

Financial Management for the Hotel Industry
Assignment title: Business Report- Comparison of Two
Hospitality Organisations (BMIH5007)

Programme: BA International Hotel Management

Student name: Tanzina Chowdhury Annie

Student ID number: 2233553

Lecturer: Tristan Hawkins, Dr. Ernest Wavei

Internal Verifier: Chris Wilkin

Table of Contents

INTRODUCTION.....	3
TOTAL REVENUE ANALYSIS	4
OVERVIEW OF TOTAL REVENUE.....	4
SOURCES OF REVENUE	5
REVENUE TRENDS AND FACTORS DRIVING REVENUE GROWTH OR DECLINE	5
MARKET POSITION ASSESSMENT	7
MARKET POSITIONING OF SHANGRI-LA HOTELS.....	7
MARKET POSITIONING OF TRAVELODGE HOTELS	7
COMPARISON OF MARKET POSITIONS	7
GROWTH POTENTIAL EVALUATION	8
GROWTH POTENTIAL OF SHANGRI-LA HOTELS	8
GROWTH POTENTIAL OF TRAVELODGE HOTELS	8
COMPARATIVE ANALYSIS OF GROWTH POTENTIAL	8
FINANCIAL COMMITMENT TO CSR ANALYSIS.....	10
OVERVIEW OF CSR INITIATIVES	10
FINANCIAL COMMITMENT TO CSR	10
SPECIFIC CSR INITIATIVES AND THEIR IMPACT	10
COMPARISON OF CSR PRACTICES	11
RECOMMENDATIONS.....	12
RECOMMENDATIONS FOR SHANGRI-LA HOTELS	12
RECOMMENDATIONS FOR TRAVELODGE HOTELS.....	12
CONCLUSION	13
REFERENCES.....	14

Introduction

As per Iyengar (2018), the hospitality industry is an essential element of global tourism patterns and economic development since the hotel chains are a significant component of this dynamic ecosystem. This report offers a comprehensive analysis and comparison of two prominent hospitality brands: Shangri-La Hotels and Travelodge Hotels. By looking through the financial management techniques, the marketing policies, possible expansion, and corporate social responsibility (CSR) programs this report aims to give particular recommendations of strength, weakness, and the chance of the enterprise to succeed and survive in the future. Shangri-La Hotels, famous for their ultimate luxury accommodations and impeccable personalized services, are the gold standard of hospitality excellence for the top of the luxury market segment. In opposition, Travelodge Hotels which particularly name themselves as a well-known budget hotel chain stress affordability and accessibility by offering good value accommodations that fit budget-oriented travelers and families.

Total Revenue Analysis

Overview of Total Revenue

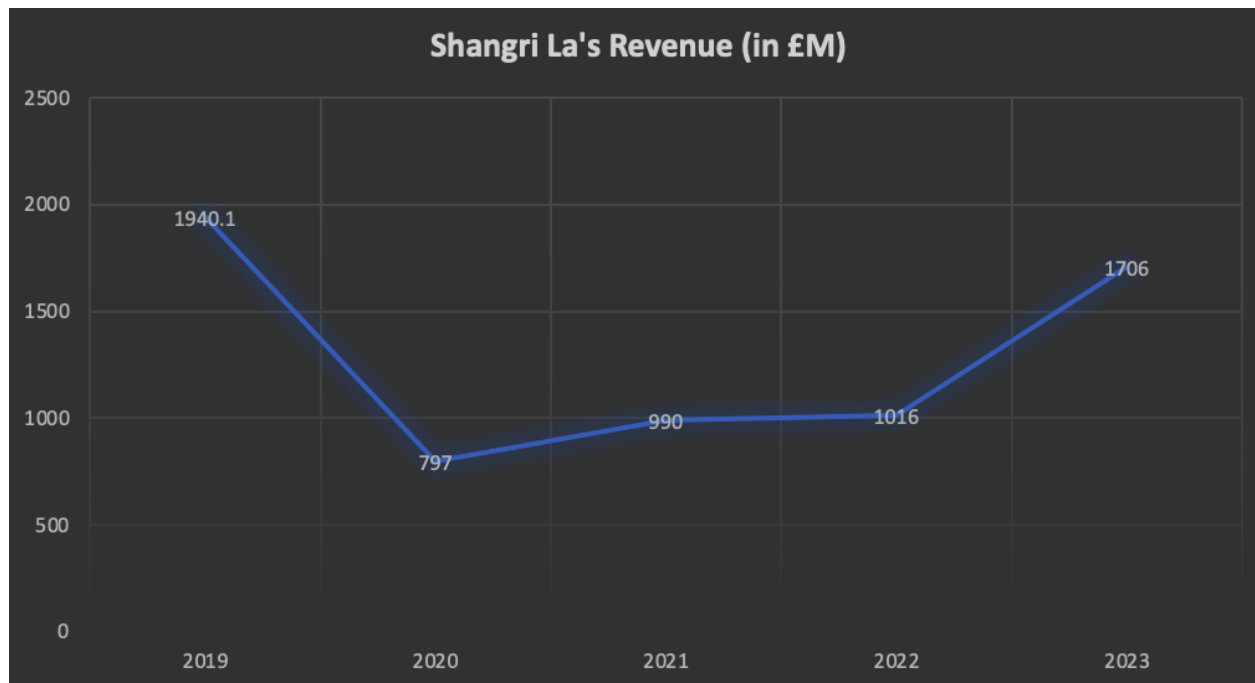


Figure 01: Net Revenue of Shangri-La Hotels between 2020 to 2023 year

(Source: Made by the author)

In recent years, Shangri-La Hotels has experienced a range of revenue fluctuations. The company's 2020 revenue fell to £797 million from £1940.1 million in 2019 (Global Ranking, 2024). The global pandemic and travel restrictions likely caused this drop. Revenue rose to £990 million in 2021 and £1016 million in 2022, indicating a recovery (Tessa, 2024). Revenue rose to 1706 million pounds in 2023, indicating a turnaround and growth potential for Shangri-La (GlobalData, 2023).

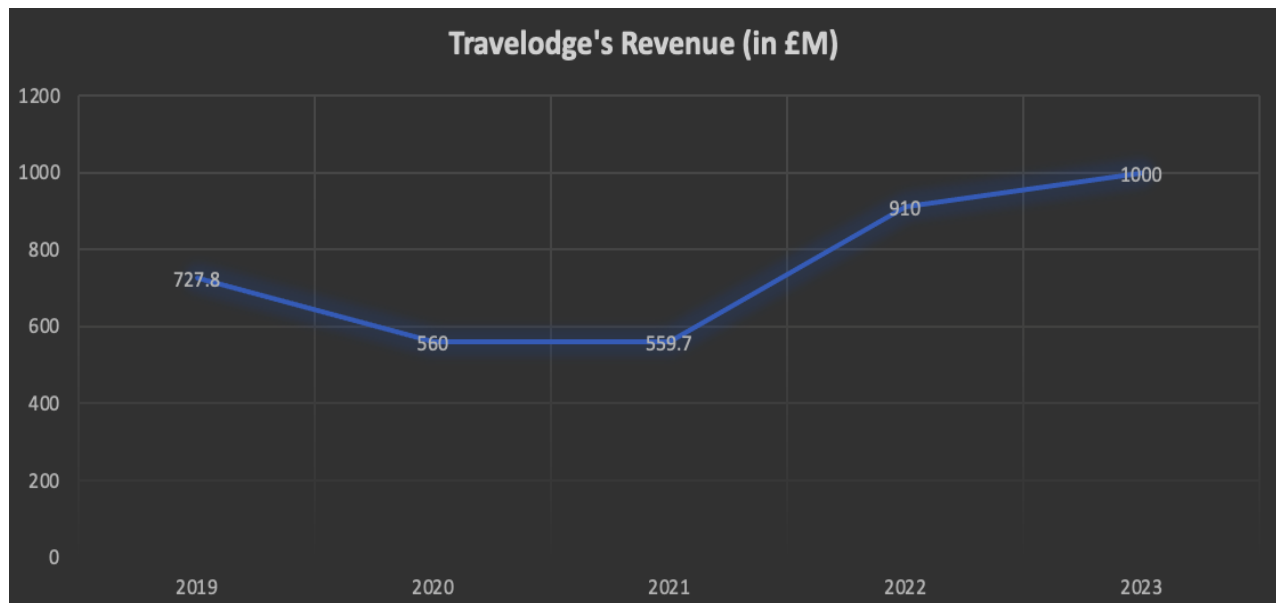


Figure 02: Net Revenue of Travelodge Hotels between 2020 to 2023 year
(Source: Made by the author)

The same period saw Travelodge Hotels' revenue fluctuate. The pandemic may have reduced hospitality revenue to £560 million in 2020 from £727.8 million in 2019 (Baldwin, 2023). Revenue held steady at £559.7 million in 2021. Revenue recovered to 910 million pounds in 2022 (Statista, 2023). A rise of one billion pounds in revenue for Travelodge in 2023 is indicative of the company's growth in revenue (Emily, 2023).

Sources of Revenue

Shangri-La and Travelodge Hotels make money in different ways. Room bookings, dining, spa, event hosting, and other luxury travel services are Shangri-La's main revenue sources. Travelodge relies on room bookings and possibly breakfast or parking fees (Robbins, 2022).

Revenue Trends and Factors Driving Revenue Growth or Decline

Both companies' revenue trends reflect industry and economy. COVID-19, which affected travel and tourism worldwide, hurt Shangri-La and Travelodge revenue in 2020 (Shangri-La Group, 2024). However, the hospitality industry recovered revenue in subsequent years, demonstrating its resilience and adaptability.

Shangri-La and Travelodge revenue depends on many factors. Shangri-La may be growing revenue due to the global economy's recovery, strategic marketing to high-net-

worth individuals, and expansion into emerging markets with rising luxury accommodation demand. However, geopolitical tensions that affect travel, economic downturns that affect consumer spending, and luxury hospitality competitive pressures may lower revenue (Shangri-La Group, 2024). Effective cost management, gradual travel restrictions, and technology investments to improve guest experience and operational efficiency may boost Travelodge revenue.

Market Position Assessment

Market Positioning of Shangri-La Hotels

Shangri-La Hotels has a £2.16 billion market cap and £0.61 share price, reflecting its luxury hospitality dominance. The company's 4.04% growth shows its resilience and market-navigating strategies (Tessa, 2024). Shangri-La Hotels targets wealthy travellers, executives, and individuals. Luxury and personalised service are desired. Industry data shows Shangri-La dominates luxury hotel markets in China, South-east Asia, and the Middle East (Yahoo Finance, 2023). Due to its sophistication, elegance, and excellent service, Shangri-La Hotels is a leading luxury hospitality brand worldwide.

Market Positioning of Travelodge Hotels

However, Travelodge Hotels offers affordable, convenient accommodations for budget travellers. For the year ending December 2022, the company reported strong growth. Travelodge's average room rate rose 22.5% to £64.31, and its occupancy rate rose 1.0 percentage point to 81.8% (Usher, 2022). Travelodge's 2022 record £910 million revenue and £212.9 million EBITDA profit are notable. With 595 hotels and 45,781 rooms, Travelodge is strategically expanding in the UK (Travelodge, 2023c). The company will open 8 hotels in 2023. Budget-conscious travellers like Travelodge Hotels' accessibility, affordability, and simplicity (Travelodge, 2023b).

Comparison of Market Positions

Shangri-La and Travelodge Hotels serve different markets but have specialised to meet travellers' needs. Shangri-La may attract wealthy guests seeking exclusive accommodations and exceptional hospitality due to its focus on personalised services and luxury experiences. Budget travellers prefer Travelodge for its affordability and accessibility. Shangri-La and Travelodge use their brand strengths and strategic initiatives to compete and grow in the dynamic hospitality industry across markets. Shangri-La Hotels and Travelodge Hotels' market positioning shows how they strategically met travellers' changing needs while strengthening their brands and hospitality industry leadership (Tessa, 2024).

Growth Potential Evaluation

Growth Potential of Shangri-La Hotels

Strategic expansion and new markets create growth potential for Shangri-La Hotels, a global luxury hospitality brand. Shangri-La expands by taking advantage of rising disposable incomes and tourism in emerging markets that demand luxury accommodations. Shangri-La can build new properties and gain market share among wealthy travellers by expanding into South-east Asia, the Middle East, and Africa (Law, 2019). Shangri-La offers more than hotels due to its brand and hospitality expertise. Luxury residences, wellness retreats, and experiential travel packages meet consumers' growing demand for personalised, immersive travel. Shangri-La Hotels faces several growth challenges. These include economic downturns that affect luxury travel demand, geopolitical tensions that affect regional stability and investment, and intense competition from other luxury hotel brands in key destinations (Iyengar, 2018).

Growth Potential of Travelodge Hotels

Expanding into budget-conscious markets gives Travelodge Hotels growth potential. Travelodge's main expansion strategy is in high-demand urban centres and tourist destinations in the UK and abroad. By opening new properties in high-traffic areas with few budget accommodations, Travelodge capitalises on unmet demand and grows revenue. Travelodge may also consider franchise partnerships and asset-light expansion to grow and cut costs. Franchising helps Travelodge quickly enter new markets by leveraging local expertise and resources (Law, 2019). These include budget hotel saturation, vacation rental and shared accommodation competition, and economic uncertainties that affect consumer spending. Regulatory issues, zoning restrictions, and planning permissions that prevent desirable property development may affect Travelodge's expansion plans (Andrew, Damitio and Schmidgall, 2019).

Comparative Analysis of Growth Potential

Comparing Shangri-La and Travelodge Hotels' expansion potential reveals several similarities. Shangri-La's growth depends on entering emerging markets and diversifying its offerings to attract wealthy luxury travellers. Travelodge can grow by

expanding into major tourist destinations and using franchise partnerships to rapidly expand in the budget hotel segment. Shangri-La targets a niche luxury market with higher entry barriers and economic and geopolitical risks, while Travelodge targets a budget segment. But Travelodge faces market saturation and regulatory issues (Iyengar, 2018). Shangri-La Hotels and Travelodge Hotels can grow their businesses in different ways and by seizing different market opportunities. In the dynamic hospitality industry, both companies can capitalise on emerging trends and consumer preferences to grow and compete. Using their strengths and overcoming obstacles can help.

Financial Commitment to CSR Analysis

Overview of CSR Initiatives

Luxury hospitality brand Shangri-La Hotels prioritises CSR. These initiatives support the company's environmental, community, and employee welfare goals. Philanthropy, diversity, and sustainability are the company's CSR initiatives (Travel News Asia, 2021). Shangri-La's "Sustainability" programme conserves energy, manages waste, and sources responsibly. The company's "Community Engagement" programme funds education, healthcare, and cultural preservation in local communities (Travel News Asia, 2021). With fair labour practices, health and wellness programmes, and global training and development, Shangri-La prioritises employee welfare.

Travelodge Hotels understands the importance of CSR in building its brand and society. Environmental sustainability, community involvement, and employee welfare are company CSR priorities. Travelodge's "Environmental Sustainability" initiatives reduce energy use, waste, and implement eco-friendly practices in all hotels (Lavi, 2023). The organisation also funds local charities, youth development programmes, social inclusion and homelessness programmes through community partnerships.

Financial Commitment to CSR

Travelodge and Shangri-La Hotels undertake CSR initiatives to demonstrate their commitment. Shangri-La's annual CSR investments include environmental sustainability, community development, and employee welfare. Travelodge allocates CSR funds from its operating budget. Employee well-being, community engagement, and environmental conservation are emphasised by both of the companies (Rhou and Singal, 2020). These financial commitments demonstrate the organisations' environmental and social responsibility.

Specific CSR Initiatives and Their Impact

CSR at Shangri-La Hotels has improved environmental stewardship, community empowerment, and employee satisfaction. The company's "Sustainability" programme has cut energy and waste across all properties, helping the environment. Shangri-La's community engagement projects have improved education, healthcare, and

employment in their communities (Greenbiz, 2019). High employee satisfaction and a productive, innovative corporate culture result from the company's employee welfare focus.

CSR initiatives at Travelodge Hotels have improved environmental sustainability, community support, and employee well-being (Travelodge, 2023a). Energy efficiency and environmental practices have reduced carbon emissions and resource use at the company. Travelodge works with local and charitable organisations to improve local communities' social issues and quality of life.

Comparison of CSR Practices

Shangri-La and Travelodge hotels' CSR practises have many similarities and differences. Both companies prioritise environmental sustainability, community engagement, and employee welfare in CSR. The luxury brand Shangri-La can take a more nuanced and comprehensive approach to corporate social responsibility (CSR), with more initiatives and a greater financial commitment to sustainability and social impact (Defranco and Lattin, 2017). Travelodge's budget hotel model emphasises CSR to maximise social value within budget. Shangri-La and Travelodge value CSR and its role in creating shared value for stakeholders and society, despite their differences.

Recommendations

Recommendations for Shangri-La Hotels

For Shangri-La Hotels, a luxury hospitality brand with a strong focus on sustainability and community engagement, it is recommended to further enhance its market positioning and drive sustainable growth through strategic initiatives:

Expansion into Emerging Markets: Shangri-La should focus on the fast-growing segment of tourists seeking luxury accommodation in emerging markets like India, Indonesia and Vietnam. The hotel will achieve expansion through effective penetration into these regions, in essence adding to new customer segments and augmenting the revenue sources (Defranco and Lattin, 2017).

Enhanced Sustainability Efforts: By further developing the Shangri-La's existing sustainable initiative, this resort could invest in developing eco-friendly innovations and renewable machinery. Via implementing green building standards, reducing energy consumption, and efficiently sourcing, Shangri-La can strengthen its brand reputation as a leader in sustainable hospitality (Shangri-La Group, 2024).

Recommendations for Travelodge Hotels

For Travelodge Hotels, a leading budget hotel chain focused on affordability and accessibility, the following recommendations are proposed to drive growth and enhance its competitive positioning:

Strategic Expansion in Key Markets: Travelodge should concentrate on establishing places in core markets where budget accommodations are popular, that is, urban facilities and major tourism areas. Travelodge can attract customers and increase its market share by choosing the right spot and using franchise companies as partners in competitive markets (Travelodge, 2023a).

Investment in Digital Transformation: Travelodge should consider investing in digital transformation projects to improve the guest experience and ensure smooth processes. Through an enhancement of their online booking system, by implementing mobile check- in/out modes and using data analytics to deliver targeted marketing, Travelodge can win the direct booking of more customers (Defranco and Lattin, 2017).

Conclusion

Finally, the Shangri-La Hotel and Travelodge hotels analysis and comparison, demonstrate the capabilities of institutions and strategic priorities, in terms of the international hospitality business. Shangri-la has been the leading brand in terms of luxury and sustainable experiences and community engagements, which gives it a very strong foothold in the luxury segment with vast potential for exports to newer markets and further differentiation through concept innovations. On the one hand, the Travelodge's value proposition focusing on affordability, accessibility, and digital solutions differentiates it among its competitors in the low-cost market through the expansion initiatives and investment into the latest technology that ensures future development. Although they are competing in a different sector, Shangri-La hotels and Travelodge brands demonstrate responsibility towards their customers, employees and society's wellbeing, which is the key for long-term business success.

References

- Andrew, W.P., Damitio, J.W. and Schmidgall, R.S. (2019). *Financial management for the hospitality industry*. 3rd ed. Upper Saddle River, Nj: Pearson Prentice Hall.
- Baldwin, P. (2023). *Record first-half performance for Travelodge*. [online] The Caterer. Available at: <https://www.thecaterer.com/news/record-hy-2023-performance-travelodge>.
- Defranco, A.L. and Lattin, T.W. (2017). *Hospitality financial management*. 2nd ed. Hoboken, N.J.: John Wiley & Sons.
- Emily, O. (2023). *Travelodge Shatters Expectations with Strong 2023 Performance*. [online] Ceres Shop. Available at: <https://ceres.shop/blog/travelodge-shatters-expectations-with-strong-2023-performance/>.
- Global Ranking (2024). *Shangri-La (0069.HK) - Revenue*. [online] companiesmarketcap.com. Available at: <https://companiesmarketcap.com/shangri-la/revenue/>.
- GlobalData (2023). *Shangri-La Asia Ltd: Overview*. [online] www.globaldata.com. Available at: <https://www.globaldata.com/company-profile/shangri-la-asia-ltd/>.
- Greenbiz (2019). *Shangri-La Hotels and Resorts Rolls Out CSR Plan*. [online] www.greenbiz.com. Available at: <https://www.greenbiz.com/article/shangri-la-hotels-and-resorts-rolls-out-csr-plan>.
- Iyengar, A. (2018). *Hotel finance*. 2nd ed. New Dehli: Oxford University Press.
- Lavi, T. (2023). *Understanding Hotel Revenues: Sources, Factors, and Strategies*. [online] Duve. Available at: <https://duve.com/hotel-revenue-management-strategies/>.
- Law, R. (2019). Evaluation of hotel websites: Progress and future developments (invited paper for 'luminaries' special issue of International Journal of Hospitality Management). *International Journal of Hospitality Management*, 76(09), pp.2–9. doi:<https://doi.org/10.1016/j.ijhm.2018.06.005>.

Rhou, Y. and Singal, M. (2020). A review of the business case for CSR in the hospitality industry. *International Journal of Hospitality Management*, 84(3), p.102330.

Robbins, O. (2022). *6 profitable sources of hotel revenue generation you hardly think about* - BEONx. [online] BEON. Available at: <https://www.beonx.com/knowledge/articles/6-profitable-sources-of-hotel-revenue-generation-you-hardly-think-about/>.

Shangri-La Group (2024). *Shangri-La Group Overview*. [online] www.shangri-la.com. Available at: https://www.shangri-la.com/group/media/media_post?post=Shangri-La%20Group%20Releases%202023%20Full%20Year%20Results.

Statista (2023). *Travelodge UK revenue 2023*. [online] Statista. Available at: <https://www.statista.com/statistics/429089/travelodge-total-revenue-united-kingdom-uk/>.

Tessa, O. (2024). *Shangri-La Asia returns to black in FY2023 with US\$184.1 million net profit*. [online] The Business Times. Available at: <https://www.businesstimes.com.sg/companies-markets/shangri-la-asia-returns-black-fy2023-us-184.1-million-net-profit>.

Travel News Asia (2021). *Shangri-La Hotels and Resorts Training Corporate Social Responsibility*. [online] www.asiatraveltips.com. Available at: <https://www.asiatraveltips.com/news08/104-ShangriLaHotels.shtml>.

Travelodge (2023a). *Better Future report 2023*. [online] Available at: <https://www.travelodgesustainability.co.uk/wp-content/uploads/sites/2/2023/05/Better-Future-Report-2023.pdf>.

Travelodge (2023b). *Record full year performance with Travelodge well positioned for long-term growth*. [online] Travelodge Corporate Website. Available at: https://travelodge.co.uk/our-business/blog/press_release/record-full-year-performance-with-travelodge-well-positioned-for-long-term-growth/.

Travelodge (2023c). *Travelodge Investor Site*. [online] www.travelodge.co.uk. Available at:

<https://www.travelodge.co.uk/investors/home#:~:text=In%20the%20year%20ended%2031>.

Usher, E. (2022). *Travelodge delivers record financial results and continued out-performance*. [online] Travelodge. Available at: <https://www.travelodge.co.uk/blog/news/travelodge-delivers-record-financial-results-and-continued-out-performance/>.

Yahoo Finance (2023). *Shareholders in Shangri-La Hotels (Malaysia) Berhad (KLSE:SHANG) are in the red if they invested five years ago*. [online] Yahoo Finance. Available at: <https://finance.yahoo.com/news/shareholders-shangri-la-hotels-malaysia-024727290.html>.