable, it will still strain Premier Inn's financial muscle more due to its budget profile.
- **Training and Awareness:** Both brands have already made efforts in staff education, but making sustainability part of the corporate culture in every facility around the globe is difficult for global brands (Murcia, et al., 2023).

The sustainability of Airbnb may not be very feasible as they do not own property; strong regulations are missing; and it cannot compel people in that company to be sustainable. Waste reduction, and food waste are part of the Courtauld Commitment, which stimulates the use of more sustainable resources in the hospitality of Shangri-la Hotel. Management plays an important role in pushing for sustainability from top to bottom. Sustainable marketing like the Fairtrade label wins consumer trust through prospects of ethical business operations. The Premier Inn hotel will always promote orientation to openness and responsibility for the environment, and thus increasing the chance for savvy corporate hotels to align with rising consumer demand for sustainable services (Barringer & Bruce, 2014).

Conclusion

The report concludes with an analysis of both brand's revenue growth and market opportunities. Shangri-La is a luxury hotel chain which has enormously grown revenue during the time before the pandemic but was attacked harder because it mainly depends on premium service with travelling from other countries (Charoenchai & Siriporn, 2024). Shangri-La's financial model,

focusing on high-value services, carries a higher cost of operation. Cost cutting, quality, and exclusivity are the areas that the company emphasized in its recovery. The financial model of Premier Inn focuses on efficiency and affordability, allowing the company to attract more price-sensitive travellers, thereby recovering quickly from the pandemic effects. Both brands demonstrate solid CSR initiatives; Shangri-La is focused on a sustainable and culturally integrated approach, while Premier Inn focuses on environmental friendliness, waste management of food, and social justice.

Recommendations:

Premier Inn Hotels:

- Premier Inn should continue to grow, increase its number of hotels, and maintain market share in the UK. The report also suggests that Premier Inn should have an impressive recovery strategy to reappear in the market despite any events like COVID-19.

Shangri-La Hotels:

- Pre-Pandemic Growth: Shangri-La Hotels should enhance growth through business expansion and enhanced customer service delivery. The report suggests Shangri-la Hotel should also invest in sustainable and eco-friendly accommodation that is appealing to both the customers and the environment.

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