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MODULE NAME: FINANCIAL MANAGEMENT FOR THE HOTEL
INDUSTRY

MODULE CODE: BMIH5007

ASSIGNMENT: COMPARISON OF TWO HOSPITALITY
ORGANISATIONS – HILTON VS INTERCONTINENTAL HOTELS
GROUP (IHG)

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EXECUTIVE SUMMARY

A business report is a collection of facts and analysis that makes it easy for a company to access key information. The current business report will go around two major hospitality organisations and their approach related to financial management: Hilton and Intercontinental. It will be seen that Hilton has a management awarded system to track its key performance management indicators and Intercontinental is focusing on investing as well in a performant one.

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INTRODUCTION

This business report will focus on analysing and comparing the approach of two organisations from the hospitality industry: Hilton and Intercontinental Hotels Group (IHG) in relationship with financial management. From this point of view, some areas will be evaluated and compared, areas such as: total revenue, market position, growth potential or financial commitment to CSR, etc.

It goes without saying that, like any other business, a hotel is first and foremost concerned with making money. Due to this need, hotels must use strategic management accounting methods such as cost optimization, value chain analysis and benchmarking. To achieve the best financial results, they can adopt a sales-oriented or market-oriented business plan. Likewise, they can choose a comprehensive revenue management plan or a more traditional aircraft revenue model. On the other hand, IT-savvy employees can try to apply data science to revenue management to secure their business in the future. The financial success of a hotel can be measured using a number of Key Performance Indicators (KPIs).

MARKET POSITION COMPARISON

Market position combines market segmentation and positioning to produce a clear image of what differentiates packaged products for certain client categories and how they best suit their specific demands. Positioning involves attempting to persuade various market groups that your service is targeted to them, or, as Subha simply states, the product's position is how it is viewed by the potential consumer (Rudra, 2010).

InterContinental Hotels Group (IHG) is a global hospitality company. InterContinental Hotel Group has always used the concepts of market segmentation, targeting and positioning to maintain its position as a leading global hotel group. Their market segment is mainly demographic with different brands such as Intercontinental Hotels and Resorts, the most prestigious all-inclusive service in the community, Holiday Inn Express offering limited service to middle income earners, Candlewood Suites is extended stay concept but target audience is middle market. business and entertainment and other segments. IHG may not be effective in segmenting and targeting this particular segment if placements are not used correctly. Davies-John argues that the skill of installation is certainly the most difficult, especially when dealing with royal estates. It is difficult for this segment to consider its services and goods the best. IHG is able to set high standards in providing luxury services by investing mainly in the world's most luxurious locations, such as major cities, to position the brand (Davies, 2010). IHG is also known for entertaining some of the most powerful people, which can be a defining moment for the brand.

Hilton on the other hand, Hilton Hotels have grown significantly in several areas of their business over the years, including leadership, team spirit (employee turnover rate), motivation (guest satisfaction and retention), and motivation, goals and objectives. With approximately 310,000 rooms in progress and more than a fifth of rooms under construction worldwide built under the Hilton name, the brand maintains its position as the fastest growing hotel industry. The industry's most successful branded event continues to expand its global reach, with a new hotel opening nearly every day and five new countries added in 2018, while delivering cutting edge innovation, to create extraordinary customer experiences (amplifyxl.com, 2022).

TOTAL REVENUE COMPARISON

Major hotel companies InterContinental and Hilton show similar trends when looking at financial cash flow ratios. Between 2011 and 2017, InterContinental and Hilton grew quite steadily (Hua, DeFranco, & Abbott, 2020). In terms of financial business, Hilton experienced the strongest decline in growth in 2017. Additionally, from 2016 to 2020, the liquidity of IHG's investments relative to revenue was negative (Wall Street Journal, 2021b). In terms of liquidity, the liquidity ratios of InterContinental and Hilton have not changed much over the past decade, remaining between 0.7 and 0.9. (Macro regulation, 2021b; Macro regulation, 2021c). In the end, International and Hilton exceeded their asset performance goals. It is clear that hotel development from 2011 to 2021 has been subject to a number of changes in cash flow, liquidity, and efficiency factors, which have temporarily improved or slowed the growth rate of the hotel business growth. The company's strong position is more closely reflected in operating cash flow, and Hilton's financial and investment returns are more favourable. Businesses face major challenges to improve their performance from 2017 to 2021 in the current environment and need further improvement in liquidity and efficiency.

COMPARISON OF GROWTH POTENTIAL

Hilton, one of the largest and best-known hotel companies in the world, embarked on a major expansion in 2021, adding 414 new locations and 67,100 rooms to its portfolio. While the numbers may seem confusing as global travel has been disrupted by the COVID-19 pandemic, they also suggest that Hilton's management believes there will be a significant comeback. With 2,670 hotels under construction (representing more than 400,000 hotel rooms) and more than half under construction, Hilton may be trying to climb the hotel ladder. Other areas of growth are included in Hilton's potential to expand financially. According to employees, Hilton's income increased by 10-50% last year (Hilton culture | comparably 2022).

Benefits and rewards help drive customer loyalty, but loyalty programs cannot thrive without a geographically expanded portfolio of distinct hotel brands that deliver A unique experience for the discerning business or leisure traveller. 'Nowadays. Match all the reasons they can be on the road. The expansion of the global portfolio is therefore an important part of IHG Hotels & Resorts' new loyalty strategy. IHG's

diverse portfolio of locations and hotels provides B2B buyers with richer, more valuable journeys, and more choices and personalized experiences for passengers and consumers. IHG Hotels & Resorts is repositioning the industry through new brands, partnerships and expansions to enhance its global portfolio, including luxury and lifestyle offerings. Spanning 17 brands and more than 6,000 destinations worldwide, the redesigned IHG One Rewards loyalty program offers more choice, value and benefits than ever before.

CSR FINANCIAL COMMITMENT

Hilton released its 2030 targets four years ago as part of its ambitious Travel with Purpose ESG plan, making it the first global hotel business to do so. Climate objectives based on science. Following a strategic evaluation of those goals, improvements in climate science, and best practices, Hilton has recently updated its environmental and social impact targets. These upgraded standards contain more ambitious environmental goals as well as additional social goals to encourage more sustainable practices and opportunities for the people it serves. In addition, Hilton announced new commitments to the Fifth Wall's Climate Technology Fund, which will invest in software, hardware, renewable energy, energy storage, smart buildings, and technology. carbon sequestration technology to achieve \$10.5 trillion worth of real estate decarbonisation. Hilton's new environmental commitment builds on the company's long history of setting clear and quantifiable environmental goals to incentivize sustainable practices, reduce carbon emissions and improve business efficiency (Hilton, 2022). This approach, will bring Hilton some new customers, as there are a big number of persons interested of a sustainable environment and always choose organisations that are CSR related.

The IHG Green Engage system, IHG's online sustainability management tool, demonstrates how its hotels are lowering their influence on the local environment by using less electricity and saving water to minimize waste. As a result, they guarantee that our environment is safe for everyone. IHG are involved in the fight for climate change, and all the financial implications that are being led by the CSR projects, are points with the help of which IHG will gain new segment of customers, the ones that are directly interested in a sustainable environment.

RECOMMENDATION AND CONCLUSION

According to the latest estimates, the global smart hotel industry will be worth \$110.08 billion by 2030. By providing a more personalized travel experience, hoteliers can create a lasting experience and increase their chances of writing a positive review. Creating a unique experience for visitors can increase revenue while enhancing brand reputation and customer loyalty. With new smart hotel solutions, hotels can collect insights based on guest data and behaviour to improve guest experience, providing better service to every guest. The increasing adoption of various advanced technologies such as 5G, IoT and artificial intelligence in the hospitality industry is expected to generate revenue opportunities during the forecast period. For example, in April 2020, Huawei partnered with InterContinental to build the first 5G smart hotel, providing guests with an exceptional experience through powerful 5G networks and terminal connectivity. Hence, the introduction of this innovative technology is expected to drive the growth of the global market (amenitiz.com, 2022). These lean smart hotel solutions help hotels improve service quality while improving guest experience. As a result, the demand for smart hotel solutions is expected to increase, which will drive the market expansion. This growth opportunity can be access by IHG.

On the other hand, Hilton can try to outsource its services. A hotel full of guests is not always a profitable hotel. Revenue determines the success of the hotel. Hilton should use revenue management services to improve their bottom line. Hotel revenue management services are specialist work to help increase revenue. From data analysis to complex trends, market segmentation, hotel prices, statistical analysis, and more. This full suite of services includes rate and availability management, average daily rate (ADR), best available rate, average length of stay, market share, and more. Many hoteliers hire their own in-house revenue manager to provide hotel revenue management services, but this can be a huge burden for just one person (Anderson, 2010). Manual data analysis can also lead to errors and poor decisions in the long run. Outsourcing reduces the burden of analysis, implementation, and measurement. With outsourcing, teams of experts research the market and make data-driven decisions.

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