

# Financial Management for the Hotel Industry (BMIH5007)

## Business Report

### Comparison of Two Hospitality Organisations: Mandarin Oriental Hotel Group and Premier

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# Executive Summary

This report focuses on the financial analysis of the Hotel Mandarin Oriental and the Premier Inn hotel (part of Whitbread Group Plc) based on their statements and data. The investigation is issued considering only publicly available information provided by the two companies released between 2018-2023 financial years. However, the two hotels have serve different market areas and has different market target groups, through their examples, it is possible to see how the market has developed and how well they have succeeded in adapting to changes and new trends. Comparability is based on their total revenue, includes growth opportunities and market position, in addition to financial commitment. Both hotels have been inspected from the point of view of corporate responsibility. Finally, based on their current situation, we make a recommendation to the hotels as to how and in what ways they can develop or take advantage of their opportunities in order to achieve market stability, greater demand and more profit.

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## Introduction of Hotels

The Premier Inn Hotels are mostly operated in the United Kingdom area (they operate in Germany also). Premier Inn is a British multi chain hotel company running by Whitbread Group Plc, they are the United Kingdom's biggest hotel brand. The Company owns more than 870 hotels, they are providing accommodation and food and beverage. Well-known called budget hotels, offering rooms for mid class people for "good worth of money". Their locations in the city centres, side district of the cities or next to the airports. They are very popular in travel colognes because of their good brand reputation and also that they can be found in many places. (Whitbread – Introducing Premier Inn, 2023)

The Hotel Mandarin Oriental is a widely known luxury brand hotel chain that offers Asian theme concepts for travellers who most often place their emphasis on a unique emotional concept, excellent service, and an unforgettable experience at excellent locations in major cities. Hotel Mandarin Oriental has 39 hotels and 9 residents in 36 countries and territories. Location wise they are present in Europe, America, Middle East & Africa, and Asia. They put a lot of emphasis on sustainability, the well-being of guests and employees in the interests of quality and impeccable service. Their benefits are very significant, and they focus on long-term sustainability in the interests of the planet. It is also an innovative point of view in the field of hospitality, and it is perhaps of key importance in the name of changing market needs and environmental protection and awareness. (Hotel Mandarin Oriental, 2022)

## Analysation of key points

### Total Revenue

The total revenue for Premier Inn in 2018 was 3292 million GBP it has changed for £2072 million GBP in 2020 and increased for in £2625 million GBP 2022. (Whitbread, Investors, Results reports and presentations, 2023)

Average room price per night is around £ 72 in 2023 (Statista, 2023)

In order to understand the reasons for the changes in revenue, it is necessary to mention the emergence of the pandemic (COVID-19) in the spring of 2020. Regrettably, the worldwide virus had a significant financial impact on people's

incomes, also the global economy and people were asked to refrain from non-necessary trips.

At the same level, BREXIT had an impact on tourism revenues, which affected Premier Inn Hotels operates mainly in the United Kingdom. The leave of European Union and the war between Ukraine and Russian that followed it significantly increased the prices of raw materials and fuel and energy, as well as higher taxes on certain elements. At the same time, the lack of people on the labour market caused a problem, which consequently had to be solved. To attract more people to fill the vacancies. As a solution to this, higher wages were offered, so for example the employees of the Premier Inn were paid more to attract workers. (The Caterer, 2023)

The company's profits increase by 19% compared to pre-pandemic announced Premier Inn's chairman Dominic Paul in 2023. Based on the company's statement, powerful and efficient marketing activities were identified as the main reason, but it is clearly not neglected that with the cancelled restrictions, people were able to travel again, they wanted to feel the freedom again, so the demand for plane tickets increased rapidly and thus also for hotels. Their customer volume has increased from 4.2 million in 2018 to 5.9 million in 2022. (MarketingWeek, 2023)

The company's marketing changed from multiple channels to brand marketing and then to digital marketing. In this way, they increased their capacity with the occupants and investors by opened new hotels and created new jobs. (Whitbread, Media, 2023)

While the Hotel Mandarin Oriental was little affected in terms of the effects of BREXIT, as they operate all over the world and their locations are much more varied, the more detailed economic or political influences in the countries that affect them affect their situation to a lesser extent.

2022 was the year of rebuilding in hospitality. After the pandemic (COVID-19) the world has changes as hospitality and travel habits so. During COVID period there was travel restriction and less chance to travel around and the most affected location was Asia. People had less money to spend on travel as they concentrated to buy essential, and they stayed home whenever it was possible. The recovery worked very well, companies who were able to stay on market has gained as normal travel condition came back. The Hotel Mandarin who has more facilities in Asian areas has more loss because there was more serious impact on restrictions and less in Europe or American areas as restrictions stayed longer.

The Hotel Mandarins revenue performance in improved from 2021 to 2022, however it was remained lower below before pandemic, with losses of million US dollars. The total revenue of hotels started to increase after the government relaxed of travel restrictions and allowed people to travel.

2018 the total revenue was 613.7 million US dollars than they closed 2020 with 183.7 million US dollars which turned 454.1 million US dollars for 2022. (Companies Marketcap, 2023)

Average room price per night is around £ 1250.00 in 2023. (Kayak, 2023)

Because Government realised the loss of the industry by COVID-19 they provided support for hotels mainly in Europe. They were paid by business insurance companies in United States sites also entitled to pay less rent in Japan. (Mandarin Oriental Corporate, 2021)

## Market Position

The Mandarin Hotels present an exceptional and elegant architecture to their guests, and their employees are selected in such a way that the guests receive the most attentive service from the moment they arrive until the end of the year. Blend of authentic Asian experience meets international experience.

The Hotel Mandarin Oriental pursues a value-oriented strategy, which in turn creates significant values for the guests, in their case they offer more expensive services for the value of a room, but they offer excellent values to the guests.

The Mandarin hotels were not designed for the average traveling crowd, they are specifically aimed at the more fashionable guests of the middle age who, in addition to relaxing during work or leisure, are looking for natural and holistic SPA ideas, special snacks and pampering treatments. Their service and brand reputation is very high thanks to their well-managed hospitality. The Hotel Mandarins has the right skills, great brand management and perfectly chosen locations.

Premier Inn hotels use a value pricing strategy, so they offer quality service at an affordable price to travellers who are looking for a hotel for work or leisure. At the target market level, families can be a paying demand not only for male and female members of the middle-aged age group. The Hotel's capacity-building locations are also important for travellers from United Kingdom and from abroad.

The rating of the Premier Inn Hotels in general is 2.3 star on the TripAdvisor pages. It shows there is room to improve satisfaction and customer service, however people still constantly go back for nice price rooms most of the complains are comes to poor standard cleaning.

Even if there is lots of competitors on market with similar services because of multiple locations and well-known brand they often get choose by travellers, but because of the customers more budge central iron shops are more inclined to stay with cheaper similar category competitors if the price is more favourable. (TrustPilot, Premier Inn Reviews, 2023)

Costa Coffees were sold to The Coca Cola Company in 2019 for 3.9 billion GBP. The sale of the Costa Coffee brand was a great decision, as they obtained such a liquid

token from the sold receipt that they were able to support their debts and developers. (The Guardian, 2023)

The rating of the Hotel Mandarin Oriental in general is 3.6 star on the TripAdvisor pages. Most of the review where positive, some guest had issues with food and cleaning. (TrustPilot – Hotel Mandarin Oriental Reviews, 2023)

In contrast to the customers of the Hotel Mandarin Oriental, who are looking for value for their budget, there may be few room alternatives among the competitors, there are fewer tourists from residence country, but the demand is greater from all over the world.

### Growth Potential

Premier Inn, like most hotels in the United Kingdom, is struggling with labour shortages. The reason for this is partly due to BREXIT (the exit of the United Kingdom from the European Union). The constant understaffing in the sector is a significant limitation to further expansion, since in order to control the digitalization (KIOSK check in, online booking, and more), the restaurants definitely need human labour as well.

The Premier Inns strategy cost driven so they offer moderated and low-price accommodation everywhere any time in the UK. A part of their profit comes from shareholders, investors, and guests. At the same time, their view of the debt-free market is focused on long-term growth, and they have aimed for continuous expansion (see Germany). In 2022 Premier Inn gained 11 new sites in the United Kingdom also has new format of Hub by Premier Inn and ZIP by Premier Inn. (Business Travel News Europe, 2023)

In 2022 Hotel Mandarin Oriental announced development as opening new facilities, also and they are planning to invest in more hotels in the next 5 years. (Mingtiandi, 2022)

The huge advantage of Hotel Mandarin Oriental is its individual and award-winning service, which is sought after by people all over the world. However, from the perspective of expansion, they must always make sure about taxes, legal and economic conditions of the chosen new country. This could be beneficial or also barrier of their growth. Also great potential to have a long term view and aim to keep sustainability. (*Hotel Mandarin Oriental – Investors*, 2023)

## Financial Commitment to CSR (Corporate Social Responsibility)

Premier Inn is part of the Force for Good strategy, within this program the hotel shows the awareness of the planet and people. They donate food to local communities, employ them as workers, zero carbon emissions and support Great Ormond Hospital as community support. They reduce waste responsibly in food product, and water, gas, electricity usage so. Importance to work together with suppliers who share the same view. (Premier Inn – Force for Good, 2023)

Hotel Mandarin Oriental has a long-term green view brand campaign, as they call it "Greenview", which attracts people who can afford to maintain an environmentally conscious hotel. The goal of Greenview is to involve guests, employees, owners, stakeholders, suppliers, media to follow and copy their journey and they share their information and data about to stay transparent as luxury hospitality brand and at the same time climate friendly. (*Hotel Mandarin Oriental, Sustainability, 2022*)

They provide for employee's different career path and talent development but also looking after their after-service years with various retirement plans. (Martin Roll, 2020)

## Conclusion

The market has many changes as the world has changed constantly for example BREXIT, COVID-19, ongoing wars inside or outside of Europe, digitalisation and appearance of artificial intelligence, people's need for long term solutions for sustainable environment, and these circumstances are greatly affecting the needs and the habits of travellers.

The Companies who can adapt, invest, and develop itself are gaining guests and making stable position on the market.

There were and will be negative effects affecting the market's liquidity. For this purpose, the representation of the values recognized by the stores, the monitoring of customer satisfaction and continuous profit improvement, the reduction of debts and the consideration of investors and investors must be continued in the interests of growth and stability.

Both Hotel chains are doing their best as they are both leaders in their own categories and is has something to do with the conscious financial plans and well-designed marketing and their long-term view. The financial stability is not a constant as circumstances can change for example taxes and costs of maintenance, utilities, salaries so the priority needs to be to reach the highest profit. It does involve doing waste, carbon, energy, and water usage reduction.

## Recommendations

Digitalisation and social platforms have the future as people are mainly making their booking and searching online and reading reviews. This was not regular practice of Hotel Mandarin, but if it neglects the social media platforms, it may be more difficult for the paying demand to find it. Hotel Mandarin Oriental has a great uniqueness what must to be show in social media. People (even if they are not able to afford) can be potential guest one day or their share or follows can increase their platforms and show the interest and reach more people during digital campaigns.

To offer travel packages for favourable price and flexible service can be the key to attract more peoples further interested. In this fast-paced world, people attach great importance to changeable bookings because unpredictable things happen, such as the pandemic. Loyalty system for Premier Inn would be great way to keep old customers and to make new customers commit, since it is not always easy to attract new customers and it is worth investing time, money, and energy in it.

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