

Financial Management for the Hotel Industry

BMIH5007

Business Report

Comparison of Two Hospitality Organisations

Student name: Cristina Hondor

Student ID: 2246595

**I acknowledge the use of Grammarly
(<https://www.grammarly.com/>) on 25 February 2025 to
check my work using the prompt(s):**

- 1. Please check the following text for readability, grammar and syntax. I confirm that I have not presented any AI generated text as my own work. I confirm I have copies of my drafts, notes, and other resources I used before, and after the use of AI tools which I may be asked to provide in evidence.**

Table of Contents

Introduction.....	3
1. Total Revenue.....	4
2. Market Position.....	6
3. Growth Prospects.....	7
4. Financial Investment in CSR (Corporate Social Responsibility).....	8
Recommendations.....	9
Conclusion.....	10
References.....	11

List of Figures

Figure 1: Premier Inn Hotel rooms UK	5
--------------------------------------	---

Introduction

The hospitality industry is very competitive, and there is a need for proper financial management to deal with market dynamics for long-term sustainability. This report provides a comparative analysis of Shangri-La Hotels and Premier Inn Hotels, two established brands in the global hospitality sector. The purpose of this report is to compare and contrast the financial management of the two organisations on four major fronts: total revenue, market position, growth potential, and commitment to CSR in terms of financial investment. In doing so, the report will point out differences in financial practice, business models, and strategies for keeping up with competitors. Shangri-La Hotels, with a brand recognised for luxury offers, mainly stays in the premium market, while Premier Inn is more of an affordable budget hotel brand for cost-conscious clients (Page and Connell, 2020). The revenue streams, growth models, and sustainability initiatives adopted by both brands differ uniquely. This report shall aim to deliver an integrated analysis of the implications of financial strategies on market performance, prospects, and CSR initiatives by each brand. The report will conclude with customised recommendations for the two companies on how to enhance their financial results and address critical issues in the hospitality industry.

1. Total Revenue

The analysis of Shangri-La Hotels and Premier Inn Hotels would be better conducted considering the sources, the trends of revenue, and the factors that would lead to revenue growth or decline.

Shangri-La Hotels

Shangri-La Hotels operates mainly in the luxury hotel section that will cater to mainly the premium earning and corporate clients.

From the above, the sources of revenue that are considered crucial for Shangri-La Hotels include:

- **Room Revenue:** The highest revenue is generated from room bookings, which cater to luxury travellers and business clients.
- **Food and Beverage:** High-end restaurants, bars, and in-room dining services generate a significant amount of revenue for Shangri-La.
- **Event Hosting and Conference Services:** Shangri-La hotels host corporate meetings, weddings, and other high-profile events regularly, generating a significant amount of revenue.
- **Spa and wellness facilities:** The hotel can generate additional revenue by providing high-end spa and wellness facilities that attract guests for relaxation and rejuvenation (Kee et al., 2020).

Shangri-La's revenues generally trend positively in recent periods and are mostly upward-sloping, as a result of higher demand in newer markets in Asia and the Middle East. It has however seen its revenue take a hard knock due to the COVID-19 pandemic in global travel due to reduced room occupation, and fewer bookings for corporate events, among others. Due to this factor of dependency on corporate events and foreign visitors, Shangri-La is even more vulnerable when these external influences prevail.

Premier Inn Hotels

Premier Inn, the budget hotel chain, primarily attracts price-conscious business and leisure travellers. Their key sources of revenue are:

- **Room Revenue:** Premier Inn mainly earns its income from room booking revenues, and its rooms have a competitive edge, offering good value for money.

- **Food and Beverage:** Much smaller than the above source for Shangri-La, it still brings some income through restaurants operating within its properties, with low-priced food available.
- **Franchise and Licensing Fees:** The revenues of Premier Inn are augmented through franchising its brand to other operators, mainly in the UK.

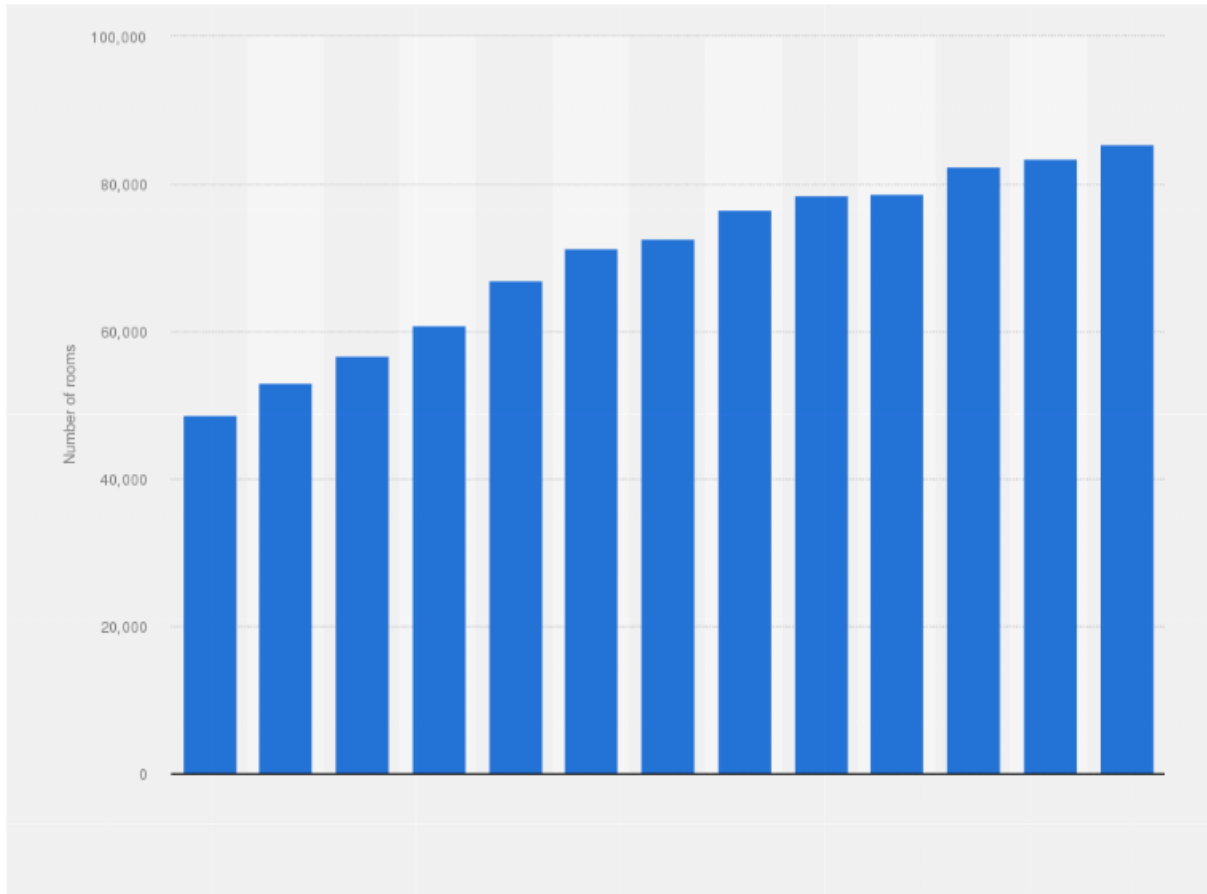


Figure 1: Premier Inn Hotel rooms UK

(Source: Statista, 2024)

Premier Inn has experienced relatively stable revenue, with growth enhanced by domestic UK travel. Cost-conscious travellers seem to like its value-for-money proposition, thereby making it better positioned to thrive in economic decline. However, the intense budget hotel competition, which has also been exerting pressure on price, is an area of risk for long-term revenue growth for Premier Inn.

Comparison

Revenue Growth: The luxury positioning of Shangri-La allows it to charge higher revenue per room, but it is more exposed to external shocks such as the pandemic due to its dependence on corporate events and international visitors. Premier Inn, on the other hand, achieves stable revenues by focusing on budget-conscious consumers, which also translates to stable income with low margins.

Revenue Decline: In periods of travelling less because of the world, Shangri-La reports a more significant decline because Premier Inn performs better given a steady demand for budget accommodation and more localised consumer bases.

2. Market Position

The market position of Shangri-La Hotels and Premier Inn Hotels is influenced by several factors, including market share, customer demographics, and brand perception.

Shangri-La Hotels

Shangri-La Hotels is a luxury hotel brand that specialises in providing luxury experiences to affluent travellers, business executives, and corporate clients. The brand maintains a strong presence in the high-end hotel sector, especially across the Asia-Pacific region, and owns several famous and high-end hotels. It has a highly significant market share in this high-end hotel space and is even considered synonymous with luxury, exclusivity, and service excellence. However, the premium pricing model restricts Shangri-La to only upper-middle-class and high-net-worth individuals, which further limits the brand's market base to a more niche, affluent clientele. The brand's high-end positioning attracts travellers who are looking for luxurious stays, fine dining, and exclusive services. Though the scope is limited, the premium pricing allows Shangri-La to maintain strong brand loyalty and high profit margins (Alnawas and Hemsley-Brown, 2019).

Premier Inn Hotels

Premier Inn is the leader in the budget hotel market, especially in the UK. The positioning strategy of the brand has been to offer affordable, reliable accommodations that appeal to a broad spectrum of customers, including families, business travellers, and solo guests. Premier Inn's pricing strategy ensures that it remains accessible to a wide range of consumers, particularly those in the middle-income bracket. With a strong presence of hotels throughout the UK, Premier Inn has acquired a huge market share in the budget category and is therefore

a brand name synonymous with budget hospitality. Premier Inn is built on convenience, value for money, and practicality. Its customer-centric approach, consistency, and no-frills services guarantee a continuous inflow of customers (Krupskyi et al., 2019).

Comparison

- **Market Share:** Shangri-La has a dominant share in the luxury market, targeting high-income consumers. Premier Inn, on the other hand, has a larger customer base as it appeals to a diverse range of travellers due to its price and its wide presence across the UK.
- **Brand Perception:** Shangri-La is perceived as an exclusive luxury brand, whereas Premier Inn is seen as a value-for-money option for customers who want to get value from their money. While Shangri-La's focus on high-end offerings limits its market size, Premier Inn's approach has allowed it to cater to a larger, more diverse demographic (Xia et al., 2020).

3. Growth Prospects

The growth prospects of Shangri-La Hotels and Premier Inn Hotels are influenced by the strategies used in their respective markets, their strategies for expansion, and their external circumstances and opportunities.

Shangri-La Hotels

Shangri-La's potential for growth is in the emerging markets of Asia and the Middle East. With increases in disposable income and tourism, demand for upscale accommodations is mushrooming. There is a growing trend towards wellness and resort-style properties, where Shangri-La can capitalise on expanding its portfolio. Nevertheless, high capital investment to develop luxury hotels is a limitation in rapid expansion, especially in competitive regions. The company also faces stiff competition from established luxury hotel brands that will impact its market share. More importantly, global events such as the COVID-19 pandemic lower high-end hotels' business since most luxury travellers cut on their travels during economically uncertain times (Pascual-Fernández et al., 2021).

Premier Inn Hotels

Premier Inn has much growth potential in the budget hotel segment especially in the European and North American regions. The brand, through its line of affordable and reliable

offerings, appeals to a wide category of customers. Franchising and opening new properties increase the market share of Premier Inn without a corresponding high capital cost. The same applies to this cheap growth model which enables Premier Inn to venture into new markets but ensures that the operation costs are still lower than their luxury counterparts.

Premier Inn faces alternative accommodations such as Airbnb whose budget-friendly products in prime locations have the potential of reducing market shares for traditional budget hotels.

Comparison

- **Expansion Strategies:** Shangri-La's growth is constrained because of high investments and competition; Premier Inn makes use of franchising to expand the business with fewer financial risks.
- **Barriers to Growth:** Shangri-La's dependence on high-end travellers means that it can be more exposed to external shocks, whereas Premier Inn faces alternative models of accommodation such as Airbnb, thereby creating new sources of competition within the budget space (Folinas, Duquenne and Metaxas, 2020).

Both are unique challenges to the companies involved but have differing paths for expansion.

4. Financial Investment in CSR (Corporate Social Responsibility)

CSR has become a significant factor in the hospitality industry, and both Shangri-La Hotels and Premier Inn Hotels have shown investment in sustainability and social impact. However, they are different in their approach due to their unique market positioning and brand identity.

Shangri-La Hotels

Shangri-La has invested heavily in sustainability and CSR. Its practices align with its luxury positioning. The company is working on reducing its carbon footprint by utilising energy-saving technologies, water conservations, and sourcing food and materials sustainably. Along with environmental sustainability, Shangri-La engages itself in community contributions, contributing to local charities and social initiatives across the region. The premium brand image of the company is well-associated with these practices, as being environmentally friendly and socially responsible appeals to the luxury clientele of the company. Shangri-La CSR efforts are therefore a response to the global challenge of the

environment, but are also a great tool for marketing and attracting environment-conscious luxury travellers (Babajee et al., 2022).

Premier Inn Hotels

This hotel brand too has shown some excellent commitment toward CSR, primarily environmental sustainability. It has saved energy, lessened waste and minimised carbon emissions in all its operational functions. The sustainability of Premier Inn is highly driven by its parent company, Whitbread, which has set significant environmental targets for the company to reduce its overall carbon footprint. The other activities include engaging in local community initiatives such as supporting homeless charities and job opportunities for disadvantaged groups. This is because Premier Inn has to balance its sustainability with its budget-friendly brand identity which highlights both environmental and social responsibility (Farmaki, 2019).

Comparison

Although both Shangri-La and Premier Inn are committed to CSR, their orientations vary according to the market. Shangri-La's emphasis on CSR reflects its luxury positioning, which targets affluent tourists who want to stay in a place that has sustainable luxury. On the other hand, Premier Inn emphasises mostly budget CSR. Its emphasis lies on process efficiencies for cost savings and social causes with direct benefits for local communities. The integration of CSR into the strategies varies between both companies with differing financial considerations and target group compositions.

Recommendations

Below are some recommendations:

Shangri-La Hotels

Based on the revenue trend analysis and market position, it is suggested that Shangri-La increase its sustainable luxury offerings. This can be in the form of developing eco-friendly luxury hotels and green certifications to attract environmentally conscious affluent travellers. In addition, a focus on expansion in emerging markets will help capture new customer bases and drive growth.

Premier Inn Hotels

Premier Inn should maintain its expansion focus on the budget-friendly model but also develop its sustainability to make it more unique in the competitive budget market. Introducing eco-friendly hotel options and focusing on sustainable practices may attract environmentally conscious budget travellers and enhance brand loyalty (Sinhaa and Fukey, 2020).

Conclusion

The financial management of Shangri-La Hotels and Premier Inn Hotels is different, based on their market position and targeted audiences. Shangri-La is a luxury hotel brand, where Shangri-La earns the highest revenues in the industry but suffers from the development cost that has been relatively very high, as well as a competitive market. Premier Inn, being a budget hotel chain, enjoys affordability and very broad market reach, but has been under pressure due to alternative accommodation models. Both companies can place themselves for sustainable growth in the competitive hospitality industry by enhancing their CSR commitments and aligning their strategies with evolving market demands.

References

- Alnawas, I., and Hemsley-Brown, J. (2019). Market orientation and hotel performance: investigating the role of high-order marketing capabilities. *International Journal of Contemporary Hospitality Management*, 31(4), 1885-1905.
- Babajee, R. B., Seetanah, B., Nunkoo, R., and Gopy-Ramdhan, N. (2022). Corporate social responsibility and hotel financial performance. *Journal of Hospitality Marketing and Management*, 31(2), 226-246.
- Farmaki, A. (2019). Corporate social responsibility in hotels: a stakeholder approach. *International Journal of Contemporary Hospitality Management*, 31(6), 2297-2320.
- Folinas, S., Duquenne, M. N., and Metaxas, T. (2020). Problems and opportunities in the hospitality industry in a masked and rubber-gloved world. *Virtual Economics*, 3(3), 7-24.
- Kee, D. M. H., Ang, Z. L., Woh, M. T., Soleimani, M., Jayant, J., Quttainah, M. A., and Pandey, R. (2020). Shangri-La Hotels and Resorts' People and Culture Strategy in Deriving Employee Satisfaction. *Advances in Global Economics and Business Journal*, 1(1), 1-11.
- Krupskyi, O. P., Dzhusov, O., Meshko, N., Britchenko, I., and Prytykin, A. (2019). Key sources when formulating competitive advantages for hotel chains. *Tourism: An International Interdisciplinary Journal*, 67(1), 34-46.
- Page, S. J., and Connell, J. (2020). Tourism accommodation and hospitality services. In *Tourism* (pp. 216-241). Routledge.
- Pascual-Fernández, P., Santos-Vijande, M. L., López-Sánchez, J. Á., and Molina, A. (2021). Key drivers of innovation capability in hotels: implications on performance. *International Journal of Hospitality Management*, 94, 102825.
- Sinha, M., and Fukey, L. N. (2020). Circular Economy: Assessing a Progress of Resources Efficient Practices in Hotel Industry. In *Circular Economy for the Management of Operations* (pp. 89-117). CRC Press.
- Xia, H., Vu, H. Q., Law, R., and Li, G. (2020). Evaluation of hotel brand competitiveness based on hotel features ratings. *International Journal of Hospitality Management*, 86, 102366.

