

# HOTEL Yearbook 2014

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# Hotel trends 2014: The industry moves forward

by **Rohit Verma**  & **Glenn Withiam** 

**Each year Rohit Verma and Glenn Withiam of the Cornell Center for Hospitality Research take the pulse of the hotel industry, identifying newly emerging trends and assessing their potential impact on the business. In this article, they summarize for us the findings of their most current research, which validates some earlier observations while posing thought-provoking questions about new developments. One of which may be the most provocative of all: “Could it be that the best service is no personal service at all?”**

In two past essays in this space, we have examined a broad set of trends affecting the hotel industry. Some of these trends are driven by the industry's own internal efforts and others are the result of external forces. In our most recent article we highlighted the role of OTAs and other travel intermediaries, the growth of mobile apps, the increasing power of brand management, customers' search for value (for example, through social couponing), sustainability in all its forms, the blending of hospitality and health care, next generation globalization (or reverse globalization), and economic uncertainty. Some of these trends are here to stay, others have taken a new direction, and we frankly got ahead of some of them.

In this article we update those earlier trends while offering eight current trends. Some of the eight trends featured here are new, but others continue to evolve. Our analysis is based on studies and industry roundtables produced by the Cornell Center for Hospitality Research and the Cornell Center for Real Estate and Finance, as well as research published in the Cornell Hospitality Quarterly.

**1. Sustainability.** Sustainability is now part of the formula for hotels and many other hospitality businesses. Just two years ago, we were talking about sustainability in terms of a new aspect of hotel operation. Now, it is clear that not only is sustainability here to stay, but it is part of the mainstream expectations of customers, particularly meeting planners. In a recent study, conducted by co-author Rohit Verma and Cornell professor Howard Chong, we found that adding sustainable features does not give a hotel a competitive advantage on average. Fortunately, sustainable programs also do not damage the average hotel's rate and occupancy. Instead, we found that on balance hotels are essentially expected to offer green programs, and on average those programs neither help nor harm the bottom line.

**2. Social media.** Social media are more powerful than ever. They influence revenues, and they have changed

the relationship between hotels and OTAs. This became evident in a study by Cornell Professor Chris Anderson, who found that guests typically visit TripAdvisor's review pages just before they make their purchase decisions—but many then book at the hotel's own website. We have long known that hotels have a better chance of getting bookings when they are listed at the top of search engine results. Professor Anderson was able to quantify this phenomenon, and he calculated an 11.5% decrease in chances for booking for every notch that a hotel drops on the results page. He also found that increased scores on Travelocity meant improved revenue per available room, and he also determined that a top score on ReviewPro's Global Review Index increases a hotel's pricing power.

**3. Monetizing distribution channels.** Distribution channels continue to evolve. This is another outcome of the power of social media. We now see more advertising on distribution channels. Two years ago we noted the interest in search engine optimization (which has become a standard practice), but now we have gone beyond SEO. Purchasing keywords has become more important, and you may not appear in search results if you have not purchased an appropriate keyword.

**4. Sentiment mining.** Web analytics has extended beyond numbers to sentiment mining. Customer feedback now takes multiple forms, and next generation analytics follows this trend. By noting words that people use in the course of writing their reviews, it's possible to gain a detailed picture of people's attitudes toward a hotel or other hospitality firm. In particular, we can analyze changes in the words being used, to see how this drives business. As sentiment mining becomes more sophisticated, the results will move beyond the current, relatively simplistic analysis.

**5. Asia rising.** Asian travelers are on the move. This is an extension of the reverse globalization trend that we mentioned last time, as Asia-based chains expanded into



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the Americas and Europe. Chinese travelers particularly, as well as those from other Asian nations, are now stretching their travel horizons. One implication of this development is that hotels have to be aware of the cultural needs of Asian travelers. Cornell Professor Peng Liu conducted a survey of Chinese outbound travelers, who now number over 70 million, and found that they are looking for packages that will take them to Europe and the Americas. This is a focused group of travelers who want to make the most of the time available. They are most interested in staying in hotels that are close to shopping, attractions, and activities. While they appreciate touches that remind them of home, they seek to fully experience their destination.

**6. Proximity apps.** Mobile proximity and GPS-based services continue to expand. Two years ago, we wrote about mobile apps, a trend that has exploded. We also discussed RFID as a means of proximity payment, but we were ahead of the curve on that one. Instead, what we're seeing is the rapid adoption of proximity applications driven by smart phones, although concerns about privacy and security are a drag on this trend. In the not-too-distant future, some hotels could offer total proximity service, in which the guest books the room, opens the room, and settles for the room, all with a smart phone account. Apps already exist for bars and restaurants that allow guests to settle the check without the intervention of a server, and restaurants are investigating other uses of technology in the service process. These developments mean that hospitality firms need to consider the implications for service touchpoints throughout their service process. Could it be that the best service is no personal service at all?

**7. HR issues.** The hospitality industry sees the rise of the new worker. Contemporary workers have a different view of the workplace than previous generations. People issues will increasingly come to the fore as a result of this change and several other forces, including the changes in technology that we just mentioned. Workers will experience slow upward

mobility due to the trimming of jobs due to technology and the simple fact that many other people are holding on to their jobs. Ironically, hospitality firms will also experience a simultaneous shortage of trained workers (or a greater shortage, in some cases). One reason for this is that talented workers will go elsewhere for opportunity if they cannot move up in an organization. Government regulations can also interfere with staff mobility, particularly as the cost of maintaining a staff increases due to government policy.

**8. Innovative concepts.** Innovation becomes a key strategic focus. Innovative services offer opportunities for growth in terms of both occupancy and revenue. Interestingly, studies have found no direct connection between innovation and revenue. However, innovation is essential for greater profitability, because innovation drives market advantage, sales growth, and facility use—and those three factors are essential for profitable operation. One innovation that is already occurring is that hotels are on board with a healthy lifestyle approach for guests. Other innovations will focus on human resources (in part due to the rise of the new worker). This may include new pay structures, more “fun” in the workplace, and a greater rapport between supervisors and staffers.

To conclude, we see social couponing (and the search for value) as a continuing trend, and brand management remains an essential element in hotel chains' efforts to attract and retain customers and employees. We were too optimistic about the blending of health care and hospitality, although that is slowly occurring in some places. Finally, we're sorry to report that the economic uncertainty that we cited last time seems not to have substantially abated despite five years of nominal economic recovery. We concluded our discussion two years ago with the reluctant prediction that the hotel and travel industry would continue to face a “new normal” in the midst of economic and political turmoil. Unfortunately, that prediction is a contemporary reality.

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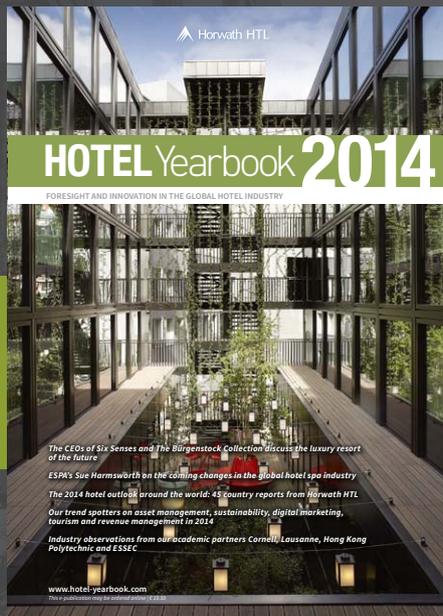
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