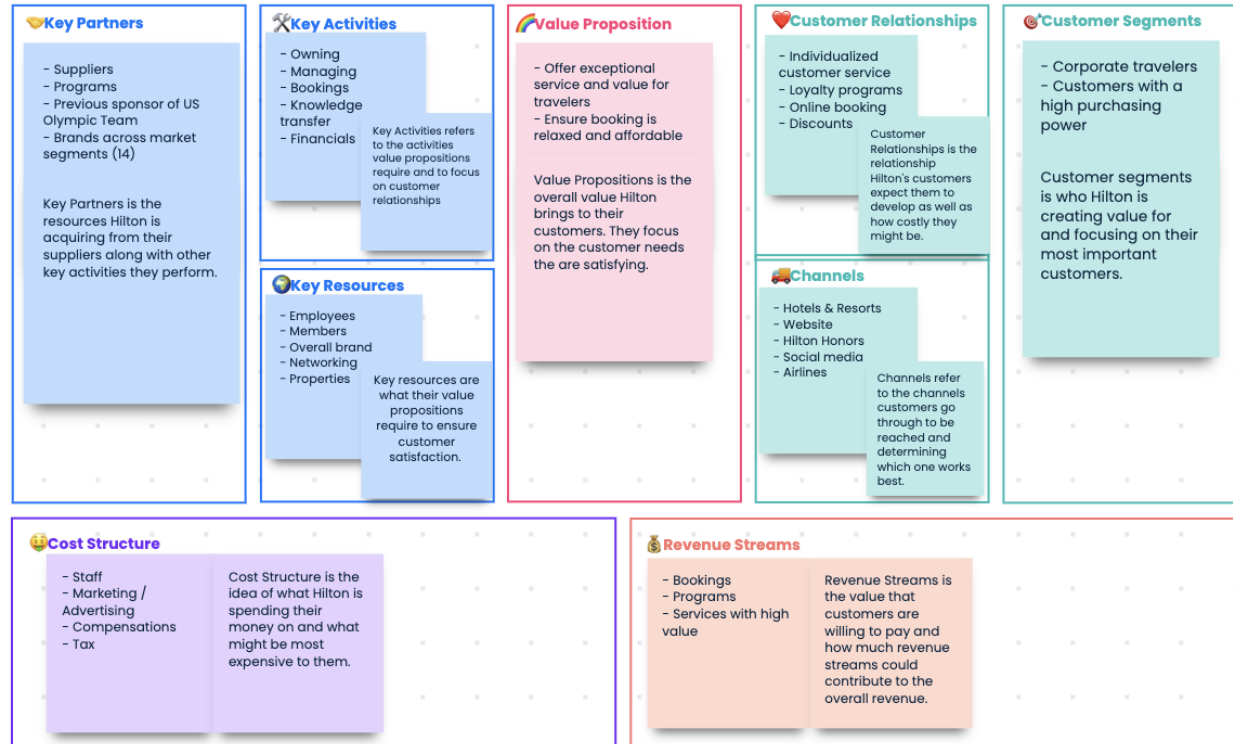


Project Milestone #3

Company: Hilton



Hilton is a well-known and trusted organization within the hotel industry. They use a variety of techniques to ensure their success. Hilton's current business model broken down into nine categories allows for them to identify what aspects of the business are most successful as well as the areas that may need to be improved. Hilton's key partners are their suppliers, the programs they have developed, sponsorships, and how they have built their brands across roughly fourteen different marketing segments. These key partners are the resources Hilton acquires from their suppliers along with other key activities they perform. The main supplier is Hilton Supply Management (HSM), which is owned by Hilton, that provides almost all goods and services to all Hilton hotels along with other privately owned properties. With service being one of the core aspects of this business, suppliers play an important role to ensure success. Hilton attracts customers through the affiliate programs they have with other resorts located in roughly

84 different countries(VigLink). Customers can obtain access to these resorts by booking a Hilton hotel room. Additionally, Hilton has been a noted sponsor of the United States Olympic Team. These key partners are crucial as they rely on them as well as the activities they present.

Hilton's key activities consist of proper management, knowledge, ownership, and bookings. Key activities allow businesses to focus more on customer relationships while performing successful business operations. They are successful in this aspect as they have a direct correlation with travel agencies and online booking portals. Additionally, throughout the roughly 150 hotels owned, they pride themselves on providing management to each property that markets and sells rooms along with other timeshare opportunities provided by Hilton. Hilton also provides training in all of these aspects to their employees to ensure each of these activities is being fulfilled.

Key resources portray a vast majority of the success for Hilton. Their key resources include their employees, members, networks, and the overall brand. Key resources are what is required of a company to ensure customer satisfaction. Without their roughly 150,000 employees (Macrotrends), hotels would not be able to provide exceptional customer service, thus, eliminating customer retention and satisfaction. Likewise, with their members also being a key resource, this would reflect upon their overall brand image as they would not be able to provide the service they strive to achieve. A successful brand image helps a company stand out from its competitors. Hilton's ability to provide consistency within their services allows for customer interaction with the organization making it a reputable and trustworthy company. Throughout these resources, Hilton develops value within their services they are providing.

Hilton is well-known for its exceptional customer service and providing value to its customers. Value propositions of a company is defined as the overall value a company brings to their customers. Being one of the largest and well-respected establishments in the industry, they focus on the specific needs of their customers that they are satisfying. Hilton seeks to build loyalty among its members. They provide a hotline service called Hilton Reservation & Customer Care which allows for consistency across all Hilton hotels for customers to feel heard and to know they are being taken care of. Hilton then takes initiative to provide these personal requests to accommodate these customers' needs and increase customer satisfaction.

Hilton strives to build concrete customer relationships. Members expect them to develop these relationships as well as identify how costly they might be to both the company and the customer. While providing individualized relationships, discounts, and online bookings, they also offer a loyalty program called Hilton Honors. According to the Hilton website, depending on the level of membership a customer determines would best suit their needs, they have access to a wide variety of amenities throughout the hotel ranging from discounted rates to “Elite status gifting.”

Although Hilton’s product mix offers a variety of amenities and resources for all ages, their customer segment is specifically targeted towards corporate travelers. Customer segments are defined as the process by which you divide your customers into segments based on common characteristics. Hilton creates value for the corporate traveler customer segment, as they view their business as crucial to their overall success. Some of the features that Hilton offers business travelers include private daytime rooms with desk chairs, speedy Internet access, and leisure

activities to prioritize your mental health during a stressful work trip. Hilton strives to meet the functional needs of this segment as they welcome back business travelers post-Covid.

As a corporation, it is clear that Hilton utilizes its resources to maximize revenue streams. Revenue streams are the value that customers are willing to pay and how much revenue streams could contribute to the overall revenue. The sources of Hilton's revenue streams include bookings, programs, high-value services, and corporate conferences/events. While many hotel chains rely on booking alone, Hilton uses their lush spaces to host corporate travelers and locals alike for conferences. Conferences are a two-for-one deal, as they utilize both event spaces and bookings for out of town guests. Post-Covid, Hilton increased its revenue from 0.42 billion US dollars in 2020 to 0.6 billion US dollars in 2021. This is reflective of the companies that have opted back into participating in travel.

Hilton's cost structure is broken down into the services and products they are spending their money on and what might be the most expensive to them. Maintenance and services along with the management of each asset can be one of the most costly expenses within this industry. Hilton is responsible for staff salaries, marketing, compensations, and taxes. With Hilton's target audience mainly focusing on corporate and business travelers along with people with a high purchasing power, they mostly seek to use Twitter, Facebook, LinkedIn, and Instagram to achieve engagement.

Hilton's channels mainly consist of their website which is available through desktops, mobile browsers, and apps. Channels are classified as the segments customers go through to be reached and to determine which one is best suited for them. Their website provides services,

locations, and brands to their customers. Additionally, customers can call to make reservations as well as visit third party web pages to book rooms and other services. Along with the Hilton Honors program, Hilton operates sales and relationship management teams that can be contacted directly by the consumer. This helps provide customers with a personalized experience. Customers can also accumulate points for their Hilton Honors membership by booking with certain airlines that are within the Hilton portfolio. The easier it is for customers to navigate through these channels, the more likely they are to be successful in achieving a high customer retention and satisfaction rate.

There are many examples of how Hilton is successful. The company's financial model ensures that incoming growth is profitable, and holds a 16% operating margin as of 2019. Also, the company's good reputation has customers staying with Hilton often. Hilton's marketing strategy and loyalty program have generated high customer demand, keeping occupancy levels consistent above 75%, above the rest of the hotel industry. This customer loyalty can be attributed to their commitment to being a sustainable company. On the official Hilton website, they state: "Since 2009, we have used our award-winning LightStay system to measure, report and improve our environmental impact across our global portfolio of managed and franchised hotels... We are also taking major steps toward reducing our environmental footprint through our Watts, Water and Waste programs."

Hilton's number one building block that needs strengthening is their cost structure. It has been reported that their strategy of international business expansion and superior service has placed them in \$10.5 billion of debt since the end of 2015, with \$726 million of that being

non-recourse. It is essential for Hilton to perform a cost analysis of their investments, and consider cutting back on any spend that does not generate immediate value. Another way that Hilton could reduce costs would be to invest in more eco-friendly practices, in addition to their commitment towards their 2030 ESG strategy. Monitoring energy usage and installing solar panels are two investments that could help Hilton decrease their long-term debt, and carbon footprint.

Hilton uses the differentiation strategy. They offer many unique features. A number of the offerings that are known in the hospitality industry today, such as room service and the mini bar, were Hilton innovations. A major attribute that Hilton tries to attract guests with is their comfort. When looking at a hotel to stay at, comfort is a major goal for customers. Hilton makes sure they stand out using their bedding style. They offer a signature “Down Dream Classic Pillow”. This is unique to other pillows, as it blends 87% duck feather and 13% down in its inner chamber. On the outer chamber, it is layered with 75% down. These two blends combined make for a silky, soft, distinctive pillow. Furthermore, during the pandemic, they began the CleanStay program which promoted better cleaning services and protocols.

To target different consumers using the differentiation strategy, Hilton has something for everyone, for it has 18 brands. Each brand is a little bit different. They differ in luxury levels and catering, trying to target different guests with each quality. One of the most well known of the brands is Doubletree. They are known for their delicious chocolate chip cookies that each guest is offered when they arrive. Hilton also has a “Curio Collection”. These are hotels that are independent that express the spirit of cultures locally. At these hotels, you can find local guides and well decorated rooms.

Additionally, like other companies in the industry, Hilton offers rewards for loyal guests. They continuously are creating new technologies for guests, such as the Hilton Honors app and the Digital Key that lets guests check in and out contactless. This is called “HHonors”. There are different memberships based on fulfilling certain criteria. Unlike other companies, guests can use their HHonors points to book flights, shop, rent a car, or even donate to a charity! Members are also allowed to have late check out, fast WiFi, and room upgrades. Hilton makes sure that their loyal customers are taken care of using rare features.

Another way Hilton tries to separate themselves from other hotels is their internet access. Although a majority of hotels offer this access, Hilton makes sure that WiFi is available in all areas of the hotel. This targets business travelers, for they also offer conference facilities and meeting rooms. The company differentiates themselves from other hotels with their strategically located power outlets and well lit guest rooms for their business travelers to work in privacy. Some of their hotels even have stand up desks and the opportunity to easily sync devices to the TV in their guest rooms. Overall, they provide a serene environment for their guests on business trips.

Furthermore, Hilton has recently launched a marketing campaign internationally. They highlight the importance of a reliable experience lodging, especially due to the unpredictability of traveling today. The company also started marketing the catchphrase “for the stay.” They made ads that featured travelers facing stress when traveling. Then, the travelers were reminded how worth it traveling was once they arrived at the hotel. Another way Hilton markets themselves better than other companies is they make sure to showcase their properties in their advertisements and campaigns. Mark Weinstein, Hilton’s chief marketing officer, recognized that in a lot of ads for hotels, the company shows the destination instead of the hotel itself. Weinstein

made sure to make the Hilton properties the main focus in their new advertisement campaign using the phrase “for the stay”. Another slogan that Hilton uses is “it matters where you stay”. Here, they are attempting to imply that hotels are more reliable than companies such as Airbnb and Vrbo. In these commercials advertising Hilton, they show how unpredictable other travel accommodations are, showing guests arriving at a vacation rental that looks like it is from a horror movie. Weinstein believes that a lot of times, travel is not glorious. Many times people travel just to visit a loved one or to do business. Not everyone goes on these amazing vacations as most advertisements for home-sharing spaces try to show. Therefore, he tries to target these travelers using the slogan “it matters where you stay”. Overall, Hilton offers many unique features and tries to use promotion strategies to attract customers in the competitive hotel industry.

On the topic of climate change, Hilton is driving towards a circular economy. They believe that recycling and food upcycling are a key component for a greener industry. The company is taking steps currently to save remaining waste from landfill. They are trying to do this through donations, recycling, and compositing. Hilton has launched 2030 goals as a part of its ESG (environmental, social, and governance) strategy. These include: cutting emissions intensity by 75% in its managed hotels and emissions intensity by 56%, committing to a carbon reduction of below 2 degrees celsius. Hilton also has a new allegiance with Fifth Wall’s Climate Tech Fund that plans on investing in technologies to decarbonize the real estate industry, which is worth \$10.5 trillion. This further applies their differentiation strategy and the use of new technology to separate themselves from other competitors. This may cost them more money to separate themselves, but this means that they have a higher value in comparison to others. Hilton

is hoping that customers will see the benefits of these responses to climate change and be willing to pay more.

Hilton even has a whole web page designated to its environmental impact. A major note on the page is how they were the first major hotel company to establish targets to reduce greenhouse gas emissions in line with the Paris Agreement. Along with this statement, they use 4 major headlines to promote how they are planning to take responsibility to protect the planet. These titles include paving the way to net zero, watts, water, and waste. Under the title “Paving the Way to Net Zero”, the company addresses climate change and how they commit to being the leading hospitality industry toward a net-zero economy. The information along with the “Watts” title describes how the company promises to reduce their Scope 1 and 2 carbon intensity by 61% by 2030, while the “Water” subtitle reports how they are driven to reduce water use intensity by 50% by 2030. Lastly, under “Waste”, Hilton explicitly states how they are committed to a circular economy and also reducing waste. Key components of making a greener hospitality industry are very important to Hilton, including recycling, food upcycling, and donation. They hope to reduce waste (including food waste) by 50% in 2030, for they take steps to deflect remaining waste from landfills through recycling, composting, donation, etc. Generally, Hilton tries to promote themselves to guests by boasting about the steps they are taking to become a Circular Economy using advertisements, web pages, and other campaigns.

A corporate-level strategy is a multi-tiered company plan that leaders use to define, outline, and achieve specific business objectives. Hilton hotel’s uses a value-adding corporate level strategy, which focuses on adding customers while also adding value to their operations. Their growth strategy has also shifted from a vertically-integrated hospitality and property management company, to a focus on hospitality. In 2017, Hilton shorted a lot of it’s entities

(especially time-shares), to create Hilton Grand Vacations, and a large chunk of its physical hotel properties went to Park Hotels & Resorts. By doing this, they're able to generate most of its revenue from lucrative franchise fees and hospitality management contracts that provide it with a cut of its franchised and managed hotels' monthly revenue. Instead of investing in physical real estate, Hilton is able to recruit and train third party franchisees and approve their plans. Their very active and successful loyalty program has allowed them to slide into this position, as all they really have to do now is sit back and supervise. "Hilton's marketing blitz and loyalty program have generated strong customer demand, keeping occupancy levels consistently above 75% -- outperforming the overall hotel industry." Because of this, they're able to have tons of demand from third party developers and current/future franchisees adding more value to the company.

Some other things they've done to try and gain customers include opening up new, upscale restaurants for a more luxurious experience, and expanding into international markets and other areas they think have a good market share. They also continuously update technology and anything related with guest specific facilities. Being able to constantly upgrade and meet any current or future guests needs has helped Hilton maintain a competitive advantage in the hotel industry. Aside from their recent initiatives, they already have a ton of value as a company. One of the ways Hilton is able to add value to their company is through diversification. They're able to differentiate the service they give based on client recognition, position, status, achievement, etc. Basically, they can meet any needs for just about any type of client that could walk in. They're listed as a full-service brand, focused service brand, timeshare brand, and luxury hotel brand. By being able to meet any type of guest's needs, they have a competitive advantage and are able to add a ton of value to the company. Hilton has also gained a ton of value as a company

through professionalism and the overall structure of the firm. They have a well-equipped legal team, and took advantage of that in 2015 when Hilton and other major players in the industry took action against Airbnb. They also have a hierarchical structure in place to make sure all levels of the firm are up to par and meeting company standards.

Hilton's strategy in response to climate change is named "Travel with Purpose." The goal of this strategy is to "redefine and advance sustainable travel globally." Hilton's president and CEO Christopher J. Nassetta states that, "Now more than ever, it's our responsibility to preserve the destinations we call home and create truly inclusive growth in our communities." By using this strategy, Hilton is committed to sustainability and reducing their carbon footprint within the next 10 years. Hilton has implemented its own measurement and management platform, LightStay, that all of their 6,800+ hotels use to monitor their impact. Along with those efforts, Hilton's Global Foundation philanthropically invests in partnerships and programs to help the corporation along towards their ESG goals. When evaluating each of the environmental, social, and governance efforts, Hilton gives a detailed explanation on how they plan to reach their goals. When it comes to the environment, their goals are to reduce their carbon, water, and waste by at least half by the year 2030. Their two main motto's for their environmental efforts are "climate action" and "destination stewardship." For the social aspects, Hilton's goal meaningfully impacts their communities by providing jobs, including gender parity and ethnic diversity. They also plan to help out by providing disaster relief, provide economic opportunities, and promote responsible, inclusive conduct across all of their operations. The mottos of their social efforts are "human rights" and "diversity, equity, and inclusion." For governance, their mottos are "integrity" and "transparency." Hilton plans to emphasize public affairs, partnerships, and policies/reporting to help advance their Travel with Purpose goals. All of these efforts are

features of Hilton's corporate level strategy that create economic value, a value-adding strategy, to attract more customers, eventually boosting revenue and profits. The Travel with Purpose initiative also helped Hilton to be named the only global hotel brand named to the 100 Best Corporate Citizens of 2020 list.

Sources

<https://stories.hilton.com/travel-with-purpose/hilton-enhances-esg-targets-climate-action-social-impact>

<https://www.nerdwallet.com/article/travel/hilton-vs-marriott>

<https://esg.hilton.com/environment/>

<https://research-methodology.net/hilton-hotels-business-strategy-and-competitive-advantage/>

<https://www.mappingmegan.com/why-stay-at-hilton-hotels/>

<https://esg.hilton.com/environment/>

<https://www.statista.com/statistics/297761/revenue-of-hilton-worldwide-holdings-inc-by-business-segment/>

<https://esg.hilton.com/our-approach/#strategy>

<https://www.viglink.com/merchants/39464/hilton-worldwide-affiliate-program>.

[https://www.macrotrends.net/stocks/charts/HLT/hilton-worldwide-holdings/number-of-employee](https://www.macrotrends.net/stocks/charts/HLT/hilton-worldwide-holdings/number-of-employees)
[s.](#)

[https://www.fool.com/investing/2019/11/29/how-hiltons-growth-strategy-deliver-strong-results.a](https://www.fool.com/investing/2019/11/29/how-hiltons-growth-strategy-deliver-strong-results.aspx#:~:text=The%20core%20of%20Hilton%27s%20growth%20strategy%20has%20been,hotel%20properties%20went%20to%20Park%20Hotels%20%26%20Resorts)
[spx#:~:text=The%20core%20of%20Hilton%27s%20growth%20strategy%20has%20been,hotel](#)
[%20properties%20went%20to%20Park%20Hotels%20%26%20Resorts.](#)