

HOTELyearbook 2010

What to expect in the year ahead

Sir David Michels on the shape
of the coming recovery

The outlook for 20 key markets,
from China and the USA
to Germany, Brazil and Libya

Is it time to change in-room
technology standards?

How the crisis
will affect luxury in 2010

Editorial input from 25 hotel
industry CEOs

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The past is a foreign country...

ROHIT VERMA is a professor and Executive Director of the Center for Hospitality Research at the **CORNELL SCHOOL OF HOTEL ADMINISTRATION**. **GLENN WITHIAM** is the Center's Director of Publications. Some of their recent research aimed to identify the main issues and concerns on the minds of hotel executives as we enter 2010. Their conclusion : hoteliers are not dwelling on the setbacks of 2009 but looking toward future improvements.

While there is no question that economic concerns will continue to be a factor in 2010, the hotel industry is already looking ahead to positioning itself for recovery, innovative operations, and growth. Although hoteliers are certainly focused on making the best of a difficult economic situation, the economy seems in many ways to be just a backdrop for the issues that concern hoteliers. In short, they are focused on doing and improving business no matter where the economy is going.

Perhaps the key message in a recent study that we conducted among hotel industry executives and managers is that they are ready to move ahead. In this Internet-based survey of over 1,200 hotel executives from across the world, the issues they cited most frequently related to :

- improving profits through increasing revenues and cost controls ;
- improving sustainability (also known as green operations); and
- building better relationships with guests, especially by improving service.

Let us expand on these major categories, as we touch on issues raised by hoteliers for 2010.

The overriding issue for 2010 involves the quest for profitability, which includes building revenues, controlling costs, and improving service to meet guests' needs. Few issues received more interest than did revenue management. For hotels, this multi-faceted issue involves far more than merely setting room rates, although that remains the heart of the process. Instead, hoteliers clearly see revenue management as integral to the sales process, culminating in ensuring guest satisfaction and loyalty.

Time and again, the managers mention revenue management in the context of sales and marketing, and, indeed, all hotel departments. Hoteliers will seek to apply this « global » approach to revenue management to each hotel revenue stream. The following is a representative comment that takes this broad view : « Examine revenue management on areas

other than the hotel's rooms division, and extend it to F&B, banquets and catering, and conference facilities or events. » Thus, at one end of the spectrum, the industry is concerned with how to apply revenue management to luxury hotels (given their specific approach to rate integrity) and, at the other end, how revenue management will work for small hotels. With regard to rate integrity, there is a considerable concern about the possibility of « rate wars. » Operators want to know how to respond when a competitor cuts rates, and whether engaging in a rate war makes sense.

The hoteliers are particularly interested in relating revenue management issues to electronic commerce and interactions with online travel agents. We found that operators are intrigued with learning what factors bring customers to a specific Internet site, and then determining when, where, and how customers make the decision to book a particular hotel. Hotel operators also wanted to know how the cyclical downturn affects customers' purchasing decisions and hotels' brand initiatives.

The concern with distribution channels was interwoven with both revenue and customer service issues. Hotel operators are interested in finding ways to optimize their websites to improve sales. In that regard, they also wish to make better use of online booking engines. Anticipating improvement in sales as the economic recession abates, hoteliers are interested in developing a « radar » that will give them advance notice of market changes with sufficient time for them to make appropriate rate and marketing decisions.

Although hoteliers never ignore cost control, issues relating to costs will be felt most keenly in 2010, in view of the need to respond to what they expect will be a challenging environment for revenue, let alone profit. In particular, operators see information technology as a boon for determining where and how to cut costs. The hoteliers will focus on ways to use technology-based innovations to cut costs and improve service.

It's impossible to discuss cost cutting without examining human resources, but hoteliers realize that any discussion of



human resources is a two-edged sword. On one hand, they are concerned about controlling labor costs, but on the other hand, they are well aware of the importance of employees in maintaining service levels and ensuring guest loyalty. Thus, a key issue in the next few months will be finding ways to improve the customer experience in the context of maintaining a reasonable expense structure. One source of customer loyalty stems from employee loyalty, and hoteliers will be concerned with the continued effects of the industry's straitened circumstances on employees' attitudes – as well as employee retention in the wake of reduced work hours.

Of particular interest in this regard next year will be front-desk operations, given the front's role as key interface between guests and employees. Many service-related issues focus on the front desk, including fulfilling guest expectations, ensuring a positive customer experience, and service recovery, when necessary. Hotel operators will be focusing even more tightly on which technologies are most effective for guest satisfaction and how those technologies are being used. Most particularly, the industry will seek to make full use of social media as a means to serve guests as efficiently as possible. They will be assessing ways to use technology for customer relationship management programs, including how to address the differential needs of various customer segments and how to determine the value of various customers, again given the need to make the most efficient use of resources. Moreover, hoteliers will be carefully watching for any changes in guests' desires or travel patterns.

Because of the importance of human capital, managers will be interested in locating the industry's future talent, whether in

their own country or internationally. A large issue for the next year is maintaining operations while short-staffed.

Despite economic concerns, the industry has not overlooked its growing commitment to sustainability. However, a priority for the next several months will be to define sustainability in the context of financial limitations. That is, hoteliers will be seeking green technology and sustainability processes that make sense for the current operating reality. They will be looking for more than just window dressing, but instead want to be able to assess genuine progress toward sustainability.

Because this is an overall assessment of industry issues for the next year, we have not touched on the many concerns that relate to hotel operations in one country or one region. Many hoteliers in the United States, for instance, are focused on the renewed strength of unions and on illegal immigration. Other issues are how revenue per available room and average daily rate apply in developing markets, such as India or Pakistan; medical tourism to the many spas and sanatoriums in the CIS nations; developing tourism models for the Indian Ocean nations (Madagascar, Maldives, Mauritius, and Seychelles); and how revenue management applies to such rapidly growing economies as Brazil's. Likewise, the recovery of the gaming industry raises numerous issues for hoteliers to consider in 2010.

Perhaps the key conclusion from this review of industry concerns is that its many practitioners continue to look toward future improvement, rather than dwell on present setbacks. Without doubt, the industry's push toward greater sophistication and improvement of management methods will continue in 2010 and beyond. ■

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