



Business Adaptive Strategies in Crisis: The case of Hilton Hotels Worldwide

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Abstract

Title: Business Adaptive Strategies in Crisis: The case of Hilton Hotels Worldwide

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Keywords: strategy; hotel; business; industry; dynamic capabilities; resources; crisis; covid-19 pandemic; impact; growth.

The following thesis, presented in the form of a case study, highlights the company Hilton Hotels Worldwide inserted in the hospitality industry. Hilton is an American company and one of the oldest companies in its industry. In the case, it is explained how the company adapted the main strategies and consequently the business to the Covid-19 pandemic which gave rise to an economic crisis in the world. Additionally, it presents the main global impacts to the industry and to the business, leading to an immediate and rapid response to maintain one of the leading spots in the market.

During Covid-19 pandemic, the hospitality industry suffered many changes due to the government restrictions imposed during almost two years. The changes were completely unpredictable for the companies since it changed the measures from country to country. An urgent need to restructure was needed, so Hilton adapted the strategies to an ever-changing environment with the changes in demand and in consumer behavior.

Following the case, it is presented with some theoretical background concepts, as a pedagogical instrument, to better understand the case. Finally, the resolution notes show guidelines on how to apply the case in a management course for bachelor's or master's degree. The professor can use the proposed assignment questions and the author's analysis of the case as an additional support.

Resumo

Título: Estratégias Empresariais Adaptativas em Crise: O Caso de Hilton Hotels Worldwide

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Palavras-chave: estratégia; hotel; negócio; indústria; capacidades dinâmicas; recursos; crise; pandemia do covid-19; impacto; crescimento.

A seguinte tese, apresentada na forma de estudo de caso, centra-se na Hilton inserida na indústria hoteleira. A Hilton é uma companhia americana e uma das mais antigas na sua indústria. Neste estudo de caso é explicado como a companhia adaptou as suas principais estratégias e consequentemente o seu negócio à pandemia, que deu origem a uma crise económica no mundo. São apresentados os principais impactos a nível global na indústria e no negócio, que levaram a uma resposta imediata para manter o seu lugar como uma das companhias líderes do mercado.

Durante a pandemia, a indústria hoteleira sofreu várias mudanças resultantes das restrições impostas pelo governo durante quase 2 anos. As mudanças eram completamente imprevisíveis para as empresas, sendo que as medidas se alteravam de país para país. Era necessária uma urgente reestruturação da empresa, por isso a Hilton teve de adaptar as suas estratégias a este ambiente em constante mudança, com alterações ao nível da procura e do comportamento do consumidor.

Seguido do estudo de caso, são apresentados conceitos teóricos, como ferramenta pedagógica, para uma melhor compreensão do caso. Por último, na proposta de resolução são apresentadas notas de como aplicar o caso em cursos de gestão, em licenciaturas e mestrados. O professor poderá utilizar as questões propostas e também a análise do caso do autor como suporte adicional.

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List of Abbreviations

RevPAR – Revenue generated per available room whether or not occupied.

ADR – Average daily rate, that measures the average paid for rooms during a given time period

HH – Hilton Honors

EBITDA – Earnings before interest, taxes, depreciation, and amortization

IHG – InterContinental Hotels Group

ASU – Accounting Standard Updates issued by FABS

FABS – Financial Accounting Standards Board

RB – Reckitt Benckiser Group plc

ESG – Environmental, Social and Governance practices

SDG – Sustainable Development Goals

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A case study on Hilton Hotels Worldwide

Company Overview

The Hilton Worldwide is a multinational hospitality company that owns, manages, and franchises a large portfolio of hotels and resorts around the globe. Founded in 1919 by Conrad Hilton, an American hotelier and businessman, who started by purchasing a hotel in Texas with 40 rooms.

After a century, Hilton is one of the largest and fastest-growing hospitality companies with 18 brands and more than 6 478 properties worldwide, divided more or less like 715 managed hotels, 5 646 franchised hotels and the ownership segment with 61 hotels. Being located in more than 123 countries, until now they have welcomed more than 3 billion guests. Hilton is considered one of the most diverse hospitality companies in the world, due to being one of the largest and with a lot of properties geographically spread around the globe.

In 1987, Hilton created their loyalty program, the Hilton Honors program, reaching their first million in 1996. With this program, guests can have access to special benefits, accumulate points and airline miles when staying at one of the Hilton's hotels. Nowadays, it is one of the largest loyalty programs in the hotel industry, having more than 146 million members. In 2019, more than 60% of the number of guests that they had was filled by Hilton Honors members, showing the importance of their loyalty program into their business success.

The program allows the guest to have access to special rates including points and money and member discounts, flexible payments, access to contactless technology during their stay, and other exclusive benefits depending on their tier. In addition, with the hundred ways of earning points, guests can also use their membership with co-branded credit card companies, purchases on Amazon, exclusive rent a car discounts, and some other experiences with companies that are associated with Hilton.

With a total of four tiers, starting on Member, Silver, Gold and Diamond, each one with different access to benefits. Due to the fact that the program was created in the 80's and they wanted to value their Diamond members, in 2015 Hilton created a new status the Lifetime Diamond. In order to reach this status, members need to have 10 years of Diamond status, stayed for a total of 1 000 nights or accumulate two million base points since they join

the program. As the name mentioned, this status lasts forever, so as soon as the guest reaches the Lifetime Diamond tier, they will benefit from this membership level during their lifetime.

Hilton Worldwide has more than 430 thousand employees and over 40 languages spoken, being recognized as a company that gives positive experiences to their team members. One of their main focuses is to pass the Hilton's Values to each employee, Hospitality, Integrity, Leadership, Teamwork, Ownership and Now. It is around these values that they create a strong culture inside the company, investing as well in improving the spaces where team members work, giving travel benefits and discounts in all of their properties around the world, and personal and professional development. As a result of this, they were able to win the award of Best Big Companies to Work by Fortune, accumulating 57 awards and since 2019 until now they reached the top 3 best companies.

Before the pandemic, Hilton had one of their best years in terms of revenues, being 2019 considered the most dynamic year. They had one of their best results growing their income by 16.8%, reaching \$1.657 million of operating income and \$2.3 billion of adjusted EBITDA. It was one of the leading companies in its industry and had a growth of 0.8% of global RevPAR.

Hotel Industry

The Hotel Industry is a part of the hospitality industry mainly providing accommodation services to customers. The main classification used in the hotel industry is the stars, used globally to measure the quality of each hotel. The stars classification is really important, not only when a guest is searching for a hotel to make a reservation but also for the hotel that can have more reservations and charge higher taxes and room rates as they have a higher number of stars.

In 2019, the Hotel Industry experienced one of their best years in terms of results. This global industry reached a record of \$550 billion in room revenue, more than 2.5% than the previous year. Over time, the industry has seen a continuous revenue growth, which brought them awareness in the global economy creating attractiveness for new investors and value for the industry.

Global occupancy level reached the highest level in the last decades in 2019, becoming 5% higher than the last peak of the industry in 2007. These results were extremely

high due to the obstacles that appeared in 2019, like Brexit, the U.S. trade war with China, the currency fluctuations, as well as the slowdown in Chinese travel in the beginning of the pandemic. On another hand, world special events help to boost the performance of the regions, and for this reason, countries try to have these events in their territories so they can have a growth in their economy through tourism.

This industry, composed not only by chain hotels but also by independent hotels, is some of the world's largest employers, especially the global brands that are the largest employers in the industry. By working for this big hotel brands the employees are able to get several benefits that the hotel companies offer them bringing attractiveness to the industry, as like complimentary room nights or even special rates in all the hotels of the brand around the world, discounts in the outlets of the hotels where they stay, and the opportunity to grow their career by being transferred to another hotel inside the chain in any part of the world.

Hospitality industry is one of the fastest growing and most dynamic sectors worldwide, connecting people, communities, and cultures, and intertwining the fabric of daily life, be it business or leisure. The industry holds immense untapped potential, and with demand for travel accelerating, companies have an incredible opportunity to show the world what's next for hospitality.

Competition

There are several criteria to distinguish all the hotel companies in the market, that as we all know is a very competitive one, from hotels, resorts, motels, inns and other types of accommodation rental facilities. Therefore, the main criteria are based on attractiveness, location, level and quality of service, options of outlets inside the property, room rate charged, reputation of the brand, and many others that will define the number of stars that they have.

As mentioned, many companies are inside the hospitality market, however Hilton's principal competitors on a global scale are Accor, Hyatt, Marriott and IHG, all of them are branded and international hotels very well known in the tourism sector.

Accor is a French brand founded in 1967 with more than 40 brands, 5 300 hotels in 110 countries. It is mainly located in Europe being Europe's largest hotel company with over 700 000 hotel rooms. In 2019, they had an operating income of \$678 million and they were able to grow their RevPAR by 1.7%.

Hyatt was founded in 1954 and in the beginning their strategy was to be a brand of airport's hotels, for this reason during the first years they just opened hotels in the surroundings of the airports. By following this strategy they were able to grow in a way that they reached more than 1 100 properties in 69 countries of six continents. They had an operating income of \$766 million in 2019, decreasing by 0,4% compared to the previous year, and a growth of 10.6% in RevPAR.

Marriott after the acquisition of the Starwood Hotels & Resorts in 2018 became one of the strongest hotel companies in the world being the number one competitor of Hilton company. It is now a brand leader offering the biggest portfolio in the industry with 30 brands and more than 8 000 properties across 139 countries. Due to the adoption of ASU 2014-09, they had an impact in their revenues having an operating income of \$1 800 million and an annual RevPAR growth of around 3%.

IHG is the newest brand of these four big brands, created in 2003. However, they acquired some brands that have longer histories and that were on the market before. For this reason, they affirm being in hospitality for 200 years with a total of 6 061 hotels around the world and 17 brands. In 2019, their operating income in 2019 was \$630 million growing 8.2% from previous year with a contribution of 46% from their loyalty program. Moreover they were also able to grow their RevPAR by 5.7%.

Pre-Pandemic Business Overview and Strategies

Hilton Worldwide is a familiar brand of hotels for over a century with a fast growth, that continuously expand their profitability for their shareholders by focusing on hospitality. In 2019, they had a growth in the stock market of 1.74% in a way that it was visible to other investors how they were growing rapidly and delivering excellent results to their shareholders.

The main growth strategy that they used was shifting from a property management company and a vertically integrated hospitality to being focused only on hospitality. In 2019, the majority of their revenues was generated from the franchise fees and their hospitality management contracts.

In the same way, they do analysis of how well a hotel is operating in a determined region and if the hotel operations are doing well, they easily add a new property in that area.

As a result of this, their revenue grows as they add new properties to their portfolio or if the existing ones improve their revenues through an increase in room rates and/or in occupancy numbers.

Before the pandemic, Hilton had one of their best years keeping their occupancy levels consistently above 75%, generating a strong customer demand. The strong results and performance have attracted franchisees to open more hotels, which will be their way of growing because they are no longer investing in new properties, just collecting franchise and management fees after hotels opening. In 2019, the company had in pipeline over 2 530 hotel projects, which would increase 5% of their global room supply, developing significantly more than their large competitors, such as Marriott and IHG.

By focusing on getting more franchised properties, they were able to reach an operating profit margin of 16.08% in 2019. Additionally, they do not have a significant increase on their incremental costs with the new hotels coming, having just a direct benefit from the franchise revenue, which will actually increase profitability at the same time that will increase their growth. Hilton Worldwide with this new strategy just needed to continue with their brand awareness and keep the attractiveness of the travelers and hotel operators, so they could get more investors.



Figure 1 - Hilton's main results in 2019

Source: Hilton, Annual Report 2019

Another essential point is their strong strategy on advertising and marketing, through traditional and online marketing channels. In 2018, Hilton launched their first celebrity driven campaign "Expect Better, Expect Hilton" featuring Anna Kendrick, in TV commercials and social content. The main purpose of this campaign was to call the attention of travelers to stay at a traditional hotel instead of choosing other options, like for example Airbnb, and as well reinforce to book directly through Hilton website or app rather than through online travel websites. The outcome was an extraordinary increase of nearly 10% of the booking intent out of people who normally did not book directly with them. They were able to change the consumers' perception on how to take advantage of the best price and special perks when booking directly with them. In addition, an increase of 20% compared to the previous year in their Hilton Honors rewards program happened implying a growth to more than 94 million members.

Complementary to this strategy, Hilton launched right after the Hilton Price Match Guarantee, to encourage one more time customer to book directly on their website. If a customer finds a lower qualified price in a third-party website, they will match that price and on top of that they also give a 25% off for each room night that the customer finds a lower rate.

Over the years, Hilton built a plan with global Sustainable Development Goals (figure 2) that was launched in 2018 with the purpose of reducing their environmental footprint in half and doubling their social impact investment. Until 2030, they want to achieve sustainable travel by applying a positive environmental and social change across their operations, communities, and supply chain. These goals for 2030 include tangible targets across every market in which there are operations.



Figure 2 - Hilton Sustainable Development Goals for 2030.

Source: Hilton Foundation website

Impact of Covid-19 in the Business

There were a lot of industries that suffered consequences with the Covid-19, some of them received a positive impact and others had a very negative impact. Hospitality industry was one that experienced one of the worst impacts, having a lot of businesses that had losses for months (figure 3).

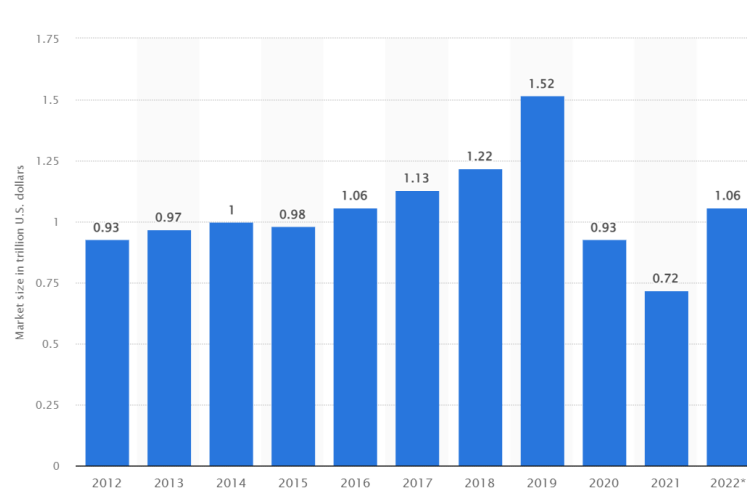


Figure 3 - Market size of the hotel and resort industry worldwide from 2012 to 2021, with a forecast for 2022

Source: Statistica 2022

In addition, these businesses have a particular problem that prevents them from having a catch-up effect in order to compensate for the losses. In the case of a hotel, if they do not

sell the room today, they cannot be sold twice for tomorrow and for this reason it is difficult to recover from a crisis like this one where there is no demand. Furthermore, with the pandemic measures, there was a need to change the rules of the business in terms of hygiene and social distancing.

Due to the Covid-19 pandemic, the world needed to create an immediate response to control the spreading of the virus that implicated an overnight shut down of the world's economy. Some of the strategies used by the governments included community lockdowns, social distancing, stay-at-home orders, travel and mobility restrictions. The majority of the countries around the globe have imposed travel bans by closing partially or completely their borders and this significantly affected the hospitality businesses. The decrease in the demand, and consequently the decline in hotel occupancies (figure 4) and revenues, resulted in temporary closure of some hospitality businesses.

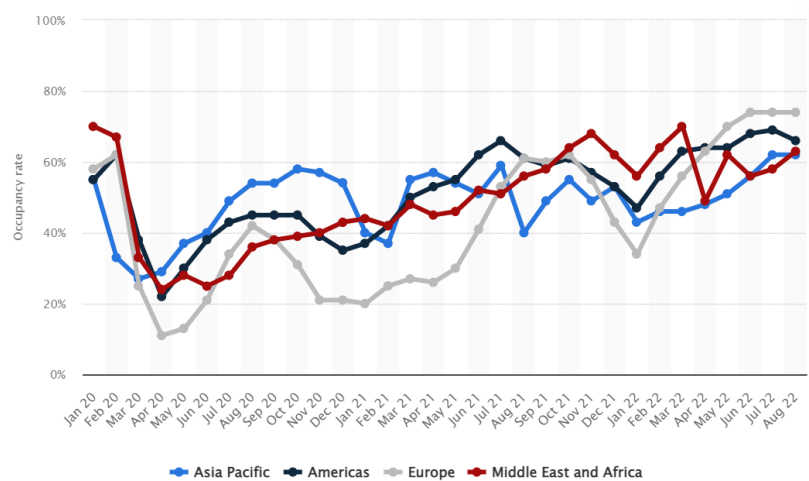


Figure 4 - Monthly hotel occupancy rates worldwide from 2020 to 2022, by region

Source: Statista 2022

The fixed costs of running a hotel includes the personnel costs, rent, property taxes, insurance, and utilities. As a result of the negative economic environment, the fixed costs can affect the rate of decline in earnings and consequently the decline in revenues. It is really difficult to reduce fixed costs and because of that this became the main obstacle for hotel companies in general. There was an urgent need to rapidly respond to the decrease in demand, and since they were unable to reduce their fixed costs significantly, a negative effect on the cash flows, margins and profits started to begin. This type of effect is normally seen when there is a slow economic growth or a period of economic contraction which is the result of the impact of the Covid-19 pandemic.

With all the restrictions that were imposed, Hilton started having cancellations and consequently complete or partial suspension of hotel operations in some of their properties for an indeterminate period of time. This leads to the results that they had in 2020 that were impacted by the pandemic, and it will continue to impact the future of the company, because as mentioned before it is really difficult for a hotel to recuperate a room that was not sold, maintaining the fixed costs, and not knowing for how long it will be. So the current and future impacts of the pandemic were expected to negatively affect not just in that moment but also lead to a weaker financial situation, that will consequently affect their future plans and growth as well that they had before this crisis.

At this point, they had difficulties in predicting whether a hotel that was temporarily closed could open or even if the opposite would happen, a hotel that was fully operational needed to suspend its operations completely or partially in the future. Additionally, even though some of the travel restrictions started to be lifted, the travel demand was not equal to the one that they had pre-pandemic, it remained very weak for a long time since people were afraid of travel. For this reason, they were not able to practice the pre-pandemic prices and have the hotels fully operational even though there were no mandatory lockdown or closed borders.

At the end of 2020 and beginning of 2021, there were some travel restrictions that were re-imposed in some countries. As result of this, some operations were temporarily suspended and in some cases were re-suspended since it was the second time that they needed to apply this strategy. In 2021, Hilton was able to get 97% of their properties fully open, having approximately 220 hotels still closed. Subsequently, the hotels that had suspended their operations after reopened they experienced difficulties with their low occupancy compared with periods before the onset of Covid-19.

During the first year of the pandemic, the biggest impacts were reflected in the decline of RevPAR, resulting in the decrease of the occupancy and the ADR. Consequently, these lead to a decrease in franchise fees and management fees for their managed and franchised properties. In 2020, there was 53.5% of decrease in RevPAR in the franchised properties and 64.4% decrease in the managed properties, as a result of a decline of ADR of 18.1% and 21.4%, respectively and from the reduced occupancy of 32,1 ppt and 40,7 ppt, respectively.

All of these effects started in the Asia Pacific region in the beginning of 2020, being just felt in America and EMEA regions in mid-March, with negative results and hotel

suspensions. From all the Hilton portfolio, until the end of 2020, there were approximately 1 280 hotel properties that had suspended their operations at some point, 44% of them were located in the U.S., 25% in Europe, 16% in Asia, 10% in America (excluding the U.S.) and 5% in EMEA. In 2021, the 220 hotel properties that needed to be temporarily suspended were primarily located in the U.S. and in Europe.

On a global level, the Covid-19 pandemic appeared in the beginning of March, and for this reason the negative impact of it on occupancy, ADR and RevPAR was just significant in April. Then from April to October, there was an improvement month after month and in the fourth quarter in some regions they were able to see the growth in occupancy, ADR and RevPAR. In comparison, in the end of 2020 as mentioned, in Europe and in the U.S., there were some temporary suspensions and re-suspensions, which led to declines on these metrics in the fourth quarter for these regions.

Adapting Strategies to Covid-19

After facing one of the biggest crises in its history for the hospitality industry, the Hilton Worldwide needed to get a quick perspective of Covid-19's impact to have a fast response in their business. There was an urgent need of acting quickly, in order to ensure that they will surpass this crisis. For this reason, they worked on a resilient business model, balance sheet, development pipeline and found valuable partners in favor of the recovery of their position with 96% of their hotels open.

The most valuable resource in their strategy was Hilton's team members as they were in the front line of the Covid-19 pandemic. During this moment it was needed more than ever the strong hospitality spirit to be transmitted to other workers and specially to their guests around the world. Given the importance of this resource, they started this challenging pandemic year with training their employees with safety protocols, reinforcing their commitment to inclusion, diversity, and equity.

Another essential point mentioned before was the urgent need of reducing the fixed costs in order to make a rapid response to this crisis. One of the steps that Hilton decided to take to reduce these operational costs was reducing workforce, reducing compensation and dismissing a substantial number of employees. They were aware that this strategy could have in the future a negative impact for them due to their brand reputation and their ability to retain

and attract employees. At this moment Hilton is facing some operational challenges after this measure to find employees now that the Covid-19 pandemic has less impact and the tourism is getting back to normal as it was in 2019. As a result, they are feeling a negative effect in their hotel results, guest experience and as well in employees' motivation. In addition, a part of the remaining employees has administrative jobs that require the implementation of the work from home, subsequently some changes have been done in their business environment to respond to this requirement, such as new procedures, processes, and controls.

Hilton Worldwide made clear what was the main action that they wanted to prioritize in response to the pandemic, the security and safety, not just for their guests but also for their employees and owners. Additionally, Hilton focused on two points from consumer research where it was mentioned that 3 of the top 4 actions that a hotel should take to make guests feel safe are about additional cleaning and 64% of the guests want better safety and cleanliness standards from hotel brands. For this reason, during the summer, Hilton introduced the two big main strategies: the Hilton CleanStay and the Hilton EventReady. Both of these strategies were developed quickly and launched during the summer to deliver an outstanding level of cleanliness and customer service in their properties around the world.

Starting in May of 2020, Hilton CleanStay started as the first holistic cleanliness and disinfection program. This global program elevates the level of hotel cleanliness and disinfection making a partnership with RB, the owner of Lysol and Dettol. The consumer expectations on behalf of hygiene during travels were really high, and in order for this program to work there was the need of an intensive training of their employees specially the housekeeping department of each hotel. The goal was to add to the existing standards an upgrade of the protocols and the cleaning products in order to ensure a safer stay to their guests from check-in to check-out in all public areas and guest rooms. They started by adding disinfecting stations with wipes and electrostatic sprayers with sanitize disinfectant in some of the main public areas and additionally they had a cleaning checklist to maintain with scheduled intervals, including special attention to areas like elevators and bathrooms not only in public areas but also in team member ones.

In the guest rooms, a full deep cleaning is done also with a checklist removing all the used items from the room. All the paper amenities were reduced in the rooms to avoid contact from guest to guest, and the room service and all the hotel's information was replaced by QR codes so all the guests can have access through their phones. Additionally, one of the most innovative things was the creation of the room seal to give a security to the guests that their

room has been cleaned with all the CleanStay standards and has not been accessed by anyone after that. Housekeeping service passed from being a daily service to be just upon request, so the guests need to inform when or if they do need cleaning service during their stay.

The program EventReady is an extension of the Hilton CleanStay to global meetings and events, creating the experience more clean, safe, flexible, and socially responsible. In partnership as well with RB, they were able to provide the most service focus and safety meetings and events. The program was designed to provide simple and rapid solutions to each step of the event planning process by redesigning the spaces, innovating their technological resources, offering different food and beverage options, and offering event planning resources. They addressed some important health concerns, including physical distance, sanitizing stations and also the room seal as the same in the CleanStay with the guest rooms.

Moreover, the Digital Key, together with the express check-in and check-out, implemented before Covid-19 pandemic was extended to more than 4 700 properties around the globe, to ensure a contactless check-in and check-out, reducing the contact between guests and team members. An awareness of the local guidelines and laws was also sent, in some properties, to the guests prior to their arrival, so they could be prepared and informed of regional health policies. This document needed to be updated sometimes almost weekly due to the unpredictable changes of the government authorities' policies. Following this thought, they also applied some flexibility to hotel reservations, giving their guests the possibility to adjust or to cancel most reservations up to 24 hours prior to arrival.

Additionally, Hilton Worldwide used some of their properties in partnership with American Express to offer one million hotel room nights to medical professionals, through the Hilton Effect Foundation. In addition and together with their Travel with Purpose program, Hilton is continuing to follow responsible travel and tourism. For this reason, they kept their ESG practices (Environmental, Social and Governance) in a way of creating a long-term value to the business and to their shareholders, and to protect the communities and the planet for future generations.

One of the most valuable things for Hilton Worldwide is their Hilton Honors members, their loyalty program with more than 146 million members. In normal circumstances, if these loyal guests do not reach a certain number of points, room nights or stays per year, their status tier will go down one level and if the opposite happens it will go up one tier. Due to the travel restrictions that started in 2020, Hilton adapted this marketing

strategy of their loyalty program in immediate response to the world tourism changes. For this reason, they implemented immediately several enhancements, that included extended points expiration dates and status tier until 2023, rolled over all the nights earned during 2020 to count in 2023 and lowered the 2021 targets to each status tier being easier to reach the next level. In 2021, they added some more benefits as well, implementing the share of digital key so that more than one guest could have access to the room key reducing the human contact and the share of physical keys, and the benefited their gold and Diamond members with a notification prior to arrival of their room upgrade, so that members can now choose their room upgrade directly through the Hilton Honors app. To sum up, not only they adapted their existing marketing strategies already implemented before covid, but also added new ones that inactivated people to join and/or to reach the higher tiers of their loyalty programs.

Finally, because of how the world radically shifted with the Covid-19 pandemic, Hilton Worldwide decided to introduce the WorkSpaces by Hilton. Given the drop that they had in leisure and in business travelers, they created this idea in order to fill the rooms that were empty with the purpose of them being used as offices. Since the circumstances of working from home are not always the best ones with all the family environment and distractions at home, the WorkSpaces by Hilton offer a productive distraction-free environment, flexible and clean so people can work outside of their home. In brief, customers have a private room to use during the day with a day-use room rate, that will include the access to a room normally from 9 am to 5 pm depending on the property chosen with a desk, an ergonomic chair, high speed wi-fi and some extra amenities that vary with the hotel.

To get a higher impact and attract more customers to this new program, they decided to launch a marketing campaign to their Hilton Honors where they would get 10 000 bonus points after their first stay with the WorkSpaces by Hilton. Taking into reference that the value of a Hilton Honors point is around \$0.5 each, and customer can redeem 10 000 points for a value of \$50. Additionally, members earn Hilton Honors points and stay credits in the same way that they would get with an overnight stay, and also take advantage of the benefits, like for example executive lounge access. The prices of this daytime use of a room and the extra amenities that they get vary depending on the property that the guest chooses, for example in Conrad New York Downtown the rates start at \$300 per day but in the Hilton Boston Back Bay the offer starts at \$99. In 2020, the launch of this new service strategy was initially launched in the U.S., Canada, and U.K., and with regards to its success in the following years was expanded to other regions.

Literature Review

During this chapter, it will be presented some theoretical background concepts with the purpose of helping make connections and predictions with the case study presented before. This was the theoretical content chosen in order to complement the Hilton case study for a better interpretation of it, however some other concepts can be relevant as well.

Resource-Based View

The resource-based view is a strategic management application that has the main focus on the internal organization of the firm, in a way that firms should explore their internal resources to gain a competitive advantage. Resources and capabilities should be the primary source of a firm profitability when the external environment is rapidly changing.

Resources and capabilities may be heterogeneously distributed across firms and the assumption that these differences may be long lasting (Barney, 1991). The resource-based view acknowledges that many factors of production may, in fact, be elastic in supply. However, this view also argues that because some resources and capabilities can only be developed over long periods of time, it may not always be clear how to develop these capabilities in the short to medium term. Since some resources and capabilities cannot be bought and sold, at least some factors of production may be inelastic in supply (Dierickx& Cool, 1989; Barney, 1991).

Inside the strategy of a firm, resources are always very important, but, on their own, they do not deliver an exceptional performance. Organizational capabilities need to be developed over a significant period of time in order to reach that performance goal. For this reason, companies may mesh their resources into capabilities that are the basis for reaching a competitive advantage. Resources and capabilities are likely to confer a sustainable competitive advantage to firms when they have the following features: durability, replicability, transferability, and transparency (Grant, 1991).

The unique set of resources combined with the firm's capabilities, put the firm in a position where competitors cannot imitate them, leading to superior profits through differentiation of their products and services. Additionally, these resources and capabilities also help the business expand opportunities and improve their performance. The classification

of these resources can be distributed into physical resources, human resources, and organizational resources.

According to Barney (1991), the competitive advantage of a firm can be created by implementing a value creating strategy where the current and potential competitors cannot replicate the same strategy. In addition, a firm's resources must have four attributes, in order to raise the firm's competitive advantage: value, rarity, imitability and organization (VRIO).

The value refers to the firm to exploit an opportunity or neutralize a threat with the resource, in order to improve the firm's efficiency and effectiveness. As a second attribute, rarity refers to how many other firms have an equivalent resource, so that firms' performance advantage will depend on the difficulty of imitating the resource and on the capabilities of the competing firms. As a third requirement, imitability refers to the temporary competitive advantage by having a resource difficult or costly to imitate. The last attribute is the organization that refers to the firm's ability to exploit the resource, in order to implement the same strategy that generates a competitive advantage.

Dynamic Capabilities

The dynamic capabilities are a way of complimenting the resource-based view strategy, being the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments (Teece et al., 1997). The concept of dynamic capabilities has two main streams of logical development. The first relates to the "dynamism" or change in the ability of the competences, that provide the firm with systematic ways of converting inputs into uniquely valuable outputs. The second stream of dynamic capabilities models addresses "overt learning" (Winter, 2000) or intended organizational efforts to change how things are done, what its routines, capabilities, and competences are and how they work.

The interpretation of dynamic capabilities will vary in terms of nature, specific role, relevant context, creation, heterogeneity, outcomes, and purposes (Barreto, 2010). The firmness of dynamic capabilities will be determined by the speed and the degree of adaptation that a firm will have facing the changes to the external environment (D. Teece 2018).

According to Barreto (2010), a dynamic capability is the firm's potential to solve problems, by considering four multidimensional propensities: their ability to sense

opportunities and threats, to make timely decisions, to respond to market situations, and to change their resource base in the company.

Additionally, when a company is making their resource reconfiguration, it should take into consideration other capabilities as to sense and seize opportunities and threats (Teece, 2007; Eisenhardt and Martin, 2000).

SWOT Analysis

The SWOT analysis is an important tool for the companies to analyze their strengths, weaknesses, opportunities, and threats. The main goal is to evaluate the company's competitive position and to help develop a strategic plan. In addition, the analysis is designed to facilitate a realistic data-driven look at strengths and weaknesses of a company within the industry that it is inserted in.

This management tool pulls information from internal sources of the company, like strengths and weaknesses, as well as external sources, like opportunities and threats, coming from competitors and/or customers. The SWOT analysis begins by focusing on each of these topics to identify and analyze all ideas related to it. This technique assesses the performance, competition, risk, and potential of a business in a company.

Additionally, it helps the companies to understand which resources and capabilities are sources of competitive advantage, and which ones are not an advantage for the company (Gurel & Tat, 2017). Although, some authors defend that the SWOT analysis is insufficient in order to get an adequate strategy optimization, due to the limitations that it has and for being oversimplified (Helms & Nixon, 2010), there is a need to use more tools to enhance this analysis.

Porter's 5 Forces

Porter explored how the company's strategy can be influenced by different factors and how the competition in an industry is reliant on those factors. Industry rivals goes beyond the competition for profits and include four competitive forces: potential entrants, suppliers, customers, and substitute products and services. The industry's structure and the nature of competition interaction in an industry can be defined by the extended rivalry that results from

all five forces. All these forces define the profitability of an industry and become the major strategies (Porter, 1979).



Figure 5 - The Five Forces That Shape Industry Competition

Source: Michael E. Porter

The potential of new entrants into the market affects the industry's attractiveness. When new entrants come to an industry, a new capacity and desire to gain market share consequently comes with a pressure into prices, costs, and investment necessary to compete. When the threat is high, there is a need to keep the prices down or increase the investment to deter new competitors. If the entry barriers in an industry are low, the newcomers will expect a smaller retaliation from the competitors, the threat of new entrants will be high, and the profitability will be moderate. The profitability holds down not when the entry occurs but depending on the threat of entry. The entrant of newcomers can also be influenced by the reaction of the incumbents and can make them stray out of an industry. For this reason, it is crucial and necessary an analysis of the entry barriers and the expected retaliation.

The bargaining power of suppliers addresses how suppliers can increase their cost of inputs. The power of suppliers is defined by the value for charging higher prices, limiting quality and services, or shifting costs in the industry. A supplier group is powerful if there is a higher concentration when compared to the industry it sells to; they do not depend on the industry for their revenues by serving many industries and extracting the maximum profit from each one; when switching costs are high and the industry face these costs when

changing suppliers; and when there is no substitute for what the supplier provides to the industry.

The bargaining power of customers is affected by the number of buyers or customers that an industry has, how significant each customer is, and how difficult it will be for an industry to find new customers for them. Powerful customers can force down prices, demand better service and quality, and can make the industry participants compete for the industry profitability when negotiating leverage especially if they are price sensitive and under pressure with price reductions. Customers tend to be price sensitive when they are buying products or services that are undifferentiated, and expensive when compared to their income.

The threat of substitutes is reflected by the ability of a substitute to produce goods and services that are similar to the industry's product by a different means. There is always a presence of substitutes, however it is easy to leave them out when they appear to be very different from the product of the industry. The industry's profitability can be limited by the substitutes when the selling price is attractive to the customer. For this reason it is important that the industry tries to distance itself from the substitutes with a better product performance, marketing strategies or other resources, to grow potential profitability.

The competitive rivalry can be seen as "price discounting, new product introductions, advertising campaigns, and service improvements" (Porters, 1979). Intense rivalry is related to several factors like the numerous competitors in terms of size and power, the slow industry growth, lack of differentiation in products/services, high fixed costs, and high exit barriers. High rivalry limits the profitability of an industry, depending, first on the intensity with which companies compete and, second on the basis on which they compete.

The five forces focus on the external elements on the environment rather than internal characteristics, when influencing the industry attractiveness. The main purpose of this analysis is not only to identify threats to their profitability but also to maximize the performance by showing opportunities that will position them ahead of the competition.

Moreover, the observation of basic features of the industry's structure at present helps making predictions about changes to the structure. It is important to repeat the analysis of the five forces every so often to keep track of changes in the factors and evolution of determinants. Once a company knows which structural features of the industry support profitability and which depress profitability, they can choose a favorable strategic positioning

within the industry (Porter, 1979). In conclusion, Porter defends that these forces shape the company environment, position, and impact in the industry.

Ansoff Matrix

The Ansoff Matrix by H. Igor Ansoff was published in the Harvard Business Review (1957). It is sometimes referred to as the product market expansion grid, being a two-by-two framework that helps stakeholders visualize the relative attractiveness and risk between growth strategies that are commonly employed by management teams of product-based businesses. The matrix plots products on the x-axis and markets on the y it asserts that a business can either use existing or new products and deploy them into existing or new markets. These are in essence the only levers a management team can pull to achieve growth.

For context markets could mean a physical geography like the eurozone but it could also mean a target market, like for example a demographic – men aged 25 to 35. The strategies are market penetration, market development, product development, and diversification.

Market penetration is increasing sales of existing products into existing markets. It is the least risky and the typical execution strategies normally include increasing marketing efforts, decreasing prices in order to attract new customers and acquiring a competitor in the same market.

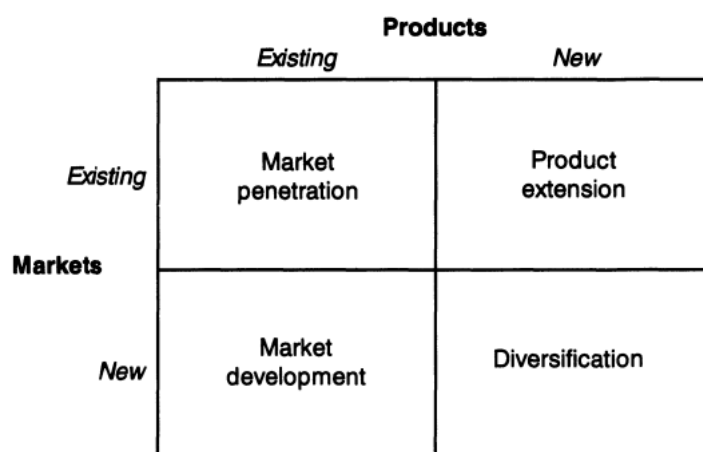


Figure 6 - Diagram showing the Ansoff matrix

Source: M Meldrum and M McDonald

Market development is when management teams seek to sell existing products into new markets. In this strategy it does not require a significant investment in product development, and for this reason is the next least risky. On another hand, it allows the company to take advantage of existing products and take them to different markets by reaching a different customer segment or target demographic, and by doing a regional or international expansion in terms of market.

The product development growth strategy is when management teams look to create new products, then sell them into existing markets. Normally it is used when a company already has a strong customer base and tries to expand its share wallet by investing in research and development, and by acquiring the rights to produce and sell a new product or by creating a product that will be produced by a third party.

Diversification on the other hand is when a firm looks to create an altogether new product for an altogether new market. This is the riskiest of the four strategies since successful execution requires both product and market development. However this can help achieve new revenue opportunities by two types of diversification strategies: related diversification, where the company tries to expand inside their own industry, or unrelated diversification, where the expansion of the company is to another industry.

Teaching Notes

In the following chapter, the main objective is to show how to apply this business case in a context of a class using the strategic management skills given in a real company situation. In this case, analyze how Hilton Hotels Worldwide reacted to the pandemic crisis and how they adapted their strategic plan in order to overcome the economic impact.

In brief, it will be given all the materials necessary for the analyzes of the case, including examples of assignment questions and solutions for them as well. In addition, it is very important to have in mind that the solutions are representative since there should be more than one interpretation due to different perspectives and different timelines.

Furthermore, as this case was written from September until December 2022, there might be several developments about the company and their strategies after writing this paper, which must be considered when analyzing it.

Synopsis

Hilton Hotels Worldwide is one of the biggest hotel companies in the hospitality industry around the globe. Being present worldwide in more than 123 countries, they were able to create a strong awareness of all their 18 brands, being one of the most well-known companies in this industry. In addition, they created over the years a massive loyalty program where they focus their main strategy, giving the most personalized service and importance to their Hilton Honors members.

However, with the appearance of the Covid-19 pandemic everything changed and the tourism business, which was one of the strongest in the world economy, almost stopped affecting all the hospitality industry. The majority of the governments closed their country borders, and consequently the demand in the sector had drastically fallen as a result of both restrictions and the pandemic itself, among other factors. This impact was felt for 2 years, with some months better than others, which meant temporarily closing of hotels for several months.

The written case shows the Hilton response to the consequences of the pandemic, describing their pre-pandemic situation, the negative effects that they suffered and the

reinforced strategy that they implemented in order to surpass the losses that they had during this period of time.

Teaching Objectives

The main objective of this case is to allow students to better understand how companies adapted themselves to new markets and the changes in operational conditions during the severe economic and social crisis like Covid-19 pandemic.

In this particular case, students will be able to have access to a real company situation, the Hilton Hotels Worldwide, exploring how the company managed and faced this uncertain crisis and which strategic decisions they applied. Several theoretical backgrounds were given before so that it can help the students to explore the case, however they can go beyond that literature and use other concepts in their perspective, not being restricted to it.

The target audience is students pursuing either bachelor's or master's degree in Business, Management or Economics, being more relevant in a strategic management and operations management course. There is not required any previous work experience, but it is recommended in order to have a better perspective of the company strategies. In addition, it is necessary to have a deep knowledge of the strategic concepts. For this reason in class, the professor may give the underlying theoretical concepts to everyone in class beforehand, and then present the case and the questions that should be discussed either in class, in a group work or even in an individual assignment.

Assignment Questions

1. Analyze the attractiveness of the hotel industry and external factors impacting Hilton Hotels Worldwide.
2. Analyze internal strengths and weaknesses of the company and extract potential external threats and opportunities before and after Covid-19 pandemic.

3. Briefly summarize the main impact of Covid-19 pandemic on the business. How did Hilton embrace the dynamic capabilities of the company to react rapidly to the impact of Covid-19 pandemic?
4. What other strategic steps do you suggest that should be considered by Hilton? Comment on the future of the industry and give recommendations to Hilton for further strategic alignment.

Analysis of the Case

In this section, it will be presented representative solutions and answers for the assignment questions related to the case study that the professor should follow and have in consideration. However, other perspectives and approaches can be accepted especially in the open-ended question.

Analyze the attractiveness of the hotel industry and external factors impacting Hilton Hotels Worldwide.

The main goal of this question is to analyze the industry environment where Hilton is inserted having an external perspective. In order to answer this question, first of all it is necessary that the students analyze the five forces by Porter for external factors that impact the industry. The students should mention the key aspects of the case and add further arguments that they think will be relevant to complete the answer.

With the tourism growth, the hospitality industry consequently has been increasing really quick. When it comes to hotel brands, the market is highly fragmented into several brands, however there are two brands that we can see almost in every country, being the main competitor of each other.

However with the Covid-19 pandemic, this industry suffered a huge negative impact, forcing a review in their strategic plan to adapt to an ever-changing environment. As an example of this impact, in figure 3, it is visible how the hotel and resort industry's market size has decreased in 2020 and in 2021. It is expected to recover in 2022 as the forecast shows, however it is not yet on the level that was before the pandemic.

Analysis of the Five Forces of Porter

Threat of New Entrants: Moderate

This force depends on the ability of new businesses to enter this industry. From one side, the initial investments are really high, however from another side the creation of the franchise and managed hotels facilitated the entrance in the industry and the opening of new hotels. Additionally, the world of the internet reduced some investment costs as well from marketing to advertising costs. The biggest threat when new businesses enter in the industry is when they are able to have an edge at differentiating themselves from the companies already on the market.

Bargaining Power of Suppliers: Low

Regarding the suppliers in the hospitality industry, it is known that there are several ones, from food suppliers to laundry companies, stationery suppliers, and others. In this industry, companies work a lot with outsourcing companies instead of having their own products. For this reason, the power of suppliers in this industry is low given the fact that there are so many hotel suppliers around the world, and it is very easy to change from one supplier to another. As a result, hotel companies should find a way to cooperate with all the suppliers that will give them a significant cost advantage, always with the good quality. Being the supplier power low, this industry becomes more attractive for suppliers and consequently implicates an increase in profit potential for the companies.

Bargaining Power of customers: Moderate

With the growth of the internet came the increase of the bargaining power of customers. Nowadays, it has become easy for guests to explore all the hotel options and find the most suitable one for the price that they are willing to pay. These online booking websites allow the customer to compare room nights on several websites. The bargaining power of customers derives from their capacity to request hotels to match lower prices being shown on other websites, otherwise they will need to pay agency fees to the third parties' agencies. A way to fight this trend was the creation of loyalty programs, making customers book directly on the hotel's website. However, there are a lot of loyalty programs nowadays and it is usually for the customer to be a member of several hotel chains' programs and compare them,

again having the more power nowadays. Lastly, customers know that hotels want to maximize their occupancy rates and financial returns. Therefore, they know that, on last minute reservations specially on the same day, hotels may be able to reduce prices having a small margin of negotiation, since a room not being sold today cannot be sold twice tomorrow.

Threat of Substitutes: Moderate

Back in the day, substitute threats to the hotel industry were low but with the development of technology, innovative disruptions have proved to be quite a challenge for hoteliers. With the rise of technology, substitutes started to appear like Airbnb, which was launched in 2008, transient lodging/housing, homestays, couch surfing, and many others that now impact the demand for hotel rooms. Additionally, with the Covid-19 pandemic appeared as well one of the biggest substitutes in the past 2 years: the video conferencing. Hotels normally have a big part of their revenue coming from conferences and events, many businesses have shifted to meeting at a virtual space, eliminating the need for travel, and booking rooms, which put a huge strain on many hotels all across the world. Just in 2022, they started to increase the number of conferences and events, however it cannot be compared yet with what they had pre-pandemic. For all these reasons, hotels were forced to reduce their room prices and meeting room prices in order to increase their business. In the hotel industry, the main point of differentiation, faces the substitutes in the market, is the service provided and this is what still gives them some power when facing their substitutes.

Competitive Rivalry: High

The competition is determined to be very intense in the hotel industry, characterized by a large number of competitors, which does not have a clear market leader. As a result of the high fixed costs, it is very important to maximize their occupancy rates in order to cover these costs, which causes high competitiveness levels in the industry. For this reason, the main points of differentiation are through pricing strategies and aggressive targeting when competing for customers. This usage of dynamic price strategies is important when trying to reach the full capacity of the hotel each night, since they will not be able to sell it tomorrow, and consequently this will increase competitiveness. The main goal of the company should always be to increase attractiveness and awareness to customers, increasing its customers wallet and consequently its loyalty program. Additionally, with the covid-19 crisis, there were

a lot of hotel companies that closed their businesses completely and for this reason there was a decrease in the companies in the industry.

To review, the hospitality industry can be considered an attractive industry with a lot of investors wanting to enter it offering the potential profitability. However, it is very important to try to differentiate from the companies already in the market in order to reduce the customers power and the threat of substitutes. During the covid-19, the attractiveness of this industry reduced, and nowadays there is still some hesitation when entering the market. On the other hand, the recovery of the industry in 2022 has been remarkable, increasing the profitability and attractiveness of the industry on a level close to the pre-pandemic one.

In a way to control this industry, it is really important for Hilton to try to reduce the bargaining power of customers with the implementation of strategies like the ones mentioned in the case. Through their loyalty program, it will be easier to eliminate the third parties' agencies comparison between hotels, since customers will gain an advantage when booking directly with Hilton and with their price match policy Hilton eliminates the chance of any online website having a better room price for their properties. Additionally, this loyalty program combined with the safety and personal service are important strategic instruments also to reduce the threat of substitutes in the market.

However, since in this industry it is really easy to replicate the strategies, it will cause a higher competitive rivalry with the dynamic price strategies. A good way of combating this rivalry is to do what Marriott did with the purchasing of the Starwood Hotels & Resorts, eliminating like these existing competitors by consolidating strong brands in the industry. Using this kind of strategy will create higher entry barriers due to the fact of the market being less fragmented and as well economies of scale.

Analyze internal strengths and weaknesses of the company and extract potential external threats and opportunities before and after Covid-19 pandemic.

In this question, students should analyze the main factors that influence Hilton Hotels Worldwide's business before and after the Covid-19 crisis, internally and externally, that will help them in a better planning of a strategy to face the pandemic crisis. In this case, they may find insights of the core business and the industry where Hilton is inserted. Additionally,

students should identify the major strengths, weaknesses, threats, and opportunities, mentioning the characteristics in the case and some additional information that they find relevant to enrich the analysis.

During the 103 years of the company, Hilton acquired strong and valuable strengths that help them in reaching the position that they have now in the hospitality industry. With this vast experience, Hilton was able to increase their intangible assets like the brand value, gaining a strong recognition and reputation in the market. By offering one of the best loyalty programs in the industry, with a wide range of benefits and discounted prices, they were able to create a customer retention with more than 146 million members. One of their major strengths is the extensive property ownership, especially with the franchisee and managed hotels that they have, which make them have a big presence in almost every tourism destination. Despite the pandemic, Hilton continued their market development investing in new development projects specially through Asia-Pacific, by trying to enter new markets with their existing products. With the pandemic crisis, the CleanStay and EventReady programs enriched the cleaning and safety processes of their hotels, promoting travel with extra protection and creating a better environment.

However, Hilton possesses some weaknesses that need special attention in order to try to reduce them. As it is known, Hilton is an American brand with a strong presence in the U.S. market, having around 80% of Hilton's revenues generated only by the U.S. market. As a result, they are overdependent and highly vulnerable to the market slowdowns and to the competition in the U.S. Globalization is one of their biggest weaknesses due to the different cultures and government policies that can affect the operations in each property, making it harder to have a consistent global business. This weakness also got even more visible with the covid-19 pandemic, since the restrictions imposed by the governments were not the same all over the world making it, for example, mandatory to use masks in one hotel in Portugal and not mandatory in New York in the same moment of time. During covid-19, some services were cut as daily housekeeping service, restaurants, bars and sometimes even room service. Some properties made these actions permanent which can decrease the level of service offered by Hilton hotels.

From the external perspective, in order to improve the company's performance and increase their business, Hilton may analyze and even follow some opportunities in the market. Picking one of Hilton's biggest strengths is their loyalty program, they can find an opportunity to increase even more by developing this program and expanding the benefits of

the customers. As mentioned in the five forces analysis, Hilton has an independence from suppliers that can be an advantage in order to reduce their costs, gaining a cost advantage and increasing their profit. The major opportunities lay in the penetration of new markets, like continuing their expansion in new and trendy tourism destinations; making strategic alliances with companies (like the one that they have with American Express or even with other hospitality companies) in order to get more awareness and power in the market; and try to reach the mid to low-level budget by promoting brands like the Hampton and Garden Inn for these particular targets outside of the U.S. After covid-19, and due to lockdown, the digital marketing increased exponentially, being social media like Instagram and TikTok critical in branding through videos and photos. An Instagram post can go viral, which is an opportunity for a marketing campaign that can record business for a hotel, and it can even be done by guests or by professional influencers.

On another hand, there are some external factors that create a threat to Hilton's business, being an economic crisis one of the biggest threats as it was possible to see during the last years. Innovation has been a must nowadays, and substitutes to hotels appear with a lot of frequency being a threat to the company business, especially when these substitutes become a trend, like Airbnb turned a few years ago. Giving the exponential growth of Hilton, followed by a growth of the business, puts the company in the position that a stagnated growth can be seen as a threat since it can consequently decrease their business. On top of that, Covid-19 brought further threats to Hilton, like the decrease of business travelers that were a significant source of revenue. Business travel has already recovered a small portion, however a complete rebound is necessary for long-term profitability and growth of the business. Secondly, as a result of the human resources restructuring, they lost a big part of their trained staff which now can be difficult to recover and to train them with their values. Finally, the change in consumer behavior is one of the biggest threats, since it is sometimes unpredictable and can change together with a pandemic crisis, as it happens during the last years, since there are people now afraid of traveling.

Below, the image that represents the SWOT analysis of Hilton.

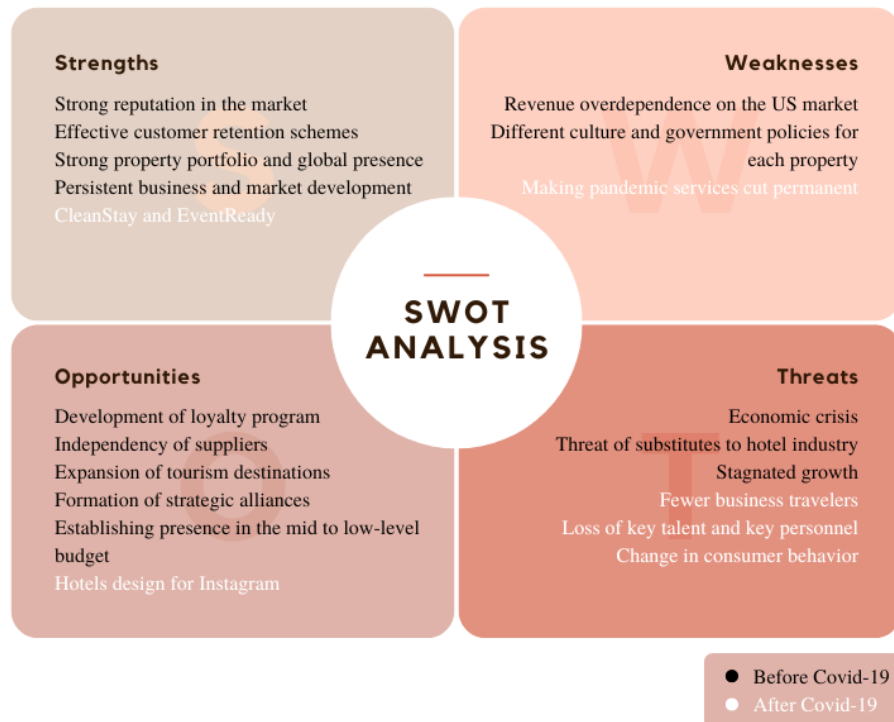


Figure 7 - SWOT Analysis of Hilton Hotels Worldwide

Source: Own figure

Briefly summarize the main impact of Covid-19 pandemic on the business. How did Hilton embrace the dynamic capabilities of the company to react rapidly to the impact of Covid-19 pandemic?

First of all, students may write a brief resume of how the crisis impacted the Hilton business with the information given in the case. In this question, it is necessary for the students to have in mind the theoretical concept of dynamic capabilities in order to be able to answer it. After that, they should identify in this case the dynamic capabilities that Hilton used as a reaction to the impact of Covid-19.

The Covid-19 pandemic affected a lot of industries and in this case, it had big negative economic consequences for Hilton Hotels Worldwide. The dynamic capabilities refer to the company's ability to adapt themselves to the new circumstances by modifying its resources and processes when facing these new conditions in order to stay competitive in the market.

Governments created some strategies to control the spreading of the virus, that included lockdowns, social distancing, stay-at-home orders, and the one that impacted more: travel and mobility restrictions. Given these measures, Hilton felt a huge collapse in the

demand, which consequently hit the sales and revenues of the company. As an immediate result, one of the first reactions was the temporary closure of some of their properties in order to reduce some of their costs given that there was no one traveling during that time.

The major impact of the non-operation of the hotels, during these restrictions, was the difficulty to sustain their fixed costs, which consequently affected cash flows, margins, and profits. The rapid response was based on a human resource restructuring, by cutting some of the positions, number of employees for each position and saving others through layoffs given by the government. With this quick change in the structure of the company, they were able to quickly reduce their fixed costs in order to improve their financial situation.

Following the government measures, the booking policies suffered some changes as well in a way of accepting last minute cancellations, refunding customers with non-refundable reservations, and adding room rates with rescheduling flexibility. Consequently, this adaptation of their policies also influenced the customers' loyalty and on top of that they even extended their benefits and status until 2022, gaining more appreciation from their customers.

Hilton remodeled their hotel procedures to meet the safety and cleanliness standards required, and even created two programs, CleanStay and EventReady, to create awareness of this shift in procedures to the customers. Considering these implementations, they saw a need of giving intensive training to all the staff showing their partnership with Lysol and Dettol. The main goal of these two programs was to create a safe place for all the community, from customers to staff, assuring that it was safe to work and to stay at Hilton. Additionally, they were also able to save costs by eliminating the daily housekeeping service, and closing of restaurants, bars, and outlets temporarily.

As shown on figure 4, more or less in the middle of 2021 the demand started to increase until today, where the occupancy rates are reaching the pre-pandemic ones. As a result, and during all the pandemic crisis, Hilton adjusted their room rate prices to the demand, in a way that they were not able to practice the same prices as before but there was a need to adapt to the demand of each month.

***What other strategic steps do you suggest that should be considered by Hilton?
Comment on the future of the industry and give recommendations to Hilton
for further strategic alignment.***

This is an open question, where students should use their knowledge about strategic procedures that they learned in class to give recommendations to Hilton. In the following proposed answer are the recommendations of the author that the professor may take into consideration, however other strategic steps are accepted.

The covid-19 strongly impacted the hospitality industry and consequently Hilton Hotels Worldwide. However, the crisis made them be prepared for future economic and political changes, by adapting constantly to the competitive structure of their industry when emerging threats appear. For this reason, it is important to set a strategic plan with strategic goals, but also with a back-up plan when there is a drastic change in the external environment, that must include possible changes in consumer behavior and in the economic and market conditions that are more difficult to predict.

The hospitality industry has changed with the crisis and the leisure trips are expected to be the most frequent ones in this recovery. Moreover, it is already visible that the number of business travelers is decreasing when compared to the number of tourists that is now increasing. This resulted from the work-from-home situation and the flexibility given by the companies, which is expected to persist from now on, reducing the business conferencing and events as well in hotels.

On another hand, the work flexibility brought a priority to the work-life balance, specially to the Millennials and next generations that prioritize the time off for travel. With the new generations and this new era, came different ways of interacting with brands and sharing information and experiences, with the boom of the digital world.

Following this trend, Hilton should invest in digital operations as customers in this new era want rapid and efficient services all with one click away through their smartphones. Moreover, with the introduction of new digital solutions, the company can take advantage by doing surveys and collecting data to get a better understanding of how to improve, know the new trends and control on the consumer behavior changes. In the same way, virtual tourism will probably be a trend and Hilton should create virtual tours, starting with the main touristy cities where they have a big presence. These virtual tours would be an excellent marketing

tool to open the customer's appetite for physical visits to a specific city. They can be shared in their social media accounts, having the possibility of becoming viral and in the future attract tourists to the places where the company needs to increase their business.

Equally important, Hilton when reviewing their strategic plan should differentiate from their competitors and focus on revenue generation by developing new products and services, like they did with the WorkSpaces. This innovation can be the future of the industry and increase the number of business customers. For instance, they could better promote this new way of tourism and a good way could be by doing partnerships with business companies in the city.

Hilton should never forget one of their main resources, their valuable staff members. They are the ones that can increase guest satisfaction and make them re-stay in Hilton properties. For this reason, they should invest as well in restructuring their human resources practices by developing new strategies to increase employee satisfaction, loyalty, and turnover intentions. Since human resources practices are directly linked to their performance, this will result in customer satisfaction, loyalty and financial performance.

Finally, following one of their main pre-pandemic's focuses, Hilton should keep a sustainability strategy into their plan. They have already built a plan with global Sustainable Development Goals with the purpose of reducing their environmental footprint in half and double their social impact investment. In 2030, they want to achieve the targets and achievements imposed that focus on decent work and economic growth, sustainable cities and communities, responsible consumption and production, and climate action.

Conclusion and Limitations

The present dissertation was written in a format of a case study for students to analyze and work on it. The case study shows how the hospitality industry was affected by the Covid-19 crisis and which strategic measures were applied by Hilton Worldwide to surpass this crisis. Students will be able to learn how to strategically adapt in a crisis moment by having the opportunity to analyze this real case situation and apply their theoretical knowledge. This case also illustrates how the changes in the environment and external sources can drastically affect a company that will need to react rapidly by changing processes and restructuring the company.

Hilton Hotels Worldwide made a huge change in their day-to-day operations, applying different measures in order to guarantee customer satisfaction and loyalty. At the same time, the circumstances were unpredictable, and changed from country to country due to the government rules applied in each country. A restructure in the company, especially in the human resources was needed in a way to decrease fixed costs and preserve liquidity.

After the analysis of the case, it was noted the power of the marketing and advertising in the recovery of Hilton's business. Nowadays, digitalization is present in almost every industry and Hilton saw an opportunity to create awareness and increase their profitability with marketing strategies especially through their loyalty program. Additionally, new processes were implemented, and an adaptation of the business was made with the WorkSpaces as a new service created during the pandemic that can be one of the new sources of income as a response to the trends of work-from-home and videoconferencing.

Nevertheless, the case should be analyzed under some limitations that I would like to mention. First of all, the lack of internal documentation constrains the level of information required to a more detail analysis, being the main sources annual reports, public articles and interviews. For this reason, some limitations exist on the fully understanding of how the processes were implemented and results of certain services. Secondly, since the higher hierarchical levels of the company are based in the U.S., it was not possible to have personal contact with them. Even though there are many Hilton hotels around the world, and five of them in Portugal, their processes are different from country to country and the covid effect that they experienced was not equal. For this reason, there was no real example that could represent the whole company and demonstrate a specific process of the company instead of a generic one. Finally, since this dissertation was written still in the moment of the industry's

recovery, there is a possibility of existing developments about the company and in the industry after it that may change the analysis made.

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