

Module title: Financial Management for the Hotel Industry

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Comparison of Shangri-La Hotels and Travelodge Hotels

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Executive summary 88

Shangri-La Hotels and Travelodge Hotels are both famous players in the hospitality. A great number of guests visit them to stay each year. The objective of this business report is to highlight their respective approaches to financial management regarding some areas affect on the financial performance and sustainability. This report compares these two prominent organisations by examining the most important areas like total revenue, market position, growth potential and financial commitment to CSR. It includes recommendations how to reach more clients, more revenue, how to expand the company.

Conclusion 54

This business report has examined Shangri-La Hotels and Travelodge Hotels including their approaches to financial management. It has evaluated them by comparing their total revenue, market position, growth potential and financial commitment to CSR. It can be said that both of them have a good reputation, provide various ranges of services for their customers.

Recommendations 189

1. Total Revenue

- In order to accurately detect demand trends and chances for improvement, data-driven revenue management is essential for hotel growth initiatives like (RevPAR) Revenue per available room, Daily Average Rate (ADR) (Satuvision, 2024). It would be necessary in order to reduce the possibility of unstable period in the future.

2. Market Position

- Analyze market positioning- Analyzing the target market's needs in order to create a marketing plan that will effectively draw in potential customers is a critical step in the market positioning process. Pay attention to aspects like cost, value, amenities, and accessibility that

matter to your intended clientele (Satuvision, 2024). To assure the market position, this step is essential.

3. Growth Potential

- Enhancing Program for Referrals- Customer loyalty and booking leads for a hotel business can be greatly increased by implementing a referral program. For instance: free Stay for One Night, 50% Discount on Reservations (Satuvision, 2024). Apart from saving environment and luxurious services, hotels need a good referral program.

4. Financial Commitment to CSR

- Understanding the target audience's needs and preferences is crucial for hotel growth strategies, ensuring you stay current with industry trends and demand (Satuvision, 2024).

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Introduction 72

This business report analyses and compares two hotels, Shangri-La Hotels and Travelodge Hotels, by evaluating their respective approaches to financial management, regarding different areas that affect their financial performance and sustainability. The aim of this report is to evaluate the financial management strategies and practices of the Shangri-La Hotel Group and Travelodge Hotels. It includes main areas like total revenue, market position, growth potential and financial commitment to CSR (Corporate Social Responsibility).

Key Findings

Total Revenue 423

Thailand-based Shangri-La Hotel Public Company Limited is an organization that specializes in hotel management in the provinces of Chiang Mai and Bangkok. The corporation owns a subsidiary called Town Development Co., Ltd. and two hotels: the Shangri-La Hotel in Bangkok and the hotel in Chiang Mai (Financial Times, 2024).

Based on the most recent financial records available, Shangri-La's current revenue stands at \$1.46 billion. The company's revenue for 2022 was \$1.46 billion, up from \$1.24 billion in revenue for 2021. The entire amount of money that a business makes from the selling of goods or services is known as revenue. Unlike earnings, no deduction is made for expenses (Companies Marketcap, 2024).

In all of its properties, the Group's food and beverage operations and room sales saw a significant uptick in business for the year that concluded on December 31, 2023. The net profit attributable to shareholders was RM16.020 million, which reversed a net loss of RM40.710 million in 2022 (Shangri-La Hotels, 2023).

As a result, group sales increased to RM503.759 million, up 39% from the RM363.432 million reported the year prior.

Compared to a net non-operating charge of RM21.053 million in 2022, the Group's net profit in 2023 included a net charge of RM18.067 million. Upon the year-end reassessment of the investment properties held through its associates in Myanmar, the Group incurred net fair value losses, which amounted to RM18.067 million (Shangri-La Hotels, 2023).

Having opened its first cheap hotel chain in Britain in 1985, Travelodge has grown to become one of the biggest in the country, with more than 600 hotels and 46,000 beds spread around the UK, Ireland, and Spain (Travelodge, 2024) A.

The budget hotel group experienced a 14.6% increase in EBITDA for the year ending 31 December 2023, boosted by record-breaking trading during Eurovision and Wimbledon (Seo, 2024).

Considering the sources of revenue, Shangri-La Hotels and Travelodge Hotels' financial health is significantly influenced by its rooms, which provide comfortable space for guests. Meetings and events generate significant revenue for hotels. Food and beverage offerings, including room service and in-property restaurants, can increase the property's bottom line (Revenue HUB, 2024).

In contrast to Shangri-La Hotels, Travelodge's underlying earnings climbed by 48% to \$130,57 million and sales increased by 22.4% to \$598,14 million, demonstrating the strength of the UK budget hotel market and the attraction of its high-quality and affordable offers.

The company also has a cautiously positive outlook for market stabilization (Shangri-La Group, 2024)B.

Market Position 530

Shangri-La Hotels & Resorts is a prominent global operator of high-end and luxurious lodging establishments. Founded by Robert Kuok in 1971, the firm today has multiple brands and runs notable venues in many different locations, despite its primary presence in Asia (Hospitality, 2023). The brand's hotels in Europe, specifically, have a luxury and palace positioning, but it should be noted that their positioning is fairly premium in other areas. Shangri-La is a prominent player in the

upmarket and luxury hotel segment, boasting 41,037 rooms, making it the 31st largest hotel group globally (Hospitality, 2023).

Luxury and an extensive array of services for its clientele are synonymous with the Shangri-La Group. As a result, upper class individuals make up the majority of hotel patrons. For instance, visitors primarily from North America and Europe frequent the Golden Sands Resort, which is situated on Batu Ferringhi Beach. When compared to local tourists, they are recognized to having a larger consumer capacity. Shangri-La's management consequently concentrated on attracting travelers with better financial and consumer literacy (Kolesnikova, 2022). In order to resonate with the values of its patrons and generate long-term shareholder value, Shangri-La has made sustainability a central tenet of its goal to being the most beloved hotel organization. In keeping with its goal to cut the amount of single-use plastics hotels use per occupied room by 50% by 2026, the Group's hotels started to phase out the usage of single-use plastic bottles in rooms, meetings, and events (Hospitality Net, 2023). In 2022, the Group accomplished a noteworthy 13% decrease per hotel night. As of December 31, 2022, the Group has committed undrawn facilities worth USD 973.1 million and cash and equivalents of USD 766.0 million, indicating its good financial strength. The Group intends to maintain its cash conservation efforts and has finished refinancing preparations for 67% of its 2023 needs (Hospitality Net, 2023).

Nevertheless, Travelodge is used by 27% of UK hotel guests. Hence, 30% of the 91% of people who are aware of the brand actually use it (Kunst, 2023).

In contrast to Shangri-La Hotels, thirty-one percent of UK consumers who were aware of the budget hotel brand became potential clients in 2023, with 28.6% saying they would consider staying with Travelodge. The brand also demonstrated its ability to maintain customer attention and promote bookings, as seen by its 31% conversion rate from Consideration to Purchase Intent and 8% likelihood of booking among UK adults. This illustrates Travelodge's ability to successfully turn prospects into paying clients (Nguyen, 2023).

Based on the company's goals, the competitors, and the sorts of customers it serves, Travelodge divides its market groups. When traveling for work-related reasons like meetings, training sessions, or recruitment, business travelers expect accommodations in busy regions (Wepaper, 2020). Leisure tourists go on trips, spend time with family, or attend events; hence, the demand for leisure rooms is

often seasonal. Both business and leisure travelers attend group meetings; business groups may attend trade exhibits, board meetings, school programs, seminars, and conferences, while leisure groups include tour, school, and event travel. Neither the pleasure nor the business groups include other travelers such as truck drivers, utility crews, and construction workers (Wepaper, 2020).

Growth Potential 425

By capitalizing on new trends in the travel and tourism sector, such as wellness tourism, experience travel, and sustainable practices, Shangri-La is well-positioned for future expansion. By adjusting to these developments, the business may stay current and draw in a wide range of clients. Furthermore, the company's robust position in the Asia-Pacific area offers a substantial prospect for growth, enabling it to leverage the expanding tourism industry and secure a greater portion of the market (Osum, 2024). Travelers traveling for business or pleasure can expect first-rate service and opulent amenities from Shangri-La Hotels and Resorts, which has more than 100 luxury hotels across the globe. Their dedication to providing excellent customer service has increased client loyalty and kept them ahead of the competition. Emerging trends in the hotel sector, such as wellness tourism, experiential travel, and sustainable practices, have been leveraged by Shangri-La (Osum, 2024). The company specializes in wellness services and cultural immersion programs, providing distinctive experiences that go beyond standard hotel stays. It also highlights social responsibility and environmental care through programs like waste management and energy efficiency (Osum, 2024). By adopting these trends, Shangri-La has increased the value of its brand, opened up new avenues for innovation, and made money—all of which have helped to fuel its continuous rise in the hotel sector (Osum, 2024).

Whereas Travelodge aims to become a more sustainable company, as stated in its 'Better Future' plan, which was unveiled in May 2023. Enhancing scope 3 emissions measurement, reaching a net-zero aim by 2050, making sure all new hotels adhere to sustainability standards by 2025, cutting water use to 100 liters per guest by the same year, and raising recycling rates are some of the environmental goals (Travelodge, 2024)B. In terms of social responsibility, Travelodge wants to see 40%

of head office advancements come from within the company by 2025 and equal female representation in key roles by then. For the first time in more than a decade, Travelodge has launched four new hotels in Spain (Travelodge, 2024) B.

Spain has tremendous development potential because of its high consumer demand and low brand-name budget hotel saturation (Travelodge, 2024) B. Travelodge is anticipated to profit from favorable demand drivers like the need for staycations and changing work schedules, despite continuous cost escalation. Through its refurbishment program and the building of new hotels in Spain and the UK, the company is investing in expansion and quality. Travelodge is positioned for future growth thanks to a robust operational model, resilient consumer demand, and a compelling brand offer (Travelodge, 2024)B.

Financial Commitment to CSR (Corporate Social Responsibility) 317

To improve its environmental stewardship even more, Travelodge, a company renowned for emphasizing security, safety, and environmental responsibility, has created a thorough Better Future plan. Their objective is to establish a secure and healthy atmosphere in order to guarantee the safety and wellbeing of the clients and coworkers (Travelodge , 2022). Travelodge Hotels' goal is to support our charitable partners, Pennies and the British Heart Foundation, while simultaneously improving the physical, emotional, financial, and work-related well-being of their coworkers. In order to achieve net zero, lower energy consumption through efficiency initiatives, and concentrate on sustainable hotel building and renovation, the company is dedicated to sustainability in waste management, energy consumption, and carbon emissions (Travelodge, 2022).

Travelodge has incorporated eco-friendly measures such as intelligent heating and cooling systems, LED lighting in public spaces, and continuous programs for LED lighting in rooms (Travelodge , 2022).

Shangri-La is still dedicated to conducting business in a way that is socially, economically, and environmentally responsible in order to preserve the environment and take care of the local communities where they operate (Shangri-La Experiences, no date).

Dan Yang School, which provides education to about 200 children in an impoverished rural area of China, is supported by Shangri-La Xian. The school had problems before 2010 including obsolete facilities and a dearth of instructional resources. The hotel has concentrated on painting walls, modifying lighting, and enhancing classroom air conditioning systems in addition to renovating the school's infrastructure. To aid kids in honing their IT skills, tables, seats, and a brand-new computer with a printer were also supplied (Shangri-La Group, no date)A.

Shangri-La is dedicated to upholding fair labor standards, preventing violations of human rights, treating staff members fairly and with dignity, and creating an atmosphere that supports their professional and personal aspirations. It promotes a high standard of living, values diversity and equal opportunity, and gives back to the community through charitable endeavors (Shangri-La Hotels, 2016).

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