

Module Title: Financial Management for the Hotel Industry

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Assignment Title: Business Report - Comparison of Two Hospitality Organisations

(Shangri-La Hotels and Premier Inn Hotels)

Student Name: Nicoleta Aurelia Monafu

Student number: 2245344

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1. Introduction

The report provides in-depth analysis and comparison of two prominent organisations in the hospitality industry named as Shangri-La Hotels and Premier Inn Hotels. The objective of the report is to evaluate the respective approaches applied on the hotels related to financial management while considering different critical areas that impact on the financial performance and sustainability of the hotels.

Shangri-La Hotels offer luxurious accommodations with providing stunning views of the city. The hotel has higher financial values that features the services with premium pricing and provision of the exclusive amenities (Tam et al., 2022).



Figure 1: Shangri-La Proposes Final Dividend for the Year Ended 31 December 2023, Payable on 14 June 2024

Source: (Market Screener, 2024)

The rates and prices of rooms are typically from £400 to £500 per night that is contributing towards the status of a high-revenue establishment and a luxury segment (Mahathaven et al., 2023).

In comparison, The Premier Inn offers budget-friendly options for stays within the UK with greater comfort and value. It is located in more than 500 locations with family-friendly options. The hotel is owned by Whitbread that is generated almost £2-£3 billion in overall revenue for the 2023/24 financial year (Tandon et al., 2023).

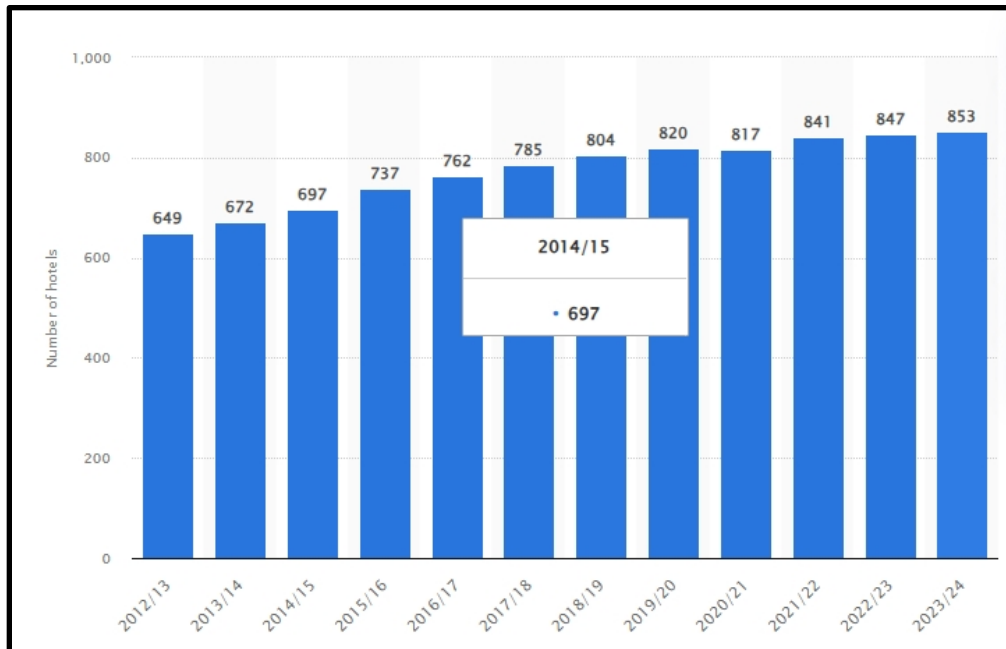


Figure 2: Number of Premier Inn hotels in the UK and Ireland 2012-2024

Source: (Statista, 2024)

There is an average room rate that is approximately ranges from £70-£80 per night. The values target effective budget-conscious travellers with maintaining larger numbers of locations in the UK and Ireland (Solas, 2023).

2. Total Revenue

There is a definite comparison of the overall revenue of the financial management of Shangri-La Hotels and Premier Inn Hotels in the UK seems in the revenue streams and changes in the growth strategies (Walker, 2021). Shangri-La has consolidated a revenue of approximately \$2.15 billion in the years 2023 that has implemented the remarkable increase of 45.5% from \$1.45 billion in 2022 (Iddamalgoda et al., 2023). The increase shows the surge of the recovery to manage travel demand in the UK. However, the services has lifted in the era of COVID-19. The revenue of the hotel operations has defined with total income from the investment properties and management of the property development. There is a significant demand to rebound in RevPAR (Revenue per

Available Room) that has increased by 69% and considering the stronger occupancy rates with increase in the pricing power of the tourism industry (Annual Report, 2023).

In comparison, Premier Inn has generated over £3 billion that is approximately \$2.8 billion in the overall revenue for the financial year 2023/24 (Mpofu, 2023). The estimation is considered additional £750 million from the services of food and beverage in the hotel. The hotel chain experienced rapid growth with increasing in the room count to 85,000 in all over the UK and Ireland. The increase defines a 2% raise in year-on-year basis. Premier Inn offers revenue source to increase the accommodation services with wider range of food and beverage that is offerings contribution to the overall income (Drury, 2021). The strength seems in the budget segment with the strategic expansion and considering the drivers of growth. There is a consumer preferences that has shifted in post-pandemic toward enhancement of the hygiene protocols and flexible options in booking processes.

Manohar et al. (2024) defined that the hotel has announced the share of £33.00 per unit share where the FTSE 100 Company was trading 1.3% higher on that day. The owner, Whitbread has announced that Premier Inn hotel chain and Brewers Fayre pub portfolio have merged the accommodation sales up to 22% in June. Food and beverage turnover has also increased by 10%-12% respectively (Annual Report, 2023).

3. Market Position

The comparison of the market positioning of Shangri-La Hotels and Premier Inn Hotels highlights the distinct features of the target demographics, brand management, and market values. Shangri-La Hotels offers luxury segment within the hospitality industry, identifying the high-end experiences, and managing personalised services (Alhemeiri et al., 2023). The positioning is applied on the travellers while seeking for the luxury accommodations in the prime locations. The hotel is considered high-end due to the vibrant offerings and providing a strong presence in the definite international markets, such as Asia (Akbar et al., 2023).

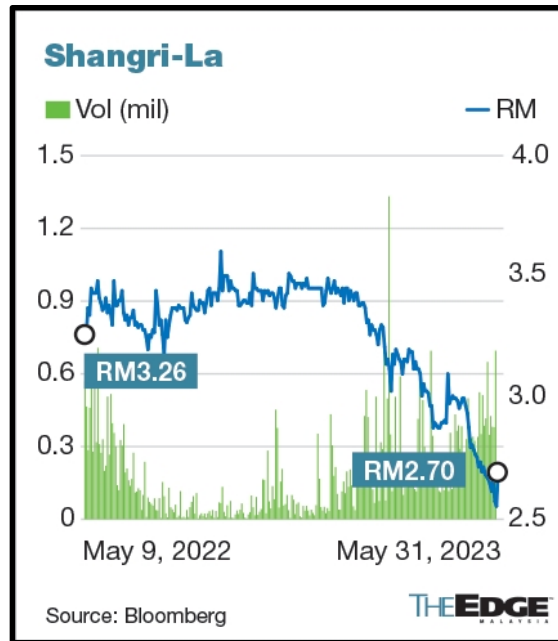


Figure 3: Shangri-La among top gainers on Bursa after returning to profitability in 1Q

Source: (Wyn, 2024)

In 2023, Shangri-La operates 100 hotels with approximately 40,500 rooms worldwide that has offered a significant revenue from the hotel operations and investment opportunities (Market Screener, 2024). The hotel also faced a challenging era in the pandemic period while reinforcing the market position and considering 45.5% increase in overall revenue to \$2.15 billion and also a return towards profitability after facing three years of losses continuously (Mahathaven et al., 2023).

In comparison, Premier Inn is considered the budget-friendly hotel chain that offers a broader value to the demographic such as families' stays, business travellers, and also for the leisure tourists looking for the comfortable and affordable accommodations (Deri et al., 2023). There are more than 80,000 rooms in more than 900 locations in the UK and Ireland from the estimation of 2023-24. Premier Inn considers a definite share of the UK hotel market with increase in revenue and profitability annually to 5%-10% (Aroul et al., 2023).

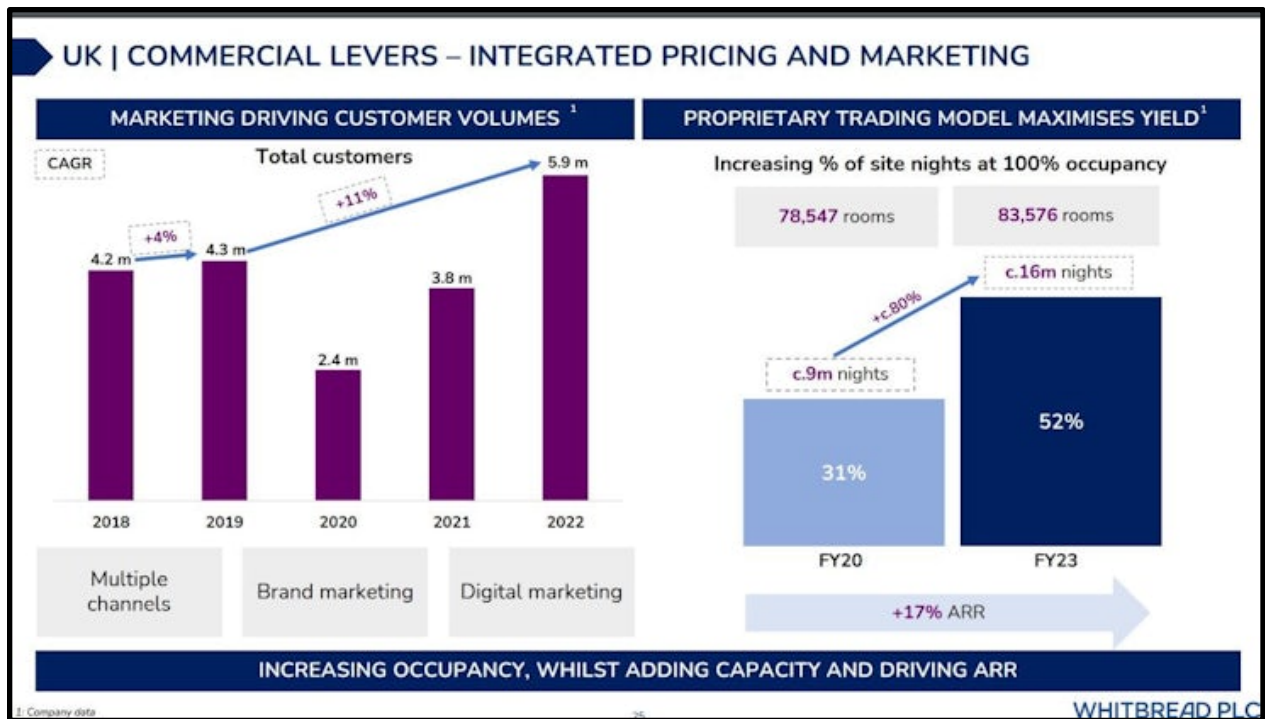


Figure 4: Premier Inn owner hails brand marketing a 'powerful tool'

Source: (Stephenson, 2023)

Seal (2019) elaborated that the hotel chain focuses on providing value of money with establishing effective choices within the budget-conscious visitors. The hotel gains positive aspect for making the consistent quality and reliability in the services that are offered to the visitors and guests. It is helpful for maintaining the higher rates of occupancy while facing the economic declines and fluctuations. In past few years, Premier Inn has expended the services with adapting the changing consumer preferences in the post-pandemic era that solidify the competitive position within the market. According to Royston Wild (2023), in the UK, Whitbread has started the trading at Premier Inn using outstanding features during the last quarter. Accommodation sales has increased to 17% within the period that was at 15% in the previous year. Trading has offered the stronger demand from the consideration of the business and leisure guests coming towards London whereas; the revenue per room has increased to 15% annually (Royston Wild, 2023).

4. Growth Potential

The description of the growth potential of Shangri-La Hotels and Premier Inn reflects on the distinct strategies and application of the market opportunities. Shangri-La Hotels are considered luxury brand for setting the motivated aims to increase the number of hotels from 100 to 200 within the four to five years in future (Mahathaven et al., 2023). There is an aggressive expansion plan with the new shared services model that is used to enhance the operational efficiency and make standardising processes within the properties. The hotel focuses on mergers and acquisitions for strengthening the market position, particularly in London with establishing effective partnerships with local brands and hotel chains like Hilton and Marriott. Additionally, Shangri-La offers leveraging aspects in the hospitality and customer loyalty programs for the attraction of the concerned travellers (Alhemeiri et al., 2023). The services capitalise on the post-pandemic values in the leisure travel, especially visitors coming from Chinese region seeking for the international experiences.

In comparison, Premier Inn offers budget-related features with different approach towards growth. The chain focuses on the expansion of the footprint within UK and Ireland. The chain plans to make increase in the rooms in significant manners (Royston Wild, 2023). Premier Inn applies marketing strategy for increasing customer experience using improved facilities and offer services with maintaining definite affordability. The hotel offers a stronger market presence in the UK that applies a larger share of the budget accommodation in the hospitality market. Deri et al. (2023) reported that the growth potential is supported with the increase in the demand for affordable travel values and post-pandemic situation to the consumers manages value for money.

Therefore, the market position seems as well-positioned for making increase in the future growth but also offers different segmentation to the market. Shangri-La's works on providing luxury and high-end facilities that targets larger numbers of visitors, while Premier Inn offers budget-friendly approach for the attraction and satisfaction of the broader audience considering the cost-effective stays.

5. Financial Commitment to CSR

For the CSR (corporate social responsibility), both Shangri-La Hotels and Premier Inn offer stronger commitments while taking initiatives in several ways that are managing the respective brand identities and also encouraging the target markets (Akbar et al., 2023). For the services of Shangri-La Hotels, the management emphasises on providing sustainability and community engagement using effective CSR strategy. The hotel focuses on providing environmental stewardship, employee development measures, community development, sustainable supply chains, and health and safety measures. In 2023, the hotel has merged almost 2,000 people and community members from different green initiatives and provided 8,000 hours to fulfil the activities like planting management of species and conducting efficiency in the beach clean-up systems (Annual Report, 2023). The hotel implemented an initiative named "Rooted in Nature" that offers commitment to sourcing effectiveness in the food sustainably and support to the local agricultural communities. Financially, Shangri-La offers significant in the projects that make enhancements to the environmental practices like solar energy systems for the reduction in the carbon footprints and initiatives for the promotion of the biodiversity (Market Screener, 2023). The annual reports offers a clear alignment of CSR efforts with definite business goals, focuses for long-term sustainability with enhancement in the brand reputation and the environmental-conscious consumers.

Comparatively, Premier Inn owned by Whitbread offers definite CSR and a localised focus on the community development and the employee welfare system. The hotel chain commits towards the reduction in the carbon footprint using energy-efficient opportunities and sustainable management for the food products (Statista, 2024). Premier Inn offers initiatives such as partnerships with the local charities and organisations for the support of the community projects like offering meals to needy people and engaging employees in different volunteer activities. Stephenson (2023) illustrated that the financial commitment within the initiatives arise with the investments in the energy-efficient technologies and use of waste reduction programs. Premier Inn offers reliable solutions like budget-friendly option to manage CSR activities that attracts larger target demographic and the cost-conscious visitors to maintain ethical values.

6. Conclusion and Recommendations

It has been concluded that the report has presented the comparison of Shangri-La Hotels and Premier Inn Hotels with considering the changes in their market positions, growth activities, and financial measures to the corporate social responsibility. Shangri-La seemed focusing on the luxury and high-end system to gain significant growth using the aggressive expansion into the emerging markets and providing a stronger emphasis on the sustainability aspects. In comparison, Premier Inn is considered as the budget hotel in the UK that offers an extensive network and commitment to the customer satisfaction for the improvements in the digital transformation and operational efficiency. Some of the potential recommendations are given as under:

Shangri-La Hotels needs expansion in some emerging markets such as Africa and South America to offer luxury consumptions and facilities. It needs management of hotel portfolio in the coming five years by sharing services model and focuses on streamlining operations for the rapid growth. By entering into the new and emerging markets, Shangri-La needs attraction of new customer bases that will help in increasing the high-quality luxury experiences. Additionally, it will help to integrate the sustainability within the expansion towards the growing segment of the environmental-conscious visitors. Implementation of the eco-friendly practices and promotion of the local culture will help to enhance brand perception and make differentiation in the services of Shangri-La from the valued competitors already existing in the markets.

For Premier Inn, it is recommended to make increase in the use of digital transformation with positive initiatives towards customer experience and definite operational efficiency. The hotel chain needs to offer a stronger market presence while remaining in the budget segment; however, investment in the technology will be used to make enhancement in the guest satisfaction and streamline management system. There should some robust mobile app for making online booking, check-in processes, and personalised services on the customer preferences.

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