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# MULTINATIONAL FIRMS IN THE TOURISM SECTOR: ACCOR HOTELS

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## **RESUMEN**

Este proyecto de fin de carrera pretende ofrecer una visión general de las principales prácticas empresariales en el sector turístico a partir del estudio de la multinacional francesa Accor SA.

En primer lugar, se introducirá la historia y los principales aspectos de Accor para comprender los antecedentes del proyecto. En segundo lugar, se describirá la situación de la empresa en el sector del turismo, seguida de la explicación de cuáles son las principales prácticas empresariales que la empresa lleva a cabo. Entre ellas, la expansión internacional, las principales actividades de explotación, la estrategia de marca, los canales de distribución, la digitalización, el programa de fidelización y las prácticas sostenibles. Por un lado, la metodología utilizada para explicar la situación de la industria son el análisis Pestel, DAFO y las 5 fuerzas de Porter. Por otro lado, las prácticas sostenibles se describirán según la Responsabilidad Social Corporativa (RSC), el programa Planet 21 y la Certificación ISO 14001.

A continuación se detallará cómo ha evolucionado positiva o negativamente el análisis financiero en los últimos años, y cómo le ha afectado el COVID-19. Por último, se elaborará una conclusión con los resultados más importantes a destacar.

## **ABSTRACT**

This final project is intended to provide an overview of the main business practices in the tourism sector based on the in-depth study of the french multinational Accor SA.

Firstly, the history and main aspects of Accor will be introduced in order to understand the background of the project. Secondly, the situation of the company in the hospitality sector will be described, followed by an explanation of the main business practices that the company carries out. These include network growth, main operating activities, the brand strategy, distribution channels, digitalization, loyalty program and sustainable practices. On the one hand, the methodology used to explain the situation of the industry are Pestel and SWOT analysis and Porter's 5 forces. On the other hand, sustainable practices will be described according to Corporate Social Responsibility (CSR), Planet 21 program and ISO 14001 Certification.

Next will be detailed how financial analysis has positively or negatively developed in recent years, and how COVID-19 has affected it. Finally, a conclusion will be drawn with the most important results to be highlighted.

## 1. INTRODUCTION

Nowadays we live in a digitalized society where being present on social networks is more important than other aspects of the companies that today do not have the same value as they used to. This digital transformation is mainly due to globalization, in which multinational companies play an important role. A multinational is a company that operates in more than one country, which usually outsources its activities of the supply chain to the country that is most convenient for it in order to reduce costs. These companies are also characterized by the centralization of the headquarters, usually in the country of origin, France in our case study. Multinationals play a very important role in society as they can influence the political and economic decisions of governments.

Tourism has evolved as society has. What travelers demand is no longer just a simple hotel room to stay overnight in a destination, but goes beyond that. The destination of today are the experiences, the personalized treatment, the services that add value to the trip and the fulfilment of the needs and expectations. However, due to a pandemic, this last year 2020 has been a radical change for all types of sectors, especially in the tourism sector. Governments have forced countries to close borders prohibiting the movement of travelers. However, people's desire to travel and socialize is only growing, but the conditions are going to be different. Businesses will now have to adapt quickly in order to be innovative - that is the hallmark of the new era and anyone who fails to innovate will automatically become obsolete in the market. The hospitality industry is going to serve a new customer, a customer who is more likely to opt for leisure, rather than business travel, and domestic and intra-regional travel will dominate.

The choice of the subject is due to my own interest and passion for everything that has to do with the tourism industry and, more specifically, the hotel sector. That is the reason why I wanted to make a deeper study of a company that is fully dedicated to hotel management, based in France, that offers goods and services in all types of sectors and countries, Accor Hotels SA. The information of the project has been collected mainly from reports extracted from Accor's official website, articles from Google Scholar and manuals from online libraries.

In the following pages the background of the multinational will be presented divided into: the evolution of the company since it was created in 1967; the main mission and vision of the company as a leader in the hospitality industry; the main goals to be achieved since their business strategy changed due to the growing importance of innovation and technology; their positioning in the marketplace; their branding strategy taking into account their presence in 110 countries; their main target audience as a company with a segmented portfolio including 51 brands, of which 39 correspond to the hotel brands and what are the main functions of the Board of Directors as employing 320.000 people.

Afterwards, the analysis of the business practices will be developed in the following stages. In the first stage, the industry situation will be studied according to PESTEL, Porter's five forces and SWOT Analysis.

In the second stage, it will be seen how the operating activities are divided and what they are focused on, as well as how their network grows according to the new asset-light business model. Furthermore it will be found out whether the company attaches importance to its advertising campaigns and how they publicize themselves. The next stages show how Accor prioritizes to boost direct distribution channels, their presence on the internet and the innovations in their new loyalty program. The last stage will be focused on the sustainable practices based on the CSR, Planet 21 program and to find out if they have received any international recognition. Finally, a conclusion will be drawn with the main findings of the project.

## **2. THE COMPANY: ACCOR HOTELS**

### ***A) History***

Accor SA. is a tourism multinational based in France, founded by Paul Dubrule and Gérard Pelisson in 1967. The company nowadays owns, manages and franchises different types of properties such as hotels and resorts as well as cooperates with different partnerships from all types of sectors. In 2019, Accor was ranked first as a leading hospitality company in the European Union based on the number of rooms and sixth in the global hotel ranking. Accor counts with approximately 5100 hotels and 750.000 rooms across 110 countries and 320.000 employees (Accor, 2020).

It all started in the early 60's when France was undergoing its golden age of expansion. As few hotels had been built since the turn of the century, Paul Dubrule and Gérard Péliison developed the idea of establishing the Hotel Business Model. In 1967, the first Novotel hotel opened: modern buildings providing a comfortable service, with the ultimate luxury at the time and a bathroom in every room.

*“3 and 4-star hotels had a few rooms with bathrooms. But building a 3-star hotel with a bathroom in every room was a first”,* said Dubrule. The founders quickly realized the 3-star was a limited market, so they decided to enter into the 2-star market by creating new economy hotel chains, Ibis and Mercure hotels. As well as they entered the luxury market with Sofitel, the 4-star hotel chain.

Year by year, the company gained strength and different hotel segmentation was created. These include brands like: Formule 1 (budget hotel market), JO&JOE (main target: millennials), Pullman, Mama Shelter, Suitehotel and Motel 6, among others.

The company was concerned of the need of being innovative and digital present, that is the reason why the “Leading Digital Hospitality” plan was created. The main objectives of this transformation plan were to integrate the role of digital presence throughout the customer experience, improve the offers proposed to investment partners and consolidate the group's market share in terms of distribution (increasing use of mobile phones by launching a free App, personalized services and fluidity of the customer experience before, during and after their stay, the launch of a new loyalty program: ALL, etc.).

International market expansion is not always easy. Companies must take into account several variables such as the cultural differences between countries, the facilities and the size of their competitors when creating new establishments in different parts of the world, as well as the different cultures when adding new services and products.

### **B) Mission and Vision**

Successful companies, such as the one chosen, add benefits to their offering in order to position themselves in the top of the mind of the consumers. They are characterized by having privileged locations, own and diversified style, human values and orientation to the satisfaction of the needs and expectations.

Their main mission is to innovate, develop and offer new products and services that may help them increase the motivation of their guests, employees and productivity levels. Whereas their main vision is to become the first worldwide hotel chain in their customers' mind thanks to their quality service provided, ethics and integrity.

Their 5 strategic pillars are (Accor, 2020):

- Reinforce and modernize the brands.
- Maintain the strength of the distribution.
- Develop at a sustainable pace.
- Reinvent the hospitality industry in a sustainable way.
- Work on behalf of their collaborators.

### **C) Company's goals**

A company whose success is due to its effort and dedication has allowed it to expand all over the world: in Europe, Asia-Pacific, Latin America and the Caribbean, North America, Africa and the Middle East.

The principal goal is to reinvent and innovate in the hospitality industry and to address their 4 strategic challenges:

1. **Generate and foster loyalty.** Identify the potential target audience and maintain it as loyal clients, is one of the main goals of Accor in order to ensure revenue on the long term.
2. **Accelerate growth.** The company can increase its network either internal or externally as well as their room ratio by increasing their fees.

One of the main objectives of the multinational is to accelerate their expansion in fast-growing regions, for example in China, and consolidate the position in the segments in which they operate. It involves a careful work in each step of the pipeline in which the number of rooms and the quality of the service provided will be increased, leading to higher fees per room.

**3. Optimize the model.** Adapt their cost structure and the key resources in an efficient way in order to reduce expenses, is also one of the main goals of Accor. The ways the company has to become more profitable are the following:

- Increase service quality
- Increase employee engagement
- Decrease employee turnover

**4. Promote positive hospitality.** Accor participates positively to society by implementing environmentally initiatives.

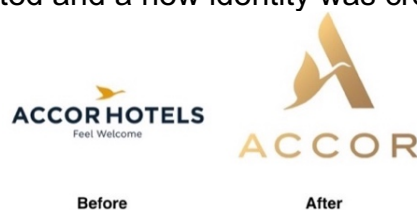
#### **D) Positioning**

Positioning is described by Nguyen (2021) as “the strategic process that involves creating an identity or image of the brand or product within the target customers’ minds”. In other words, positioning is the representation or idea that comes to the customers’ mind when hearing the brand or seeing an advertisement. Thus, the company positions itself in 2 ways: as a multinational company and as individual hotel chain depending on the market in which it operates in.

As a multinational, Accor is positioned in the market as a global and strong company that provides inventive and high quality services to all its clients, employees and partnerships. As a diversified company, each hotel brand of Accor’s portfolio is identified by its clients according to its market segmentation: luxury, premium, midscale or economy.

#### **E) Branding**

According to Muñiz (2015): “A brand is a name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers”. The name of the company, the logos, signs, illustrations and the symbols serve as central elements of how a brand wants to be identified. The goal is to create an image that attracts the attention of customers when they see the company identification marks. The brand name is the term a company uses to identify itself to its customers and to differentiate from its competitors, Accor SA. In addition, as defined by Berger (2010): “the brand mark is the part of the brand that can be recognized but is not utterable, for example the designs “. Their logo was recently innovated and a new identity was created: Accor.



**Figure 1: Accor goes Rebranding (2019)**

Some of the main objectives of the branding campaigns are to define the best possible way how a brand is recognized by customers or partners and how to provide high quality as well as innovation. Studies show a positive relationship between high quality and good reputation with higher revenue and rate of occupancy.



## **Brand Portfolio**

The company offers a wide and diversified 39 hotel-brand portfolio divided into luxury, premium, midscale and economy:

- **Luxury brands:** Raffles, Orient-Express, Banyan Tree, Delano, Fairmont, SLS, SO/, Sofitel, Mondrian, Rixos.
- **Premium brands:** MGallery, Mantis, Pullman, Swissôtel, Angsana, 25hours, Hyde, Mövenpick, Grand Mercure.
- **Midscale brands:** Novotel, Mercure, Adagio, Mama Shelter.
- **Economy brands:** Ibis, Ibis Styles, Adagio Access, Ibis Budget, Greet, Jo&Joe.



**Figure 2:** Classification of the brands (%) based on the number of rooms. Universal Registration Document, Accor (2019)

## **F) Target Audience**

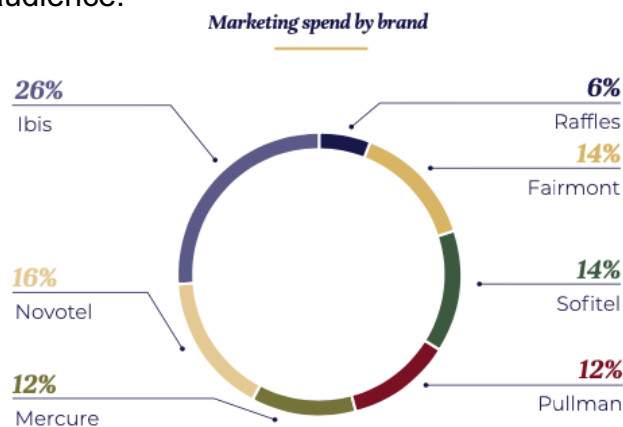
The target audience from Accor goes from business to leisure travelers belonging to the premium, luxury, mid-market and economy segments. Every customer has different types of needs when it comes to hospitality. In order to identify the potential customers and determine which successful actions to take, the marketing department focuses on the factors that help to raise clients' awareness. These factors are purchasing power, changes in the trend of consumption and preferences whether to choose a low-budget or luxury brand.

To maintain its position as a strong company, Accor Hotels invests a great amount of money every year in marketing plans. For a marketing strategy to be effective, it is not only a condition to reach a lot of people, but to reach those who are likely to become potential customers either in the short-term or the long-term. The company is aware of the importance of social networks, and that is why it advertises all its information through its Instagram, Facebook, YouTube and Twitter accounts, as well as in their website and the mobile application.

In addition, to build effective and loyal customer relationships, the company has a strong loyalty program that allows customers to accumulate points with every stay or with the purchase or use of the services of some of the company's partners. With this, customers receive benefits such as fast check-out, discounts, free nights in hotels, etc. These practices make customers satisfied and willing to come back.

Younger consumers are less likely to be attracted to more traditional hotels, that is why the company has launched the Jo&Joe economy brand. It operates currently 3 hotels in France and plans to open up to 15 more in main cities such as London, Vienna, Moscow, etc. The main customer profile they are focused on are both travelers and locals, either business or leisure. Jo&Joe is the mix of the fun of a hostel and the comfort of a hotel. The company advertises it as an “Open house”, a place where you can stay overnight but also a meeting place where you can socialize. To this end, they have a wider presence on social networks. The main objective is to show the "Jo&Joe Experience" and the communities surrounding it.

In most countries, the economy sector in the hotel industry is the least covered, as companies are focused mainly on 4 and 5 star hotels. This is why, Accor prioritizes its advertising campaigns in this segment. With 1.231 hotels nowadays and 180 in development, Ibis is the most profitable brand of the multinational. The economy segment is the least volatile in case of economic downturns and the quality of their offerings are above the segment standards but at an economy price. By the end of 2019, the 26% of the budget for marketing campaign of Accor was spend in the Ibis brand, it was the highest percentage invested. The target customer profile is business (58%) and leisure (42%); and domestic (67%) and international (33%). Ibis has created a global advertising campaign with the slogan "We are Open". With this motto, the company aims to show that closeness, desire for new experiences and inclusiveness are their core values. Ibis uses personalized music with which it stands out from the other brands. As a result, the company has used advertising campaigns with the "Ibis Music" logo to reach a wider audience.



**Figure 3: Marketing spend by brand.**  
 Universal Registration Document, Accor (2019)

Accor's advertising practice for its 5-star Sofitel hotel brand focuses on offering high standards and excellent service. Despite being in 46 different countries, 2 out of 3 customers associate Sofitel with the French *art de vivre* (way of living). This is because in each hotel there is a combination of the essence of each destination with an elegant touch of the french culture in the customer's hotel journey: gastronomy (french cheese, bread and wines), french perfume, french luxury bath amenities, etc. The target customer profile is business (31%) and leisure (69%); and domestic (57%) and international (43%).

### **G) Board of Directors**

The company is governed by a Board of Directors, which determines the main goals and strategies of the company to follow, and examines and makes decisions on all the issues concerning the enterprise. In order to expand their network and provide a high quality service within the multinational, the Board ensures that each member has the necessary skills and expertise in his or her appropriate segment.

These competences are divided into Finance (expertise in banking, financial markets and risk management), Hospitality (hotel or broader hospitality industry experience), Brand Management (experience as CEO or ECM), Digital (knowledge of know-how in digital strategies), International (experience acquired in diverse positions in different regions), Luxury (experience in companies within the luxury industry) and Marketing (experience with brands and products or quality management in customer service departments).

To expand its network and to attract a larger number of customers, the Board of Directors has taken many important decisions over the last 4 years in order to restructure the organization and grow its portfolio. These include the asset-light policy model and the addition of 86 new hotels, of which 75% were in the luxury and upscale emerging markets, standing out: France, Saudi Arabia, United Arab Emirates, Puerto Rico, United States, Indonesia, South Korea and Vietnam.

## **3. BUSINESS PRACTICES ANALYSIS**

In the hospitality industry, the circumstances change continuously and thus companies must be able to adapt to these new situations. In order to do it efficiently, companies will define their business practices as the main guideline to accomplish their primary goals.

Business practices are all the activities conducted by a business in order to reach its objectives. The main objective of an enterprise is to maximize profits, and this will be done by firms in the most cost-efficient way feasible.

In the following pages, the analysis of the main business practices taken over by Accor Hotels will be developed in several stages. In the first stage, in order to understand the environment in which the company works, the industry situation will be explained. In the second stage the operating activities, network growth, branding strategy, distribution channels, digitalization, loyalty program and the main sustainable practices of Accor will be described.

### **A) Industry Situation Analysis**

In order to understand the motivation that leads the company to carry out some business practices or others, it is first necessary to understand the situation of the company. In order to have a general overview of the firm profitability, an analysis of the industry in which it works is carried out.

The first point of reference, when analyzing the external situation, is the one that explains those elements that the company cannot control and that determine the environment and influence the situation of the company in a considerable way.

The analysis of the macro environment, proposed by Kotler and Keller (2012), is considered very appropriate for analyzing the variables that, in one way or another, generate opportunities and present threats to the company under study. The tool used to carry out this analysis is the so-called "PESTEL Analysis" (Political, Economics, Social, Technology, Environment and Legal). According to Yüksel (2012): *"PESTEL Analysis allows identification of the environment within the company that operates and provides data and information that will enable the company to predict situations and circumstances that it might encounter in the future"*.

### **PESTEL Analysis**

<b>POLITICAL</b>	Terrorism risk level and issues in Middle East and Africa Broad geographical business footprint
<b>ECONOMICS</b>	2008: worldwide economic crisis Health crisis: COVID-19 High exchange rate (currency variation) Network growth (acquisitions, franchising, etc.)
<b>SOCIAL</b>	Mass tourism Different motivations to travel: vacation or business purpose Purchasing power
<b>TECHNOLOGY</b>	Increasing access to online information Boom of social media Consumer information and reviews Mobile apps, Loyalty program
<b>ENVIRONMENT</b>	Environmental Concerns Waste Management, Global Warning issues ISO14001, Planet 21, CSR Reduce environmental footprint through its carbon strategy
<b>LEGAL</b>	Differences of laws between the countries

#### **POLITICAL**

Accor operates in more than 100 countries, representing Middle East and Africa a 5% of the network (296 hotels by the first half of 2020). The group is highly exposed to terrorist attacks in these areas. These, can directly or indirectly affect on guests or employees, leading to a decline in the number of visitors and so less revenue.

A geopolitical conflict or new political parties that create new laws which implement higher taxes against big firms like Accor, could also affect negatively their own interests.

## **ECONOMICS**

An economic slowdown (for example, the Great Recession of 2008) or an epidemic (COVID-19) have resulted in significant unfavorable consequences for the company and the whole hospitality industry leading to adverse profits. The health crisis created by COVID-19 has motivated a huge number of national governments to impose lockdown thus affecting the Group's businesses and forcing the closure of hotels.

The currency variation may affect the company's financing leading to higher or lower investments, affecting as a result the whole economy of a country. Besides that, the company is also exposed to risks when it comes to network expansion. Acquisitions for instance can endanger the Group's performance if they are not well conducted in the business development or if the synergies are only partial carried out.

## **SOCIAL**

The diverse reasons leading people to travel has lead the Group to diversify its portfolio into 39 brands divided into luxury, premium, midscale and economy brands. Each brand is aimed at a specific customer profile, according to the purchasing capacity or trends, for example millennials, business travelers, families, etc. This leads to a better management and greater diversification of the multinational, and reduces the risk of mass tourism.

## **TECHNOLOGY**

The development of the new technologies and the boom of the social media has resulted into a more digital presence into the customer journey.

Accor has created a Mobile App and innovated its loyalty program from which can collect data from its customers and be able to know how satisfied or dissatisfied they are, what do they expect in the next stay, etc. The presence of this Mobile App is becoming more and more important for Accor's clients as they can make a reservation directly from it. One of its main functions and novelties is the Welcome-In. This service is based on the elimination of physical check-in, which becomes online, as well as for the check-out. In addition, clients will receive a personalized online welcome with all the necessary information, they will not have to go through the reception desk, they will receive a virtual key for the room and as soon as they leave the hotel, they will receive the invoice by email.

## **ENVIRONMENT**

Accor contributes positively into environmental concerns. The company's dedication to sustainability is based on the PLANET 21 Program. A program in which the sustainable objectives are set and all its hotels' brands and guests are involved. For example, in 2020 Accor committed to global elimination of single-use plastics in guest experience by 2022.

In the past 10 years, Accor hotel's Ibis and Novotel brands have obtained the ISO 14001 Certification. Established by the International Organization for Standardization (ISO), ISO 14001 is an internationally recognized standard for environmental management systems (EMS).

## **LEGAL**

As a multinational operating in 110 countries, all the properties that belong to Accor are in a legal environment in which the laws of each community or country may differ from one another. One of these laws affecting the industry is the law of Data Protection due to the huge amount of data that is processed from each client. The loyalty program is based on the knowledge of all the Accor's customers and the data provided is processed by both Accor SA and the hotels concerned. The Group operates in a wide variety of countries, which is why the company must implement the appropriate measures to each level of data protection law.

### **Porter's Five Forces Analysis**

Following the model proposed by Porter (1980), the competitive situation of Accor Hotels in the sector will be analyzed. This analysis will determine the internal functioning of the company which directly affects its results, as well as the relation with the market and its competitors. The five forces that determine the attractiveness of a sector are:

#### **- Rivalry between market competitors**

It should be noted that the rivalry between the companies is latent during the different seasons. Low season is characterized by low demand; therefore, the different accommodations are forced to compete indirectly on price. It is also notorious the existence of special promotions and discounts during these months in order to attract a large number of travelers. On the contrary, high season is characterized by high demand, meaning the companies must compete on quality of the services offered.

The main competitors for Accor in the industry are: Marriott International, Hyatt Hotels, Hilton Hotels and Meliá Hotels International, which will be described below.

Marriott International is a global operator, franchisor and licensor of hotel, residential and timeshare properties created in 1927. The multinational is one of the biggest competitors of Accor Hotels since it was positioned first in the global hotel industry, based in the number of rooms, by the end of 2019 with 7.351 hotels and 1.377.793 rooms, while Accor ranked seventh with 5.036 hotels and 739.537 rooms. However, Accor was positioned first as in the European hospitality companies, while Marriott was on the fourth position at the end of 2019. A noteworthy fact is that despite Marriott has double hotels as Accor, Accor accounts with almost three-times as much employees as Marriott, 320.000 and 121.000 respectively. Marriot's portfolio includes 30 different brands divided into luxury (e.g. Ritz Carlton, St. Regis), premium (e.g. Marriott, Sheraton) and select (e.g. Courtyard Hotels, Four Points) across 131 countries.

Hyatt Hotels Corporation is a global hospitality company with more than 850 properties in its portfolio of 19 brands, located in 60 countries. In order to grow in the long-term, like Accor, Hyatt has adopted the asset-light model to be achieved in 3 years starting from 2019.

Hilton Worldwide is a multinational hospitality company that franchises and manages more than 6000 properties divided into 18 brands across 118 countries. The company was the first to promote the airport hotel concept in 1959. Unlike Accor, which created its loyalty program in 2008, Hilton already foresaw the need to maintain a loyal and long-lasting relationship with its customers by creating its frequent loyalty program (Hilton Honors) in 1987. Hilton franchises 85% of its properties, while Accor franchises 35%. In contrast, 11% of Hilton's properties are managed, while Accor accounts for 59%. While Accor was positioned seventh in the worldwide ranking with 5.036 hotels, Hilton was in the 4<sup>th</sup> position with 6.055 hotels.

Meliá Hotels International is a hotel chain with 390 hotels in 40 countries. In the competition ranking, it is the leading hotel company in Spain and it is ranked in the 20th position worldwide. Despite its small size, in contrast to Accor, this company is a great competitor as it stands out for having been named the most sustainable hotel company in the world in 2019 based on the CSA (Corporate Sustainability Assessment). The CSA is an assessment conducted annually on the sustainable practices of more than 4700 companies in any sector, focusing primarily on economic, social and environmental factors. The company is also committed to growth focused on less capital-intensive formulas. In this way, the company can grow by reducing investment risk, leaving ownership with key partners in each market to grow strategically (Vargas, 2018). The group wants to increase the percentage of EBITDA from 32% (2019) to 50% by the end of 2024.

Rank	Group	Number of hotels	Number of rooms
1	MARRIOTT INTERNATIONAL	7,351	1,377,793
2	OYO	43,000	1,200,000
3	JIN JIANG	9,518	1,020,036
4	HILTON WORLDWIDE	6,055	962,864
5	IHG	5,903	883,563
6	WYNDHAM HOTEL GROUP	9,280	831,025
7	ACCOR	5,036	739,537*

**Figure 4:** Hotel companies ranked by number of rooms worldwide at January 1, 2020.

(MKG Consulting, March 2020)

Rank	Group	Number of hotels	Number of rooms
1	ACCOR	2,806	305,595
2	JIN JIANG – INC. RADISSON HOTEL GROUP	1,226	122,544
3	IHG	679	107,217
4	MARRIOTT INTERNATIONAL	505	99,966

**Figure 5:** European hospitality companies ranked by number of rooms at January 1, 2020.

(MKG Consulting, March 2020)

## - **Substitutes and complements**

Substitute goods are “products or services that customers see as essentially the same or similar enough to another product” (Hayes, 2020). A rise in the price of Accor hotel brands would lead to a contraction in the demand of the hotel rooms, and as a consequence, a rise in the demand of another hotel chain.

In the hospitality industry, competition is very abundant and a decisive variable, as we can find all kinds of hotels offering different prices, services and amenities. Even though the characteristics of the service may vary, the essence of *accommodation* may be interpreted same by the clients. Furthermore, we have to bear in mind the existing “cost of substitution” for the guest. This means that there may be switching costs for consumers if they decide to change the brand they are used to consume. As well as for the company, it will always be cheaper to make an extra effort to keep a loyal client, rather than looking for new customers. That is why the main challenge for the company will be to attract the guest over its competitors and maintain the relations with the regular customers.

The main competitor and substitute for the hospitality industry nowadays is Airbnb, which offers relatively low prices but targets only a few segment. Airbnb establishes a contractual relation between people who offer their rooms or complete unoccupied houses and people who are looking for accommodation for a certain period of time. Unlike hotels, the prices and particular conditions of each accommodation are set by the person who creates the advertisement and offers the accommodation, therefore each contract will offer different obligations and rights.

Complements are products which may be bought and used together. An example of complement within the multinational are the venues in the hotels or other places nearby used for events and meetings. The decline in the price of the venues may help to boost the demand of Accor Hotel rooms. Accor works with Mamaworks and Mojo, entities that offer workspaces for private business or events and meetings. Mamaworks presents an environment adapted to new technologies and co-working. It offers places where meetings, debates and speeches can be held. Wojo is also a company that offers coworking spaces in private offices, shared workspaces or meeting rooms. The company worked with SOCOTEC to create the label "Safe and Healthy Workplace, Covid-19" to offer safety in all spaces. Accor wants to offer as many spaces as possible so that its customers can always find a meeting place nearby. The company's target for 2022 is to have 1000 different spots worldwide.

## - **Entry**

This variable is mainly determined by the barriers to entry and the reaction of the already established firms in the market to new entrants. The threat of entry is high if firms can easily enter the market. Besides that, the entry of new firms will imply that the incumbent firms will see their profits reduced and market concentration will decrease as well. An attractive market will be one with high barriers to entry and low barriers to exit.



In this industry, the barriers to enter the market may be given by the huge initial investment required to carry out the project aimed at the accommodation service. For this, it will be necessary to face a great amount of money destined to the acquisition of the land, raw materials, construction, furnishing and staff costs in those brands which are aimed to provide high quality standards and in which high investment in marketing is constantly done.

Another important barrier of entry is the brand loyalty. Even if a firm can afford to make large capitals' investments, if there are other companies in the market with an established and strong brand loyalty, it will be very difficult to reach their level in the market. Customers will trust those companies they already know rather than trying new ones, therefore the barrier of entry will be very high.

To enter this industry it is not only necessary to be able to identify the clients' needs and offer accommodation as the basic service, but it is also necessary to have expertise with new technologies, in order to be able to personalize the needs and reach a greater number of clients in a fast and professional manner. This is why, Accor Hotels created its own academy to train its employees by investing in the professional career of the workers.

As already explained, Accor has a huge and diversified brand portfolio in which we can find from economy to luxury brands. One of the most famous economy brands is "Ibis Budget". This brand was created in 1974, with the purpose of attracting customers looking for low-budget accommodation, offering though high quality standards at very competitive prices. In the case of Ibis, the barriers of entry can be either low or high. Firstly, as a low-budget hotel, its investment costs will be low, so anyone with enough capital could enter the market and become a competitor. However, Ibis is part of a worldwide recognized multinational with a high brand reputation and recognition. The hotel brand is also positioned first in the ranking of European hospitality companies based in the number of rooms. That is why in this case, barriers of entry are high, as the promotion and marketing of a possible company entering the market will need to be too high, leading to doubts whether it is worth or not to enter the market.

#### - **Supplier power**

Suppliers are entities that provide goods or services to Accor Hotels in order for them to deliver the desired service. The supplier bargaining power will be high as from suppliers will depend some attributes, e.g. quality of the service provided to the guests.

As these companies can have either a positive or negative effect on the supply chain, they are obliged to protect and improve the competitiveness of their customers through reasonable prices, good financing plans, exceptional quality and advances in both technology and performance. To this end, the Group will previously conduct a thorough review to ensure that all the suppliers with whom it will enter into a contractual relationship, will provide competitive advantage and add value in the market industry. However, changing suppliers would mean both a monetary and time cost for the company. That is why, as long as they are comfortable with the service offered, they will continue the contract.

Accor divides its suppliers into four categories according to the company's activities: Live, Work, Play and Business Accelerators categories.

- **Live** consists of the 39 hotel brands of the portfolio.
  - **Work** comprises the providers *Wojo* and *Mamaworks*, co-working venues where clients can work or create events and meetings in prime city locations.
  - **Play** providers are the companies *Disruptive* (in charge of restaurants and nightlife spaces), *Potel* and *Chabot* (responsible for gastronomic catering), and *Paris Society* (responsible for event and entertainment venues). The suppliers are the companies in charge of beauty services, events and food and beverage, etc.
  - **Business accelerators** are the companies that help Accor to become more efficient in the market. These include the companies in charge of the distribution channels: D-Edge, Gekko, VeryChic and Resdiary; the providers of new experiences: John Paul (concierge programs); Adoria and Astore, in charge of optimizing supply and procurement management.
- **Buyer power**

Buyer power refers to the degree to which customers have bargaining power in the contract established between them and the hotel, and the extent to which they are price sensitive, meaning they are able to limit the revenue of the companies. This happens, firstly, because the switching costs are relatively low. The cost a customer has to pay in order to change the product or brand is not high as goods are seen as standardized because of little differentiation. Secondly, because buyers represent a significant fraction of total sales.

A distinction is made between economy and luxury brands. With respect to low budget hotels, for example Ibis Budget, it is considered that the client has a high degree of negotiation power due to the fact that economy hotels provide undifferentiated products. These hotels will be differentiating themselves in prices rather than in quality standards. As a result, if the price of a room in Ibis Budget rises, as customers are price-sensitive, the quantity demanded of this hotel brand will be reduced as customers will look for other cheaper options. At the same time, with respect to luxury brand hotels, for example Sofitel, the customer bargaining power is lower as guests are less price sensitive. Luxury brands can charge higher fees because higher quality is provided, service is more personalized and more money in advertising is invested.

There are other situations in which the customer bargaining power is also high, and that is when seasonality takes place. On the one hand, in low seasons as demand is reduced, the client negotiates and request discounts, early check-in or late check-out, among others. On the other hand, in high season, customers' bargaining power is very low. Due to high demand, the consumer is restricted from asking for discounts since there will always be another consumer willing to pay the price offered by the accommodation company.

## **SWOT Analysis**

SWOT Analysis is an analysis and development tool (Sarsby, 2016) derived from the terms: Strengths, Weaknesses, Opportunities and Threats. It's defined by Leigh (2010) as "an approach to considering the inhibitors and enhancers to performance that an organization encounters in both its internal and external environments".

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
Top-10 biggest hotel chains in the world Diversified brand portfolio: luxury, midscale and economic segments Experience and know-how in the hospitality industry Powerful distribution platform and global presence (present in 110 countries) Loyalty Program Unique digital hospitality Planet 21 and ISO 14001	Need of constant environmental and social innovation Over emphasis on sub-brands (difficult to relate hotels as a brand) Focus on a range of target segment with same marketing strategy Focus on franchising Seasonality in room booking and poor forecasting
<b>OPPORTUNITIES</b>	<b>THREATS</b>
Personalized and innovative service Differentiation from competition Define target groups more clearly Growth in emerging economies Use of technology Sustainable growth Increase social media presence	Very competitive sector Terrorist threats Demanding consumers Seasonality Delicate financial situation COVID-19 Economic slowdowns

## **INTERNAL FACTORS**

### **STRENGTHS**

Accor is an international well-positioned hotel chain with a huge diversified brand portfolio, which gives it advantage over its competitors. The Group has a powerful distribution platform and client portfolio as it has more than 5000 hotels across 110 countries. Some of the important strengths are also the loyalty program which allows the multinational to ensure their client portfolio, the know-how and the expertise achieved in the hospitality industry.

The company has engaged in numerous initiatives to ensure sustainability in their activities, one of them is the Planet 21 program where all its objectives are set, as well as the certification of the ISO 14001 which they have received in the last 10 years in 2 of their hotel brands, and which gives more attractiveness in front of customers and stakeholders.

## **WEAKNESSES**

Having such a huge segmentation in the company's brand portfolio sometimes leads consumers not to recognize that a hotel brand belongs to the multinational if the marketing strategy, for instance, has not been well established and defined. Besides that, sustainability is becoming one of the main factors to take into account when booking a hotel room. For this reason, hotels need to innovate constantly in environmental strategies as well as for the social ones.

To focus only on franchising as a way to increase the network may be a weakness for the company as it can result in bad performance damaging the reputation. Another weak point is also the huge amount of money that the company invests in each marketing strategy for every hotel brand, if it does not then create the desired effect on the customer.

## **EXTERNAL FACTORS**

### **OPPORTUNITIES**

Despite the previous weaknesses, the hospitality industry is facing new forms of competition and for this reason, the company must take advantage of every opportunity at its disposal.

Some opportunities that the multinational should take in order to differentiate from the competitors are: to provide a more personalized and innovative service, to include sustainable practices in all the business practices, to define target groups more clearly in order to reach the right target audience, to be cost-efficient in order to save expenses, to be digital present and to reach and answer all the customers requests making them feel their needs are important.

### **THREATS**

A threat is anything that may cause a damage to the company. For instance, competition or seasonality. The hotel industry is a very competitive sector since consumers have become very demanding with each step on the consumption process, as well for the seasonality in each different hotel brand and country. While in some countries like Spain high demand is between June and August, in the regions of the Caribbean, high demand is between December and May. An additional threat are the economic slowdowns that can occur in regions where the government management is poor and the political environment is unstable.

COVID-19 currently represents the greatest threat to the company under study, and to the hospitality sector in general. Since the pandemic started in Asia in late 2019, and reached Europe in early 2020, spreading to America and Africa as well, the company's financial situation has become more delicate than ever. The vast majority of hotels worldwide have been forced to close either by government order or because otherwise losses were growing exponentially as no customers were coming in.

## **B) Operating Activities**

Accor is divided into 4 main operating divisions: Hotel Services, New Businesses, Hotel Assets and Holding & Intercos.

- **Hotel services** refers to management, franchising and the services provided to hotel owners, these are the core businesses of the company. They are organized in 5 operating regions: Europe; Middle East and Africa; Asia-Pacific; North America, Central America and the Caribbean, and South America.

With the management contracts, hotel owners let Accor operate their properties in order to maximize profitability, taking advantage of its established reputation and know-how, brands, loyalty program, etc. The owner is responsible for investing in the maintenance of the Group's standards. Accor, in exchange, receives a compensation through an agreed percentage of the revenues and various services.

With the franchising agreements, Accor sells the right to use its brand, distribution systems, marketing, etc. to another company. Accor, in exchange, receives fees coming from all these services provided. Each country has its own laws regarding the franchise contract.

- **New businesses** corresponds to the new partners with which Accor establishes a contractual relationship in order to benefit from their know-how in the sector. These new enterprises include digital and services companies, property owners, business partners, NGOS, Non-profits and purpose-driven companies. These companies help Accor to make it more efficient and visible in the marketplace and to increase the attractiveness of the loyalty program. D-Edge, VeryChic, ResDiary and Gekko are the companies in charge of the distribution channels. John Paul and Adoria are the companies in charge of providing new services of concierge and supply management.
- **Hotel assets** refers to the owned and leased properties controlled by different companies such as Orbis, Mövenpick and Mantra, located mainly in Australia and Brazil. This category also includes 3 businesses in the Asia-Pacific region: AccorPlus (discount program for travel and leisure), Accor Vacation Club (an offering that allows members exclusive stays in Australia, New Zealand and Indonesia) and Strata (day-to-day operations and property management).
- **Holding and Intercos** include the expenses related to the supporting core functions such as finance, communication, and human resources.

## **C) Network Growth**

To expand its network, the Group grows organically, externally or by opting for an asset-light business model.

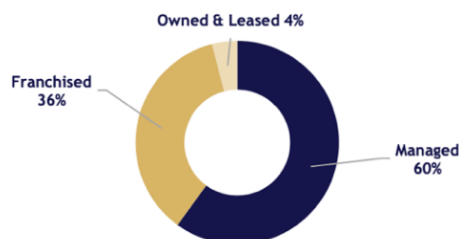
Growing organically denotes growing internally, which means increasing sales and revenues with its own resources, e.g. increasing the room ratio in luxury or premium segments, or adding more business units to its portfolio. Growing externally means using external resources and capabilities, such as acquisitions or mergers, alliance strategies, entering new markets or new relationships with new partners. The asset-light model lets the company grow in a long-term strategy by giving the property to another company, and thus receiving revenue as a part of the benefit.

Local communities face the new entry of the hotel chain positively. The multinational makes use of their areas and natural resources such as labor force and raw materials. In return, the multinational supports these communities by integrating their population into the value chain and promoting the location as a tourist destination.

*„In order to enter a specific foreign market, a company has a wide range of legal options to establish its presence abroad“ (Wendling and Vilasboas, 2020). Accor has centered its organic growth mainly on hotel management and franchising. Besides, when choosing a specific business practice or destination to grow, there are authors on this subject who state that the main factors to take into account are economic, political and cultural features (Rugman, 1981). For example, the opening of Accor hotels in South American countries such as Chile, Brazil or Argentina, is determined by the proximity of transport links such as airports, innovation centers and business parks.*

**Asset-light business model**

Accor opted for restructuring the company with a 2-year plan of Asset-light business model by selling the ownership of the hotel assets of the Orbis and Mövenpick companies. This business model is a way for companies to grow in the long-term and involves little investment as it is based on management or franchise models rather than ownership. With this change, the company Accor reduced its portfolio of owned and franchised hotels by 20 points, from 26% to 6%. By the end of 2019, Accor's portfolio was divided into 59% network management contracts, 35% franchise agreements and the remaining 6% owned and leased hotels mainly in Australia (Mantra) and Brazil. Following the completion of this transaction plus the addition of the 86 new hotels to its portfolio by the first half of 2020, despite the adverse market conditions due to COVID-19, the company's network comprised the 60% of its portfolio under management contract, 36% franchise contracts and the remaining 4% for owned and leased hotels mainly in Australia (Mantra) and Brazil.



**Figure 6:** Portfolio as a % of total number of rooms. (Interim Management Report, Accor June 30, 2020)

In the hospitality sector, many companies have already adopted asset-light as part of their business model. Among them, competitors from Accor such as Marriott International, Hyatt Hotels Corporation and Meliá Hotels International stand out.

#### **D) Branding Strategy**

An important business practice of Accor is its branding strategy. The company spends a lot of time and money strengthening the ties with its clients, showing interest in their concerns, needs and desires in order to create a more real and closer relationship that benefits both parties. The Group makes significant investments in marketing campaigns, especially in the ones creating more value, in order to achieve better positioning and competitive advantage in the market.

Accor's Marketing Team does annual campaigns designed at an international, national and local level in an attempt to strengthen loyalty. These campaigns might have slight differences from brand to brand depending on the country they are launched, and are done every year in order to accelerate occupancy percentages, especially for low demand periods.

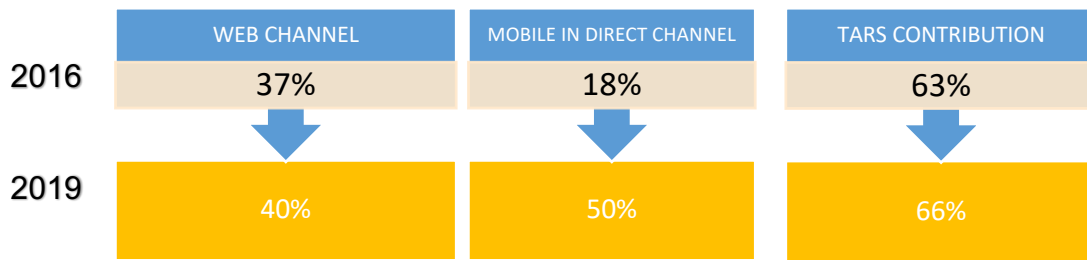
More than 100 million euros of budget are spent every year worldwide in media investment. As a result, they have gained a wide social media presence with more than 25 million followers in Facebook, Twitter, Youtube, Pinterest and LinkedIn, and more than 60 million customers are registered in Accor's data base.

Other fundamental marketing tools are predictive e-mail campaigns. More than 1 billion personalized e-mails are sent every year, and Accor & Brand Sponsorships, etc. The multinational gives a great importance to be present in big sports events as sponsorship like AccorHotels Arena, Roland Garros, Australia Open and 2024 Paris Olympic city.

#### **E) Distribution Channels**

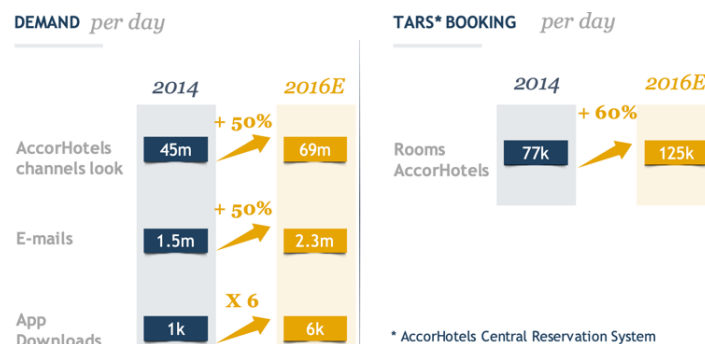
Accor Hotels implemented in 2014 a 5-year digital transformation plan with a budget of 225 million €. With this financial plan, the multinational strengthened its direct booking platform, added new services and expanded in the luxury sector.

Distribution channels, as the name implies, are channels through which a product or service reaches the final consumer. We distinguish between direct and indirect channels. Direct channels allow the customers to make straight transactions with the multinational, these are the official website and the Mobile App. Indirect channels allow the customer to purchase the service within intermediaries, for instance, online travel agencies (OTA) and global distribution systems (GDS). The longer the distribution channel, the less revenue the company earns. For this reason, Accor hotels prioritize to boost its direct channels in order to maximize their revenue per available room (RevPAR). Accor's primary channel is its hotel's own website, which receives more than 300 million visits per year and guests can find it in 18 languages.



**Figure 7:** Contribution percentage of the distribution channels (2016-2019)

On 2019, more than 40% of the revenue generated came from the official website and more than 50% of the visits came from mobile devices (Accor, 2020). TARS is the Accor’s reservation system, which interfaces with the website and mobile applications. On 2019, the record was 1.7 reservations per second and it registered 66% of the global average contribution (Accor, 2020).



**Figure 8:** Boosting demand achievements from 2014 to 2016. (Investors’ Day 2016, Accor)

The Group is present in the 4 most important international GDS: Amadeus, Sabre, Galileo and Worldspan, and in the most important OTAs: the Priceline Group (Booking.com), Expedia, Inc (Expedia.com), TripAdvisor, Inc (Tripadvisor.com) and Opodo.

In the recent years, Accor has diversified its distribution channels by acquiring Gekko Group (a B2B hotel booking platform for business travelers), VeryChic (a platform for private and exclusive sales of hotel accommodation and luxury holidays), ResDiary (an online platform offering restaurants reservations with verified customer reviews), and Adoria and Astore (platforms that enable the catering industry and procurement organization, respectively).

### **F) Digitalization**

Nowadays, customers are more flexible and demanding since they are much more informed by channels such as social networks and digital news. If the competition offers, for instance, the same experience but at a lower price, these possible guests will very fast change their decision. Customers look for an unforgettable experience rather than the attributes the hotels may offer, an experience that if they enjoy enough, they will be willing to repeat.



Hoteliers must be not only customer focused but also be able to change and innovate as fast as the market does, and this will be done through digitalization. Digital technology implies product and service innovation and concept differentiation. *“These changes require firms to integrate multiple business functions, and even external partners, in creating and delivering positive customer experiences.”* (Lemon & Verhoef, 2016).

Because of this increasing importance on digitalization, the company has reinforced and updated its Mobile App. In it, customers can find online check-in and check-out, direct payments with the loyalty program and city guides, among others. Accor gives so much importance to its Mobile App as it is one of the direct online channels with which the company receives many reservations and is able to save the fees that should pay instead to the intermediaries.

Another initiative from the Group to engage with guests in a digital way is the use of Chatbots since 2017. Mercure Bot is the chatbot available on Facebook Messenger, and Phil from Google Assistant. A chatbot is a program that simulates having a conversation with a person by providing automatic responses to user input. This provide information about surrounding landmarks and hotel facilities. (CB Insights, 2017)

The digital customer journey is defined as the sum of the different steps a customer goes through in order to acquire a product or service. It is described by Accor as the following:

1. **Dream.** The company makes travelers “dream” of a stay at an Accor’s hotel with the use of social media, advertisement, blogs, influencers, etc.
2. **Select:** The company raises the awareness of their brands through collaborations with transportation companies, optimize app store keywords, etc. For example, the collaboration with Europcar. Accor promotes the use of discounts when renting a car as an advantage of being registered in the loyalty program.
3. **Book:** the Group’s brand portfolio consists of numerous brands, divided into economy, midscale, premium and luxury, located in 110 countries. The company must differentiate and incentivize the booking from their own website in contrast to booking in an OTA website, by lowering the room rate in the own website, for example.
4. **Prepare:** Online Check-In is a fast service offered by the Mobile App in which customers can go forward with the reservation process.
5. **Stay: “The web concierge”.** Technology offers now the possibility of having a concierge service in the App in which all the necessary information, without needing to go through reception, will be found: room service, restaurant menu and schedule, taxi service, tourism information, etc. Clients also have the possibility of having a fast check-out in order not to pass on reception desk for a more comfortable and faster departure.

6. **Share and return:** In order to assure the return of the guests, Accor offers a loyalty program in which some privileges will be offered for next stays in any of its brands and partners.

### **G) Loyalty Program**

One of the aims of the new Accor's digital business strategy was to innovate its loyalty program in order to offer a wider range of services and establish a closer and more direct relationship with the customer. This goal was driven by the growing client requests asking for a greater ease of use of technologies and immediate benefits. Loyal customers enable hotels to gain new guests through word of mouth marketing and their sales records are higher than non loyal guests. (Bowen & Shoemaker, 1998).

According to a study, when booking a hotel room, 95% of the guests check reviews before taking the decision (Accor, 2019b). Furthermore, on average one comment is posted every 15 seconds. This online feedback lets the company create a better image of what their potential clients look for and consequently implement his or her wishes on their offerings.

What used to be *Le Club AccorHotels* became *Accor Live Limitless (ALL)*, the Accor's new global loyalty program, since 2019. The new features include the integration of all the brands in the portfolio and the increase in the number of partnerships, which increases the possibility of earning points. The program allows customers to accumulate and redeem points in different types of experiences, from football matches and rental cars to sustainable practices, with more than 80 partnerships including PSG, Visa, Air France, Qatar Airways, Hertz, etc. Furthermore, customers can also obtain reward points by dining out or taking a drink in the partnerships' restaurants even if it is not a travel purpose.

There are different categories into which customers can be divided according to their journey within the company. From Classic to Diamond, the more the clients stay or consume, the more points they earn and the better category they get. Explicitly, the categories are: classic, the one the client gets once he or she joins the program. As beneficiaries, they get basic discounts and online check-in and fast check-out. Silver category allows clients to get a welcome drink at each hotel they stay at and late check-out subject to availability. Gold, platinum and diamond categories allow the client to get a wider range of benefits, such as early check-in, late check-out and rooms upgrade subject to availability.

### **H) Sustainable Practices: CSR, PLANET 21 and ISO 14001**

Corporate Social Responsibility (CSR) makes reference to the voluntary practices companies take over beyond what the regulation requires, with a sustainable purpose. The hotel sector services generate a huge amount of money for the companies and economy of a country, but also generate millions of waste, which in the end is harmful for the planet. This deterioration caused by an irresponsible behavior towards the environment is one of the reasons why sustainability is important and a strategy of differentiation for many companies.

Among others, Accor has its own sustainable development department. The Group's commitment to sustainability is based on the PLANET 21 program, where the Charter 21 is included. With this program, the multinational tracks its performance and describes its quantifiable objectives. These practices are committed to the company, employees and society in order to raise guest satisfaction and achieve competitive advantage. This responsibility covers all its establishments, both owned and franchised.

A visible result of this commitment to sustainability has been the reception over 10 years of the ISO14001 certification for its Ibis and Novotel brands. Accor has developed a strategy in order to address individual costumers' interests into environmental issues. First, they communicate and publicize their commitments in sustainable issues and the results on their official website. Second, they explain the challenges and actions that were required for these projects. Third, they encourage the guests and give example of positive actions in order for them to adopt eco-friendly habits in their daily lives. Finally, the next step to complete this sustainable commitment-strategy will be to involve customers in sustainable experiences that take place in the company's establishments.

#### 4. FINANCIAL SITUATION DURING COVID-19

The tourism sector is an economic sector that for decades, due to globalization, has been growing in all countries and is doing so in an advanced way, thus enriching their countries. In general, it is the third most important sector worldwide in terms of exports (WTO, 2018). Especially in recent years, it has experienced continuous growth and deep diversification. International tourist arrivals have been growing exponentially year by year. On average, tourism contributes 10% of the world's GDP according to the World Travel and Tourism Council. Despite past health or economic crises (SARS 2003 and The Recession 2008 worldwide), the tourism sector has grown uninterruptedly.

In 2019, around 1,5 billion international tourist arrivals were recorded worldwide. In 2020 this number was expected to increase by 3-4%, however, the scourge of an unprecedented health crisis, COVID-19, has led to a decline of 3% in the world's GDP, 37% of the jobs and more than 50% in international tourist arrivals in the first half of 2020.

	<b>GROSS VOLUME</b>	<b>REVENUE</b>	<b>EBITDA</b>
<b>2016</b>	15bn €	1,603m €	494m €
<b>2017</b>	18bn € (+19%)	1,937m € (+7,9%)	626m € (+8,1%)
<b>2018</b>	20bn € (+19%)	3,610m € (+8,8%)	712m € (+8,0%)
<b>2019</b>	22bn € (+20%)	4,049m € (+16%)	825m € (+14,8%)

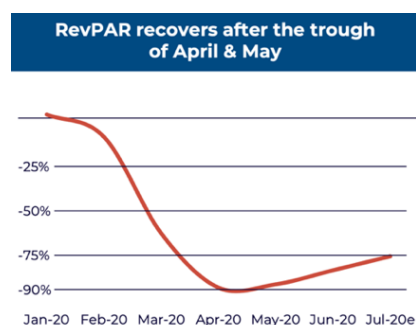
**Figure 9:** Consolidated Financial Statements Evolution. Accor.com

As the world's economy in the tourism sector was growing, so did Accor SA. Year after year its revenues and net profit increased as well as its portfolio. In 2016, the gross volume was 15 billion € and the revenue 1,6 million €, rising to 22 billion € and 4,05 million € in 2019, respectively. That is an increase of 45% in the gross volume and 250% in the revenue in 3 years. The Groups' EBITDA in 2016 was €494 million, rising to €825 million in 2019, an increase of €331 million in 3 years.

In € millions	H1 2019	H1 2020
<b>EBITDA</b>	375	-227
<b>EBIT</b>	234	-363
<b>Operating Profit</b>	214	-1716
<b>Profit from continuing operations</b>	125	-1772
<b>Net profit for the half-year</b>	141	-1512

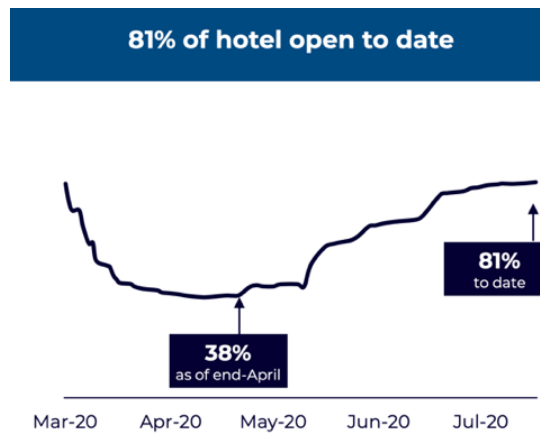
**Figure 10:** Consolidated Financial Statements evolution. Accor.com

These figures show how the Group's economy was expanding favorably. However, due to the COVID-19 health crisis, countries were forced to close borders, prohibiting travelers from moving for unnecessary reasons and the obligation of many countries for citizens to stay at home. Between April and May of 2020 60% of Accor's hotels were closed. In the first half of 2020, the net profit of Accor was -1,512 million €, a huge negative decline compared to the 141 million € net profit in the first half of 2019. Since the beginning of 2020, the company's RevPAR started to decline, reaching its worst figures of -90% and -92% in April and May, respectively. On average, in the first half of the year RevPAR fell by -60%.



**Figure 11:** Accor's RevPar performance in the H1 of 2020. (Accor Results Presentation, 2020).

However, not all the data was negative. From May onwards, there was a little improvement. Bureau Veritas, an inspection and certification company, certified that Accor met all safety and cleanliness standards so that businesses could reopen. The percentage of hotels open began to increase from 38% in mid-April to 81% in July. In addition, Accor's organic growth remained strong in the first six months of 2020 despite the adversities, with 86 new hotels and 12,000 new rooms added to the portfolio. At the end of the year, the multinational had a portfolio of 39 hotel brands and 5100 hotels located in 110 different countries (Accor Results Presentation, 2020).



**Figure 12:** Percentage of Accor hotels open in the H1 of 2020. (Accor Results Presentation, 2020).

Seeing that this was an unprecedented crisis and that the negative results would be on the long-term and thus affecting a wide range of the population, Accor immediately decided to take proactive measures. These measures were intended to protect the economic activity of the multinational and help those employees, individual partners and professionals such as doctors, police and the army, who find themselves in an unfavorable situation. To this end, on April 2020 "ALL Heartist" was created, a €70 million fund that would assist to those who are not covered by an insurance or the state, for expenses related to: unemployment, health, housing, nutrition, etc. Some money for the fund has been given anonymously by members of the Board of Directors and the CEO, who have decided to reduce a percentage of their remuneration. Members of the loyalty program have also had the option to redeem their reward-points to donate them to this solidary fund. Due to the large scale of the crisis, this support will continue until 2021 for the time being.

## 5. CONCLUSION

After this research we can conclude that the company under study is a strong company at an economic, scale and cultural level. Economic, because year after year Accor has increased both profit and portfolio thanks to its innovation and a profound change of a business model more focused on the new technologies. Despite the current unprecedented health crisis, which has caused a huge decline in the company's profits, Accor has been able to cope the situation thanks to its preserved saving costs and by creating a fund to help those who need it most. Scale, because the company is consolidated in the market as a large company with a portfolio that covers all segments being able to reach any type of desired target audience. And cultural, because the fact of being present in 110 countries, has led the multinational to adapt itself since its foundation to the cultural differences of the people, local communities and economies.

The company's success is due to its establishment as a strong player in the industry in terms of digitalization. This has been possible thanks to its continuous investments in advertising and the up-to-date information on all its social networks, mobile app and website. Customers have access to a new and more attractive loyalty program that allows them enjoy a wider range of privileges.

Accor Hotels stands out also in its commitment to the planet and human capital by reinforcing the fundamental sustainable values. In addition, the company is committed to engaging its customers and employees to play an active role in day-to-day sustainable practices.

To this end, despite having many strengths and standing out from other hotel chains, the company still has some goals to accomplish such as becoming a full asset-light company and to be on the first three world's top hotel leading groups.

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