Hilton Case Study

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- Strategic Profile and Case Analysis Purpose
  - The purpose for this case analysis is to examine Hilton and their competitive landscape; using the findings to formulate a business strategy for Hilton considering the current state of the hospitality industry.
- Situation Analysis
  - General Environmental Analysis
    - Generally speaking, the overall environment for Hilton is very good. While the company has major competition, Hilton is still the second-highest earning traditional business in the hospitality industry. Even though newcomers like Airbnb are considered a major threat, Hilton could learn from their new competition and use their findings to enhance their own business. From a fiscal perspective, Hilton is excelling. The COVID-19 pandemic in 2020 had a major affect on Hilton financially, as it did on the rest of the hospitality industry. However, by 2021, Hilton was able to turn around a considerable loss and swiftly recover.
  - Industry Analysis
    - Many of the major hospitality brands have been expanding globally. While the industry took a massive hit in 2020 due to the COVID-19 pandemic, many leading hospitality companies were able to recover by the next year and continue to grow their businesses. Recently, companies like Airbnb and Vrbo have significantly impacted the hospitality industry, generating massive amounts of income by allowing local property owners to directly communicate and work with customers through their service and collecting fees from both ends.
  - Competitor Analysis
    - Hilton's largest competitors are Marriott, IHG, and Airbnb. Marriott is currently the largest traditional company in the global hospitality industry with a revenue of $10 billion dollars by the end of 2020, compared to Hilton's $4.3 billion. IHG is the third largest traditional company in the global hospitality industry, right under Hilton with only $2.4 billion in revenue at the end of 2020. Airbnb is currently one of the largest threats to Hilton, with "5.6 million listings worldwide, 4 million hosts, [and] listings in 220 countries," according to the text. Airbnb also had an $86 billion valuation at the end of 2020, which the text describes as "more than Hilton, Marriott, and IHG combined on the same date."

- Internal Analysis
    - While Hilton took a considerable financial hit in 2020 from the COVID-19 pandemic, they were able to rebound in 2021, and while they were not able to reach the same revenue levels as the years before the pandemic, they were able to make a major improvement in their situation. Globally, Hilton has been working on growing their brand, especially in the Americas, Europe, the Middle East, Africa, and the Pacific Asia region.

- Identification of Environmental Opportunities, Threats, Firm Strengths, and Weaknesses (SWOT Analysis)
  - Strengths
    - Hilton has been ranked one of the "World's Best Places to Work" by Fortune Magazine, giving all employees the same benefits regardless of if the employee is salaried or hourly. The manner in which Hilton treats their employees has allowed them to be "ranked as a best place to work more than 100 times by the Great Place to Work Institute," according to the text.
    - Hilton is one of the leading forces of environmental sustainability in the global hospitality business. According to the text, experts are saying that "[Hilton] became the first major hotel company to set approved science-based targets in line with the Paris Climate Agreement to reduce carbon emissions, and will be the first to adopt a global standard for sustainable tourism."
  - Weaknesses
    - As with the rest of the hospitality industry, COVID-19 dealt a massive blow to Hilton. Many of the company's employees had to be temporarily furloughed or let go entirely, which weakened Hilton's workforce. The pandemic in 2020 also caused Hilton to take a financial loss in a scale that the company has not seen before. While Hilton was able to make up the loss in 2021, their revenue still was not at a similar level to before the pandemic and the company's market share had not yet recovered.
  - Opportunities
    - Partnering with local property owners in a similar manner to companies like Airbnb would allow for Hilton to get their foot into a new and important part of the hospitality industry.
  - Threats
    - Companies like Marriott and Airbnb have been outperforming Hilton, and in Airbnb's case, been excelling in a sector of the hospitality industry that Hilton has not properly explored yet.

- Strategy Formulation
  - Strategic Alternatives
    - Hilton could offer vacation packages (Stay at a Hilton property and receive admission to X for a discount) through partnerships with major tourism destinations (Disney World, Universal Studios, etc.).
    - Hilton could diversify into the property sharing side of the hospitality industry, similar to businesses like Airbnb and Vrbo.
  - Alternative Evaluation
    - Vacation Package
      - This strategy would allow for Hilton to bring in more customers, as well as opening up more business opportunities with other large companies.
    - Property Sharing
      - As seen with companies such as Airbnb and Vrbo, the property sharing business is successful. The implementation would not cost as much for Hilton either, since they are mainly facilitating commerce between property owners and customers, and collecting the fees from use of their service..
  - Alternative Choice
    - I believe the best choice for Hilton would be to diversify into the property sharing business similarly to Airbnb and Vrbo.
- Strategic Alternative Implementation
  - Action Items
    - Hilton would need to partner with local property owners in desirable locations.
    - Hilton would need to create and implement an online system where property owners and customers can communicate and make deals.
    - Hilton would need to create and distribute marketing materials for the new service.
  - Action Plans
    - First, Hilton would need to find desirable locations and find local property owners that would be willing to enter a partnership.
    - Hilton would then need to negotiate a deal with said property owners about financials, property upkeep, and service quality standards.
    - After Hilton has established partnerships with property owners, they would need to develop an online system so the property owners and potential customers can properly communicate and make reservations. The online system would need to be implemented once it is developed, of course.

        - Once the online system is developed and implemented, Hilton will need to create and distribute marketing materials for their new service so potential customers can be aware of the service. Hilton could also use their marketing to attract new property owners and expand their available locations.
- Post-Summary Questions
    - How can Hilton best plan to address any future impacts from the COVID-19 pandemic or similar problems?
        - In the current day, I believe that any major impacts on businesses from COVID-19 have already happened. If a similar situation were to arise, however, Hilton should have a contingency plan to put in place to minimize losses and to ease recovery after the fact. The two factors that created the most difficulty for Hilton during the COVID-19 pandemic were considerable financial losses and losing a large amount of their workforce. A contingency plan would allow for Hilton to minimize these losses, as well as using prior experience to better recover if an event of magnitude similar to the COVID-19 pandemic were to ever happen.
    - How can Hilton mitigate the erosion of its market share due to newcomers like Airbnb?
        - One of the best ways Hilton could mitigate the erosion of its market from newcomers such as Airbnb is to diversify their business and learn from the success of these newcomers. Expanding into the property sharing business could allow Hilton to draw in greater profits and innovate the business in ways companies such as Airbnb have yet to consider.
    - What is the best approach for Hilton to grow in developing markets, especially China?
        - The process that Hilton is currently using to expand into developing markets is already very effective. For example, in China, Hilton is doing research and observing both the spoken and unspoken feelings of locals. Hilton is using what they learn in conjunction with their core set of standards to provide the highest quality service to meet the expectations of their customer base.
    - How can Hilton continue to innovate and differentiate itself from its competitors?
        - The most effective way that Hilton is currently differentiating itself from competitors is maintaining a higher standard of quality. Hilton is currently leading the hospitality industry in terms of workplace environment and ecological sustainability, which helps significantly with the company’s public reputation.
    - How can Hilton balance the need to grow its business with the need to maintain its brand reputation and quality standards?

- A practical way for Hilton to grow their business while maintaining its brand reputation is to continue what they are currently doing: having a core set of standards and ethics, and using those to influence and dictate their business strategy while providing a high-quality experience for customers.