

Emerging Trends in Hospitality

How to Profitably Navigate the Changing Landscape

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In recent years consumer behavior in the hospitality industry has changed dramatically. Easily available information coupled with economic uncertainty has made today's travelers extremely discerning in their choices regarding the hotel properties they book and how they book them. Meanwhile, hoteliers are under pressure to maximize occupancy, fight for every customer and earn their loyalty. Simply relying on traditional marketing practices, offering a promotion or two, or counting on online travel agencies (OTAs) to fill rooms is not enough anymore. It is clear that this is a disrupted marketplace for hoteliers. So how does the industry adapt its go-to-market strategies to remain profitable? The emerging industry trends provide an answer.

Marketing to the Hyper-Connected Traveler

Consumers' increased use of social media has created both challenges and opportunities for hoteliers, as they determine how to participate and respond to the growing online buzz. Travel-focused blogs feature consumers' experiences (sparing no details), while social networking sites like Facebook provide a forum to share travel stories and photos. Websites like TripAdvisor offer customer opinions, ratings, reviews and comparisons of hotel stays, impacting consumer choices.

A recent Cornell Center for Hospitality Research study¹ showed that incorporating the information collected from social media sites would have a measurable impact on a hotel's performance and on its ability to capture this hyper-connected traveler. Hotels cannot ignore the fact that today's traveler would choose to stay at a hotel that has favorable guest reviews and ratings. This suggests that hoteliers have to invest in technology to analyze this "big data" and make profitable customer-centric decisions continuously, for every customer.

Selling to the Price-Conscious Traveler

Pricing approaches that cater to a customer's willingness to pay have been a significant focus for hoteliers during the last couple of years. Such approaches consider the hotel's own historical data along with readily available market (demand and rate) data. Sophisticated mathematical models understand each customer segment's likely response to a price offer and enable a simple business principle: When demand is robust, hoteliers can be more aggressive in terms of pricing, and when demand is weak, they need more competitive pricing to gain market share. Hoteliers need to go a step further and use pricing technology to inform their promotional activities; the impact of each promotion on customer demand must be quantified before the offer is extended. There is no point in offering a discount where one is not needed and no point in planning a promotion if strategic goals around volumes and revenues are not likely to be met. In either case, hoteliers end up with rate dilution and no strategic benefit.

Rethinking the OTA Strategy

Pricing to win the customer is only half of the equation; the other half is retention. Hoteliers rely on OTAs to sell inventory they feel they cannot sell themselves. While this strategy — to sell what you can and let someone else sell what you cannot — made sense when reaching every customer was difficult, it has created some additional challenges. As a result of this reliance on the OTAs to drive business, some hoteliers have lost their focus on the customer experience. Customer loyalty evolves out of service and the unique experience a customer has with the hotel. Today's technology allows a hotel to micro-target every customer, and if the OTA can reach a customer, so can you.

Hotels might consider borrowing some ideas from the airline industry and offer enhanced services. Say your customer visits your website and requests a stay, but you are unable to accommodate him. What if you could direct him to a nearby hotel? Sure, there is risk in this, but the customer will look for another option anyway. Why not help him find an alternative quickly? The focus should always be on meeting

customer needs, and it can start by changing how you sell and market your services. The study referenced previously makes the point that improved customer service, as reflected in the social media scoring, significantly impacts a hotelier's ability to price without sacrificing occupancy, so it is worth rethinking OTA strategies.

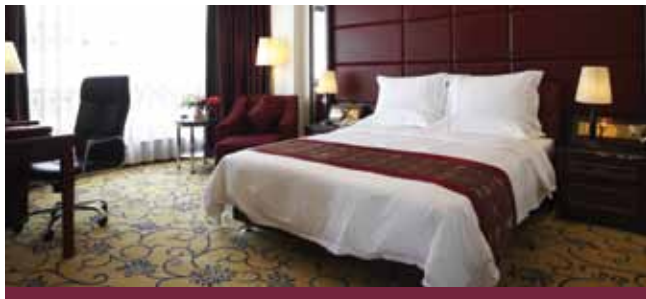
Investing in Mobility

Knowing that today's traveler is constantly connected, hotels are finding ways to harness mobile technology to provide the ultimate customer experience. Starting with smartphone apps that allow customers to search and book rooms, automatically check in once they are in the vicinity of the hotel, and even obtain a key pass on their smartphones (much like airline boarding passes) to gain access to their rooms without having to stop at the front desk are some of the examples of mobile technologies already at play.

Going further, what if the customer was able to order room service or request additional amenities while he is still en route to your hotel? And should the customer need to discuss your service, or if you wanted some quick feedback on his stay, what if you could prompt him with a small survey on his smartphone as his taxi pulls away from your hotel? Hotels have only begun to scratch the surface when it comes to utilizing mobile technology, and if done right, hotels can realize significant customer goodwill and profitability in the years to come.



¹ C. Anderson, Ph.D., "The Impact of Social Media on Lodging Performance," The Center for Hospitality Research, Vol. 12, No. 15, 2012.



Share Your Secrets

One challenge hotels face is being able to plan ahead with sufficient accuracy to ensure that they provide the level of service expected from discerning consumers. Until now, demand forecasting was seen as a means to an end — specifically to support pricing and revenue management — and not as an enabler for planning all of a hotel’s end-to-end activities. It is no secret that sales, marketing, operations, revenue management and finance all have their own forecasts, which rarely align. But if seen as a business process that synchronizes the organization, demand forecasting can give hotels a holistic solution designed for *all* of the decisions stakeholders in the business must make.

Imagine one forecast being used by finance to write budgets while the same forecast is being used by sales to plan campaigns. Simultaneously, pricing teams are adjusting that same forecast to design their pricing strategies, and these updates are available for all to consume. Operations, meanwhile, is making workforce management decisions, while procurement is optimizing sourcing decisions — all off of the same forecast. Industries where such collaboration is the norm have realized significant benefits, and one can argue that company stakeholders in a disrupted industry and in a volatile economy need to share knowledge to emerge as industry leaders and enhance profitability.

Race to the Top

Hotels have a simple philosophy: success comes from always knowing your customers, anticipating their needs and planning your services around them. Anticipating customer requirements is proving hard, and the old ways are ineffective primarily due to the velocity with which technology and consumer behavior is changing. Hoteliers need to develop new strategies to stay ahead.

There are some encouraging signs. Early adopters have embraced sophisticated dynamic pricing capabilities and are not just relying on rudimentary inventory controls. Competitor positioning is now part of the rate setting process and not an afterthought. Some hotels are bringing

a similar rigor to promotions planning, where returns on a promotion are the main driver for the promotion being offered. Collaborative demand planning is a proven best practice and a natural next step in this evolution.

In the immediate future, social media-related data must be integrated into all planning decisions. This means hoteliers have to integrate their distribution strategies with revenue management, who will need to create models that make sense of this big data. Whether offering a sale on the Web, enforcing rate consistency across all channels, or trying to improve service to generate better TripAdvisor ratings, all of these activities have implications on rates, occupancy and customer loyalty. If these decisions are not integrated, there is a danger of creating divergent customer strategies. Some innovative hotels have started down this path by making the same executive responsible for both functions, but a closer integration of processes and tools is required to realize full benefits.

Technology-enabled consumers have shifted the playing field for hoteliers. Adapting to this new reality will mean the difference between success and failure. It is clear what needs to be done, and only those hotels agile enough to understand and stay ahead of these new trends will succeed in the future. ■

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