

Financial Management for the Hotel Industry BMIH 5007

Business Report - Comparison of Corinthia Hotels and Ibis Hotels.

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Introduction

Effective financial administration is fundamental to the success of any organisation. Similarly, to maximise their profits, the most prosperous hotels employ fundamental financial management principles in their property management (Yvanovich, 2023). Establishing a reporting structure that aids managers in monitoring P&L data, constructing a detailed financial tracking model, conducting ongoing audits, and establishing an annual budget are all best practices of financial management in the hospitality industry. The purpose of this report is to provide a comprehensive analysis of Ibis Hotels and Corinthia Hotels, two notable entities operating within the hospitality sector. The purpose of this report is to assess the financial management strategies employed by the entities in question, taking into account a range of crucial factors that influence their long-term viability and financial performance. Regarding their financial management strategies and practices, the report evaluates the Corinthia Hotel Group and Ibis Hotels.

Corinthia Hotel Group

Established in 1962 by the Pisani family of Malta, the brand has since come to symbolise enduring and understated elegance in numerous renowned cities and locales across the globe. An initial Corinthia establishment dedicated to upholding familial values by means of benevolence and excellent service (Corinthia Hotels, 2023). Furthermore, it recognises the profound significance of hospitality in providing sensory pleasure. Presently, nine hotels exemplify an elegance that develops gradually and matures gracefully. The hotel of choice for the well-informed individual who concurs with our sentiment that travel is an invaluable opportunity to be appreciated, relished, and celebrated.

Ibis Hotels

Accor is the owner of the French economy hotel brand Ibis. Established in 1974, Ibis underwent a rebranding in 2011 to become Accor's economy megabrand. The changes occurred with the conversion of All Seasons and Etap Hôtel's Ibis Styles and Ibis Budget, respectively. The ibis standard ensures that its clientele worldwide receives the following: a contemporary room, soundproofing and connected linen, innovative comfort, breakfast from 4:00 am to noon, and a diverse menu (Cheng, 2019).

1. Total Revenue

Ibis, which inaugurated a 186-key hotel last year, anticipates a top-line growth of more than 25 percent this year, surpassing the Rs 1,000 crore milestone, according to senior company officials (Pti, 2023). Accor, a French hotel chain, operates the Ibis and Novotel brands in Gurugram via a joint venture with Interglobe Hotels, an enterprise formed by Accor Asia Pacific in collaboration with Interglobe Enterprises. Constructed with an investment of Rs 160 crore, the Thane property is the 22nd Ibis hotel. Additionally, the JV conducts business in Bangladesh, Sri Lanka, and Nepal (Cheng, 2019). Zhang (2023) presented that the Group disclosed revenue of €1,149 million for the third quarter of 2022, representing an 83% increase in like-for-like figures compared to the third quarter of 2021. This expansion is subdivided into an 84% increase in Hotel Services and an 80% increase in Hotel Assets & Other by activity. In accordance with RevPAR (variations expressed in relation to 2019 throughout this announcement), the comparable growth in revenue since the third quarter of 2019 is 9% (Zhang, 2023).

In € millions	Q3 2021	Q3 2022	Change (reported)	Change (LFL) ⁽¹⁾ vs Q3 21	Change (LFL) ⁽¹⁾ vs Q3 19
HotelServices	440	874	+99%	+84%	+9%
Hotel Assets & Other	153	283	+85%	+80%	+6%
Holding & Intercos	(4)	(9)	N/A	N/A	N/A
TOTAL	589	1,149	+95%	+83%	+9%

⁽¹⁾ Like-for-like: at constant scope of consolidation and exchange rates

Source: (Zhang, 2023).

In comparison to this, revenues for Corinthia Hilton amount to \$62.0 million. The revenue per employee for the 3,000-person Corinthia Hotels is \$20,666. With \$390,000 in revenue last year, Harvard Club of New York City is the weakest competitor of Corinthia Hotels (Zippia, 2023). According to the 2022 Annual report of the company, the St. Petersburg Hotel and Commercial Centre have been adversely affected by the conflict in Ukraine and the situation in Russia. Furthermore, the Moscow project, in which we hold a 10% stake, has been temporarily halted. The stake held by IHI in St Petersburg accounts for an estimated 5.6% of the Group's overall revenue and 8% of its assets (International Hotel Investments P.L.C., 2022).

2. Market Position

Corinthia Hotels and Ibis Hotels are well-known international hotel chains with unique market positions that focus on different segments. This is a market share, customer demographics, and brand perception comparison.

Market share

Corinthia Hotels mainly runs high-end hotels in major cities and has a smaller global presence in comparison to Ibis. Has a small market share in the premium segment. Ibis Hotels has a budget chain with bigger geographical coverage in Europe, Africa, and the Middle East. Dominates the economy segment in terms of market share (Sarah, 2023). As of 2017, AccorHotels is a behemoth in the hospitality industry, ranking fifth in number of rooms and fourth in market capitalisation among the top five hotel chains.

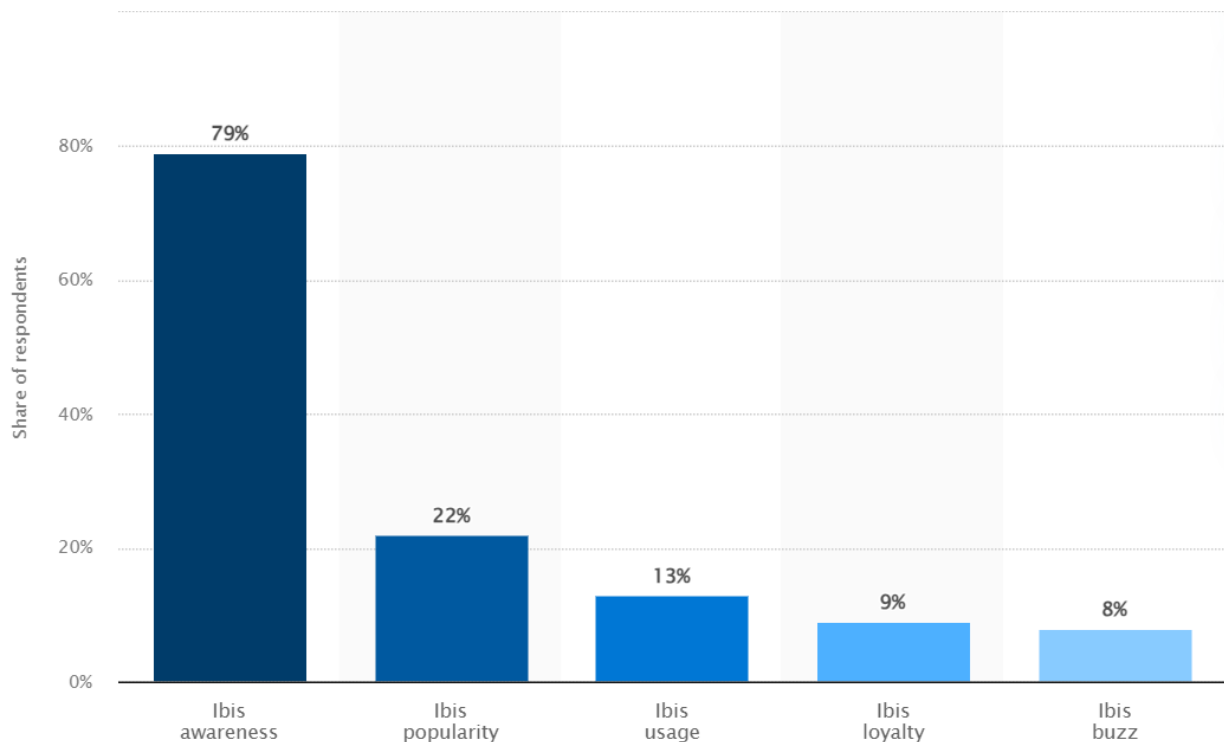


Source: (CB Insights, 2018).

Customer demographics and brand perception

Corinthia Hotels focuses on affluent travellers who are looking for upscale lodging, customised service, and unique offers. The average customer is a business executive, a couple, or a family

celebrating an event. Ibis Hotels serves budget travellers, students, backpackers, and solo travellers. Provides basic facilities and accessible locations at low costs (Ishraq and Zakaria, 2023). Corinthia Hotels are known for luxury, elegance, and sophistication. Famous for its luxurious interiors, large rooms, and perfect service. The Ibis Hotels are seen as pragmatic, trustworthy, and value oriented. Provides clean, comfortable rooms in convenient locations at reasonable prices. In the United Kingdom, 79% of hotel patrons are acquainted with the Ibis brand (as mentioned in the graph below). As per the principle of aided brand recognition, the written brand name and logo of the brand were provided to the survey participants.



Source: (Statista, 2023).

3. Growth Potential

The traditional expansion strategy of Corinthia Hotels consists of building luxury hotels in major cities of the world. Typically, their expansion strategy entails the construction of high-end, premium facilities with the intention of catering to the affluent clientele. United Development Company (UDC), a leading Qatari public shareholding company and the master developer of The Pearl-Qatar and Gewan Island, has signed a management and operation agreement for a luxury Corinthia hotel to be built in UDC's newest flagship real estate development, Gewan Island

(Corinthia Hotels, 2023b). Furthermore, the most pivotal strategic determination made by the Ibis Hotel concerns its worldwide expansion. The Ibis Hotel is accomplishing international market expansion via foreign direct investment. Previous studies have identified mergers and acquisitions, as well as strategic partnerships, as viable approaches to international expansion (Ben Issa, 2011).

The strategic manoeuvre of the Ibis Hotel is to enter a new international market, which necessitates a substantial investment of resources and a more comprehensive outlook to attain a sustainable competitive edge. The Ibis Hotel's international expansion strategy has enabled the establishment of franchises on all continents and the effective entry of the hotel into 64 locations worldwide (Apostu, 2014). Hence, it is justifiable to contend that the firm's strategic decision-making encompasses international expansion, given that it is overseen by senior management, necessitates substantial resource allocation, and establishes precedents for subsequent objectives of the Ibis Hotel. In contrast, Corinthia Hotels lacks operational experience in Asia because of its historical business concentration in Europe, Africa, and the Middle East (Ishraq and Zakaria, 2023). Singapore's brand recognition is comparatively lower than that of Europe when a company expands its operations there. Furthermore, the hotel industry in Singapore is highly competitive, with a multitude of contenders.

4. Financial Commitment to CSR

In light of the critical situation faced by the nation as a result of the second phase of COVID-19, ibis hotels have established a collaboration with The Robin Hood Army to provide essential provisions to those who require them.

With the help of this CSR initiative, ibis intends to feed over 5,000 underprivileged individuals per month in Jaipur, Delhi, Mumbai, Gurgaon, Chennai, Pune, Hyderabad, Bengaluru, Nashik, and Kolkata. (Journal, 2021). Corinthia maintained its financial support for Just a Drop (JAD), an international water aid organisation whose primary objective is to actively reduce the number of individuals lacking access to clean water to positively impact the reduction of infant mortality resulting from inadequate sanitation and contaminated water sources.



By implementing suitable engineering solutions in collaboration with grassroots local partners, JAD supplies some of the most impoverished communities on the planet with pure water. Additionally, Corinthia provided the children of Ursuline Sisters in Gwardamangia and the nuns at Christ the King Convent in Fleur de Lys, Malta, with two truckloads of individually packaged frozen food (Corinthia Hotels, 2022). In accordance with its CSR endeavours, the Street Café of the Ibis Styles Dubai Jumeira has served as the venue for an iftar supper attended by families with children who have special needs (Staff, 2021).



Additionally, Charter 21, the in-house sustainable development management system for hoteliers, is now known as Planet 21 in Action of the Ibis Hotels. This new appellation is intended to provide hotels with effective support as they implement this new strategy. The Group achieved praiseworthy results about the initiatives executed between 2011 and 2015 (Accor, 2017). The programme has achieved twenty-one of its twenty-one objectives in the span of five years, with over ninety percent of its hotels having implemented a continuous improvement initiative.

By utilising Planet 21, The Group successfully coordinated its teams and effectively involved its guests and partners in a methodical fashion, which has been recognised by multiple ethical stock market indices. Over the course of five years, water usage has been reduced by about 9 percent, energy usage by 5 percent, and carbon emissions by 6 percent (Accor, 2017). A global initiative was undertaken in 2009 to plant more than 4.5 million trees, and by the conclusion of 2015, each of its hotels had made a solemn commitment to safeguard minors from exploitation.



Source: (Accor, 2017).

Conclusion and Recommendations

To conclude, the purpose of this report was to examine the financial overview of Corinthia Hotels and Ibis Hotels. A detailed explanation of the revenue, growth potential, market position, and CSR activities of both hotel chains has been provided. It has been examined that Corinthia Hotels and Ibis Hotels are opposites in terms of the hotel market. Corinthia is aimed at a niche luxury segment that values exclusivity and attention to detail, while Ibis targets the budget-conscious target market, offering affordability and convenience. In the luxury sector, Corinthia is all about one-to-one contact at the high end of the market, with customers expecting luxury for their money. The trick for both companies is ensuring they are hitting those goals without fail. Their success depends on their ability to satisfy their respective target market and maintain their unique branding. The following are recommendations for hotels which can be implemented for success.

Corinthia Hotels is recommended to target expansion into emerging markets by focusing on cultural experiences and wellness. The justification for providing this recommendation is the rising affluence in emerging markets like Southeast Asia and China creates a new consumer base for luxury travel (Karina, 2018). Also, the existing brand reputation of Corinthia for service and

quality can resonate with discerning travellers in the region. Furthermore, integrating cultural and wellness experiences such as art installations, local excursions, and spas can differentiate Corinthia from competitors and cater to wellness trends. According to a McKinsey & Company report, luxury travel spending in Asia will surge 60% between now and 2025 (Dudia and Mathur, 2022). Nilashi et al. (2021) showed that 76% of travellers make wellness a top concern in picking hotels. Encouraged by the popularity of its spas and its art offerings at properties in London and Rome, Corinthia recognises that there is a wealth of opportunity for expansion yet.

For Ibis Hotels, it is recommended that they develop and implement a technology-driven loyalty program to increase brand loyalty and customer retention. Price-conscious travellers are becoming increasingly sophisticated in their use of technology, including online booking platforms and loyalty programs (Rachmawati et al., 2020). A smartly designed loyalty program tailored to its core target audiences keeps people coming back for more and fosters an affinity for your brand. Focusing on customer behaviour, such as travel patterns, mobile app integration, and personalised offers, will enhance the shopping experience customers already have found. Hargreaves (2020) presented that 70% of travellers prefer hotels with a loyalty program. Due to technology-driven loyalty programs, budget hotel chains such as Motel One and Yotel have been able to keep their customers engaged. Ibis's existing digital infrastructure and online booking platform offer a solid foundation for creating a loyalty program (Nelwan, 2020).

The recommendations target some aspects from prior studies yet are also in parallel with the development potential of these groups. Corinthia and Ibis can bolster their status in the fiercely competitive hotel world by riding the wave of new market opportunities and strengthening the use of technology.

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