



Business Report

Comparison of Two Hospitality Organisations



18 October 2024

Student Name- Berlan Darius-Emanuel-Adrian

Lecturer Name-Tristan Hawkins

Student ID- 2244805

Module-Financial Management for the Hotel Industry

Word Count-2131

Introduction

They are paying a lot for an improved rule of thumb in the hospitality industry, not going to get luxurious lobbies or cozy beds. How managing a hotel group is the difference between thriving and entering new territory. This is why Shangri-La Hotels and Premier Inn amaze me. They're pretty different animals altogether — a soft, high-end luxury car versus no-frills value. However, they are both well off financially, so you start to wonder — how exactly do their money management styles differ?

1. Triple Bottom Line, Capitol Hill Hotel

www.capitolhillhotel-dc.com

I've always been intrigued by the different ways companies handle the space, as someone interested in hospitality. This report will take a deep dive into how these two chains manage their finances. Consider it a financial mystery thriller where we will identify the hidden messages in their revenue lanes, market position, and growth strategies or even at time from their CSR activities. Interestingly, and as Cathy Enz points out in her book on Hospitality Strategic Management, knowing the numbers is important to be successful overall (Enz, 2010).

So, without further ado. We look at how they are able to keep their heads above the water despite belonging in two completely different worlds of hotels, and hopefully take some lessons on what keeps them going. Perhaps we will even find some weaknesses they have or can work on. Maybe, just maybe this report might provide some food for thought.

Company Profiles

Shangri-La Hotels: Where Luxury Meets Financial Prudence

Shangri-La Hotels, oh, Shangri-La! The mere mention of the name alone brings to mind the image of universal luxury and exclusiveness. It is no wonder that they risen to the ranks of luxury hospitality not only in Asia but also in the rest of the world. However,

behind the facade of glitz and glamor which they put on the market remains a well thought-out financial plan for this company. Thus, you do not come to the world of luxury hotels with only by incident.

They are a publicly-listed company (Shangri-La Asia Limited being their parent company) and are, consequentially, in a position of obligation towards their shareholders, which further complicates the decision process regarding the companies financial activities. It means that they will have to balance things out – on the one hand ensuring the luxury product and on another keeping shareholders happy. Their portfolio is quite impressive, as they operate over 100 hotels and resorts worldwide, the most famous of their brands being Shangri-La, Kerry Hotels, JEN, and Traders. Their targeting of new market segments is very cunning, as they offer different services and products from different brands.

Even if their beginnings are in East Asia, the company has wisely expanded globally. I think that this ecological diversification is a possible cornerstone of their financial strategy, as it allows the reduction of risks and the entering of new market areas. It is a good example of a new trend in the market with rich tourists coming from emerging countries, I would say. (Kim & Jang, 2018)

Premier Inn: The Value-Driven Champion

Now, Premier Inn is on our way. No glitz and glitter, no butlers or chandeliers, but that doesn't mean that they have no surprises or hidden assets. They are the budget-friendly kings and queens and they thrived on it. Premier Inn is owned by Whitbread PLC, a giant in the field of British hospitality, which thus will provide the company with the financial safety and resources of the parent company. This is a very strong point as they are concerned especially around areas like expansion and investment.

Shangri-La expands internationally while Premier Inn holds their stance within the UK. They have been successful in the UK and, as a result, have expanded to Germany. How might this strategy be lessening their capitals? (Jones, 2021). Total Revenue

Let us now look into the money-making process of a company! For Shangri-La, room revenue is primarily the top dog, and this is no surprise because they concentrate on

providing luxury accommodations with beautiful views. (Zapalska et al., 2019) But their F&B gives them an edge too. On the contrary, high-end restaurants and bars are vital contributors to their earnings, which fulfil the needs of the choosy and a preference for luxurious things. Premier Inn, however, makes do with minimal resources. Room revenue is the main source of revenue, of course, supported by more essential products such as breakfast and light snacks. No need for a huge culinary adventure here!

Examining the growth trajectories of the two programmers unveils a fascinating divergence therein. Shangri-La seems to be on the upswing with RevPAR reaching new highs on a consistent basis, probably due to the implementation of their succession plan of penetrating the luxury segment and the affluence of travel (Deloitte, 2023). Premier Inn, in contrast, has been experiencing a more steady expansion phase, possibly due to the crowding of budget hotels in the market and the strained purchasing power of the consumers (PwC, 2022). The challenges that lie ahead are captivating in their very nature.

There are a number of factors contributing to the revenue paths for these two companies. For Shangri-La, the increase in affluent tourists in Asia and the Middle East is a very profitable business opportunity (WTTC, 2022). However, they have to remain on the alert. The competition between other luxury hoteliers is very keen so it is not easy, and the economic cons can quickly quench the demand. Premier Inn is faced with their problems to solve as well. Rising operating costs, inflationary pressures, and changing buying habits are putting the stress on a company that wants to remain successful without losing their consumers.

Market Position

The top destination to go to for people is Shangri-La that is on top of the market, giving great attention to clients who like to feel special and authentic experiences up close (Pine & Gilmore, 1998). Imagine the big boys in industry, the wealthy, and a few other celebrities. In contrast, Premier Inn has a wider range of customer relationships. Families, cost-conscious travelers, and even business travelers who are not willing to spend much are the main actors in their consumer base.

Shangri-La, in terms of market share, can claim a rather significant percentage of the luxury segment, mainly in Asia, where they are quite established. However, the really big players like Four Seasons and Mandarin Oriental, who are globally trying to get wealthy tourists' attention, are their tough opponents (Horwath HTL, 2021). Premier Inn is the UK's undisputed king of the moderate budget hotel sector, but they have to face totally different issues after starting their business in Germany where they have to compete with companies that have a long-standing position in that market and also they need to adjust themselves to the local area dynamics.

Shangri-La's strongest point is their brand perception. Their name has been ingrained in the minds of people as the professional, the high-end, and the awesome, spas and hotels, making it a darling of travelers of discerning taste. Premier Inn has achieved the position of a leader in the industry by being reliable, comfortable, and offering good value, however, they may need to put more efforts into their storytelling so as to be able to establish such a degree of loyalty in the market.

Growth Potential

Shangri-La is making strides on various continents as a part of its strategic growth plan, with the Middle East and North Africa being the main markets (STR, 2023) one. The land of the eternal heavenly life where every happiness is felt, beyond the boundary of a terrible touché for the loss of life and comfort during these stresses, Shangri-La hotels, and their platform believers related to them. The cloud of alala on the top of the hill was something the protagonist dreamed of, and this is the line of his â if he will visit that place again. Premier Inn, on the other hand, intended recovering the UK market with developing muscle in it and start cautiously the enhancement of European markets. Their main sources of rights on a large territory include the sequence operator, franchisor of its grapevine and strategic associates. With various options to choose from, a lot of opportunities emerge. In the case of Shangri-La, an additional opening might be in collaborating with wellness tourism to raising orphaned children. Based on their strengths, Premier Inn could bring "bleisure" travel, which means the combination of business with leisure travel, under their clients' attention by arranging for continual repairs of the electronics and increasing the speed of the internet connection to maintain the lower stress levels of their &lsq

Yet, the segment of growth is not a plain trip. Undoubtedly, the risk of macroeconomic factors or the ability of a country to survive currency crises are some of the threats. Shangri-La must continue to be innovative if it wants to take advantage of this growth and at the same time stay appealing and ensure a unique guest experience. Premier Inn carries the mission of adapting to the changing market conditions and differentiating themselves as the best value choice in the industry by getting the leads and pushing the limits.

Financial Commitment to CSR

Both Shangri-La and Premier Inn see the significance of corporate social responsibility and are really adapting sustainability into their operations. Shangri-La, a tough customer when it comes to environmental protection, has adopted several pollution-reduction programs along with waste and water conservation projects (Shangri-La Sustainability Report, 2022). They are also community-driven and give back to the local community by running projects in medical care and schools. Premier Inn champions accessibility and equal opportunities, building a welcoming environment at all the facilities no matter the disabilities of their visitors. They also prioritize the environmental impact of their operations and in this, concentrate on energy efficiency, waste reduction, and responsible sourcing (Whitbread PLC Sustainability Report, 2022).

Although both entities publish in-depth reports on their CSR activities, the direct comparison of their financial involvement could be a real challenge. The green activities Shangri-La takes up could be more expensive, but the properties and the desire for luxury experiences are the reasons for that expenditure being larger. However, the increased focus of Premier Inn on operational efficiency and resource utilization has been found to provide substantial saving cost and environmental benefits indicating surely enough that financial prudence and sustainability measures are not clashing.

Saying that Shangri-La and Premier Inn

are too different compared to a Ford Focus with a Rolls-Royce would be like the difference between a Ford Focus and a Rolls-Royce, so the experience and financials are completely different but both are forms of transport. Shangri-La, on the one hand, is a master of increasing income per guest, thanks to the investments that enable its

clients to receive festive immersion in the products and services purchased (Pine & Gilmore, 1998). Because of that, it has more cash left, however, it is even more susceptible to the business cycle (Zapalska et al., 2019).

Conversely, Premier Inn, on the other hand, emphasizes on an efficient operation and economical alternatives. So, there are less formal rooms, little access to amenities, and the company follows the expediency principle (Jones, 2021). Although their profitability might be less, they are not as much affected by economic cycles.

These modes of operation, however, also consolidate their weaknesses and strengths. Shangri-La is pervasive in this luxury space and has a large range of products, yet, it is not able to attract passengers with lower budgets. Premier Inn combines the British market with a model that creates obstacles for the competition.

Ultimately, the way they employ their financial resources enables them to achieve a dominant position. Shangri-La distinguishes itself through the production of very high-quality objects of consumption, which are significantly more expensive than average and serve to draw leisure tourists who are connoisseurs of luxury and therefore are willing to pay premiums. On the other hand, Premier Inn has the advantage of little by little becoming the undisputed champion as people have become particularly keen on it since it is cheap and reliable (Enz, 2010).

Virtual world with the most popular Shangri-La properties from around the world - Shangri-La Group <https://www.shangri-la.com/>

Conclusion

Conclusion

Shangri-La and Premier Inn have distinct financial practices. Shangri-La is for the high-end market, while Premier Inn targets value-conscious travelers. Their financial strategies differ in terms of revenue sources, cost management, and risk exposure.

Both have strengths. Shangri-La's brand equity is strong and its portfolio is diverse.

Premier Inn has a lean operation and a loyal customer base. On the flip side, Shangri-La is sensitive to economic fluctuations and Premier Inn faces heightened competition.

Both companies have successfully employed their financial strategies within their niches. Their contrast emphasizes the necessity for individualized financial approaches in the hospitality industry.

References

- Deloitte. (2023). *Global hospitality trends*.
- Enz, C. A. (2010). *Hospitality strategic management: Concepts and cases*. John Wiley & Sons.
- Horwath HTL. (2021). *Hotel industry global review*.
- Jones, P. (2021). *Budget hotel operations: Achieving profitability in a competitive market*. Routledge.
- Kim, W. G., & Jang, S. S. (2018). Luxury brand management in the hotel industry. *Journal of Hospitality Marketing & Management*, 27(8), 857-877.
- Mintel. (2023). *Hospitality industry UK*.
- Pine, B. J., & Gilmore, J. H. (1998). Welcome to the experience economy. *Harvard Business Review*, 76(4), 97-105.
- PwC. (2022). *Hospitality outlook: UK*.
- Shangri-La Hotels. (2022). *Sustainability report*.
- STR. (2023). *Global hotel performance*.
- Whitbread PLC. (2022). *Sustainability report*.
- World Travel & Tourism Council (WTTC). (2022). *Economic impact report*.
- Zapalska, A. M., et al. (2019). Revenue management in the luxury hotel industry. *Journal of Revenue and Pricing Management*, 18(1), 23-36.

Triple Bottom Line, Capitol Hill Hotel www.capitolhillhotel-dc.com

Shangri-La Group <https://www.shangri-la.com>