

IS THAT I.T.?

*using technology in the global hospitality industry
to respond to a changing world*

*Ian Graham
Managing Director
The Hotel Solutions Partnership Ltd
(44)-1923 262900*

www.hotelsolutionspartnership.com

Introduction

In a world that is changing, it is no wonder that the world of technology in hospitality is ever changing. We can identify four drivers of change – at the centre is the customer who comes from home or office with changed expectations of the technology that they use in the bedroom or interface with in buying the experience. The channels that the customer uses, whether the end customer or their intermediary, are changing largely in favour of the on-line internet enabled channels. And this shift has brought back into focus the growing importance of channel management – ensuring the customer uses the channels the business wants him or her to use for each type of transaction. Increasingly the business has to focus on the content that is available on each channel – content is the only differentiator in the on-line world and only the end supplier controls the content describing all aspects of the experience. If the first three changes are therefore customer expectations, channel, and content management, the fourth change is an aversion to risk and lack of capital that is the result of the last 30 months of downturn. Capital constraints are limiting just how fast and how far the global hospitality industry is willing to respond.

This article, based upon a speech made at the Arabian Travel Market in Dubai on May 5 by Ian Graham, Managing Director of The Hotel Solutions Partnership Ltd, explores these changes and notes the strategies pursued by progressive executives.

Background

Before going further, it is worth emphasising that this is, at one level, a simple business. All we are trying to do is sell more rooms, and/or sell more services to each customer and / or make more profit from each service offered. At a minimum, we need to meet customer expectations and to stay in business for any length of time, we need to anticipate and respond to future challenges.

Unfortunately, all too often we make it a complex business. We cannot get our mind around the business model – are we in the real estate business, in the retail business, in the manufacturing business or in the brand business? Too often, executives in this industry are confused by the complexity of the business model and may fail to make the right decision because it is not clear which of these models we are focused on. As if this

was not enough, we then compound the complexity by introducing different levels of economic interest – is the decision being made to maximise value to the owner, or to the operator or to the franchisor. In any event, it is unlikely to be shared evenly between all three.

Change agent No1 – the customer

Our complex multi-dimensional business tries to meet the expectations of a very complex customer. Sometimes, our customers are business people, sometimes they are leisure guests. Sometimes, our customers are individuals, sometimes they are part of a group. Sometimes, our customers are intermediaries and sometimes they are end consumers. Moreover, the same person can be a different type of guest on different days of the week or different months, or in different hotels of the same brand. Increasingly our customers are able and willing to do-it-themselves. They google to learn about our competitors and us. They use their laptops and their mobile phones to circumvent our telephone systems. They pop out for breakfast at McDonalds or the café next door; they bring a pizza back and watch TV in the room rather than use our restaurants and room service. Scary as it may seem, they understand us better than we understand them – our systems are largely transactional and do not often build knowledge well. Customers' experiences in our hotels and their surfing of the Web are knowledge enhancing and, only once they have sufficient knowledge of us, do they transact with us.

Moreover, although there seems to be nothing an hotelier likes better than to segment the customers into predefined groups, in fact each customer is a unique individual. The good news is that technology can now recognise and respond to each customer and his or her preferences. Amazon.com recognises you and brings onto your home page the books and records that are similar to ones bought previously. Your chip-enabled loyalty or credit card enables you to check you into the flight, enabling you to change seats etc. Many customers come from homes and offices that are fitted with intelligent automation – where climate control, lighting control, curtain control can be pre-set for different moods; where the bed is powered to meet different needs and provide different experiences; where one can entertain oneself with home cinema, video on demand, audio on demand, on-line gaming and education. How many hotel rooms are equipped to meet individual expectations and needs that customers bring with them when they stay, use the meeting room, as a businessperson or as a leisure guest?

It follows that the **first trend** that we can identify is that progressive executives are using technology to enable

- the business to understand better the profitable customers in each and all of the many different experiences that he / she has.
- the business to operate efficiently, profitably, transparently and flexibly irrespective of business model.
- the customer to have an increasingly personal experience.

Change agent No2 – Channels

Unlike when they use www.amazon.com. hotel customers use multiple channels to interact with us. They interact with hotels through every available channel – face to face, regional sales offices, mail, fax, call centres, kiosks, third party and brand websites, travel agents and tour operators, interactive TV, etc., etc.. This might be manageable if each customer only used one channel; but of course, our customers use different channels on different occasions. One customer might use a travel agent for a business reservation, but a third party website for a leisure booking; and mail for a group booking. Further, customers do not realise that different channels give rise to different costs to use, so they use channels in what seems to be an irrational way – sometimes using a high cost channel for a discounted weekend break, sometimes using a low cost channel for a high value booking. Beware, because amid all the hype, it is not always the case that the Internet is the lowest, or even a low, cost channel.

In a recent announcement, TravelCLICK (www.travelclick.net) reported that Internet reservations received at the central reservation offices of the major hotel brands grew 34% in 2003 compared to 2002. The report noted that brand websites were the source of 66% of the brand's centrally booked Internet reservations. These results reflect the trend that has seen a dramatic growth in electronic hotel bookings and a growing importance of GDS e-commerce for hotel brands and chains. Of all reservations processed by the CROs, 62% now comes electronically and 38% by voice, compared to 41% voice in 2002. Travel agent bookings still dominate electronic reservations but like voice reservations, they are declining in absolute terms.

It follows that the **second trend** that we can identify is that progressive executives are using technology to enable

- the business to put more customised products and services in front of the individual customer to buy both before the stay or experience and during it.
- the business to better understand which channels to use for which products and services
- the customer to use the right channels for the right transactions.

Change agent No3 – Content

What will make this happen is managing another “c” – content. Making sure that the right prices, words, images, movies and sounds are on the right channel at the right time for the right prospective customer to see and respond to pre-purchase. Sometimes the channel will be in traditional media, sometimes electronic. And in today's fast moving world, the content for each and every channel needs to be capable of being refreshed, changed as quickly as possible as frequently as possible from any level in the organisation.

It follows that the **third trend** that we can identify is that progressive executives are using technology to enable

- the business to own the content experience in each channel it chooses to use
- the business to describe comprehensively the experience sold, and dynamically change any element of the description, including price.
- the customer to choose loyally time after time the right channel – the channel chosen by the business that cost-effectively best describes, best promotes the product and service that that specific customer is likely to buy for a specific occasion or need.

Change agent No4 – Capital

Maybe something that has not changed is that capital has always been limited. It's a scarce resource for all companies and one that is only made available to projects and proposals that add value. There is no bottomless pit. And unfortunately there is a weak correlation between IT spending and IT effectiveness. When capital for IT is made available it's limited to opportunities that

- provide competitive advantage by either
 - cultivating customer loyalty and / or
 - increasing purchase frequency, or
- improve productivity, or
- improve profitability

IT strategy is a sub-set of corporate strategy. It is not, and cannot be dealt with as if it were a separate entity. In the present era, the above criteria are being applied to several key issues, some of which are explored in the follow paragraphs.

Databases and reporting are attracting investment because executives are realising that they can get relevant information in front of decision makers in a structured way to aid decision making. Applied technology can now help answer some age-old questions – who are our most loyal customers? Who are our most profitable customers? Why do they use our hotel / brand? Why do others use competitor hotels / brands?

Current technologies enable more and more businesses to provide certain elements of the technology infrastructure from the centre – or even through third party *outsource* providers. These companies are re-focusing the majority of their IT spend, concentrating it less on “keeping the lights on” and the maintenance of many aging custom systems, and more and more focusing on hospitality's core competency, service delivery, using customised off-the-shelf technology. One area that is increasingly outsourced is the IT help desk – it is the most frequent interface for IT with the business so outsourcing comes with a large risk factor and such a strategy is only adopted after appropriate analysis.

Two approaches to *enterprise architecture* have evolved as almost all companies work towards a common technology platform – a top down approach that assumes comprehensive scope and strictly follows a formal process, and a bottom up approach that starts with infrastructure technology standardisation and then moves up the food chain to target high priority areas and eventually influences business architecture. It is

imperative that the approach fits the culture of the organisation. Moreover, in some circumstances, the best approach might be a hybrid.

There is a growing realisation that systems must be *open* – investment in proprietary systems is only proceeding when such systems are open to integration. In the past, there was a belief that one could invest in proprietary IT, or buy proprietary IT, and this would of itself be of competitive advantage. Today, such a strategy is seen as limiting; rather investment in IT is only being made in applications that are absent from gizmos and truly add value to today's and tomorrow's business.

Perhaps one of the biggest areas of change in recent years has been a focus on *safety and security* of IT and data. 68% of large UK business reported that they suffered from virus infection or disruptive software in 2004, compared to 41% in 2002. 17% of staff in such companies gained unauthorised access, 8% reported theft or disclosure of confidential information. In addition, an astonishing 69% of business professional have stolen some sort of business IP while leaving a job – email addresses, sales proposals, presentations, customer databases and contact information are all stolen.

It follows that the *fourth trend* that we can identify is that progressive executives are using technology to enable

- the business to invest in its core competencies
- the business to beat the hurdle rates from appropriate investments in open and secure technology
- the business to provide, or leverage the skill set of 3rd party, ASP services

Conclusions

The world of technology in hospitality is ever changing. Four drivers of change can be identified – customers, channels, content and capital. Progressive executives in the global hospitality industry are pursuing IT strategies that reflect and respond to each of, and all of, these drivers of change.

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