

HOTEL yearbook 2012

Scenarios for the year ahead

Choice CEO Stephen Joyce :
Ideas, insights – and wishes – for 2012

Is your hotel ready for the Chinese ?

The 2012 outlook for key hotel markets :
30 exclusive country reports from Horwath HTL

Next year's IT challenges :
What will they be ? How much will they cost ?

Legal issues facing us in Europe, China and the USA



Cornell University
School of Hotel Administration



Horwath HTL™
Hotel, Tourism and Leisure



This excerpt from the Hotel Yearbook 2012 is brought to you by :



ECOLE HÔTELIÈRE DE LAUSANNE

The Ecole hôtelière de Lausanne (EHL) is the co-publisher of The Hotel Yearbook. As the oldest Hotel School in the world, EHL provides university education to students with talent and ambition, who are aiming for careers at the forefront of the international hospitality industry. Dedicated to preparing tomorrow's executives to the highest possible level, EHL regularly adapts the contents of its three academic programs to reflect the latest technologies and trends in the marketplace. Since its founding in 1893, the Ecole hôtelière de Lausanne has developed more than 25'000 executives for the hospitality industry, providing it today with an invaluable network of contacts for all the members of the EHL community. Some 1'800 students from over 90 different countries are currently enjoying the unique and enriching environment of the Ecole hôtelière de Lausanne.



HORWATH HTL

Horwath Hotel, Tourism and Leisure consulting are the world's number one hospitality consulting organisation, operating since 1915. Horwath HTL are the industry choice; a global network offering complete solutions in markets both local and international. Through involvement in thousands of projects over many years, Horwath HTL have amassed extensive, in-depth knowledge and understanding of the needs of hotel & real estate companies and financial institutions.

Horwath HTL are the world's largest consulting organisation specialised in the hospitality industry, with 50 offices in 39 countries. They are recognised as the pre-eminent specialist in Hotels, Tourism and Leisure, providing solutions through a combination of international experience and expert local knowledge.



HSYNDICATE

With an exclusive focus on global hospitality and tourism, Hsyndicate.org (the Hospitality Syndicate) provides electronic news publication, syndication and distribution on behalf of some 750 organizations in the hospitality vertical. Hsyndicate helps its members to reach highly targeted audience-segments in the exploding new-media landscape within hospitality. With the central idea 'ONE Industry, ONE Network', Hsyndicate merges historically fragmented industry intelligence into a single online information and knowledge resource serving the information-needs of targeted audience-groups throughout the hospitality, travel & tourism industries... serving professionals relying on Hsyndicate's specific and context-relevant intelligence delivered to them when they need it and how they need it.



CORNELL UNIVERSITY SCHOOL OF HOTEL ADMINISTRATION

Founded in 1922, Cornell University's School of Hotel Administration was the first collegiate program in hospitality management. Today it is regarded as one of the world's leaders in its field. The school's highly talented and motivated students learn from 60 full-time faculty members – all experts in their chosen disciplines, and all dedicated to teaching, research and service. Learning takes place in state-of-the-art classrooms, in the on-campus Statler hotel, and in varied industry settings around the world. The result: a supremely accomplished alumni group-corporate executives and entrepreneurs who advance the industry and share their wisdom and experience with our students and faculty.

Eight trends for the hotel industry in 2012

AT CORNELL UNIVERSITY, GLENN WITHIAM IS DIRECTOR OF PUBLICATIONS, AND ROHIT VERMA IS PROFESSOR AND EXECUTIVE DIRECTOR OF THE CENTER FOR HOSPITALITY RESEARCH. THE HOTEL YEARBOOK ASKED THEM IF, BASED ON THEIR LATEST RESEARCH, THEY COULD SUMMARIZE THE KEY ISSUES FACING OUR INDUSTRY NEXT YEAR. ESSENTIAL READING FOR DECISION MAKERS AT EVERY LEVEL OF THE BUSINESS.

Two years ago in this space, we offered eight trends that we saw unfolding for the worldwide hotel industry. As we explain here, some of those trends have become «monsters» while others have simply become a part of the business – «table stakes» as the saying goes.

WHERE OUR INSIGHTS COME FROM

A key aspect of the Cornell Center for Hospitality Research mission is to constantly exchange ideas and information with the hospitality industry. Most notably, we were honored to sponsor the biennial QVIS conference (Quality in Service) in June 2011 and host 1st Cornell Hospitality Research Summit during Oct 2010, which drew an international cross-section of

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industry practitioners and researchers to share their studies and strategies for improving the service industries. We bring industry and academe together several times a year to focus on specific critical topics, including recent sessions on brand management, sustainability, and the intersection of hospitality and health care. Less formally, we conduct outreach when we give presentations at numerous industry conferences around the globe. Thanks to the support of our corporate partners and senior partners, we are able to sponsor some 25 to 30 ongoing research projects. From these sources, we have attempted to distill this information into these eight key trends.

Two years ago, we highlighted the following trends:

- hoteliers' desire to improve profits,
- increased focus on revenue management
- increasing electronic commerce, particularly with online travel agents (OTAs)
- distribution issues, including search engine optimization

- cost control
- human resources
- front desk management
- sustainability

While hotels still seek to stay current on revenue management, human resources, and cost control, the trends surrounding electronic commerce and sustainability are among those that have become continuing and expanding issues for the hotel industry. In addition, we see some remarkable developments that were only on the distant horizon two years ago. Although we have numbered the trends, they are in no order of importance, because all are critical for the hotel industry.

TREND NO. 1: THE EXPANDED ROLE OF TRAVEL

INTERMEDIARIES AND PORTALS

Two years ago, we noted in The Hotel Yearbook that the hotel industry would need to determine how to work with OTAs. That has become only the tip of the distribution iceberg. The industry has seen the growth of major intermediary sites such as Expedia and Travelocity, properties have increased distribution through opaque sites (such as Hotwire and Priceline), and hotel brands have built up their own websites. The entry of Google has added a new dimension to hotel room distribution, since users can book directly from the search results page, instead of clicking through to another site. Going forward, hotels may find themselves being distributed much like package goods. Many guests will go to a travel purveyor for hotel rooms, just as they go to a food market for groceries.

TREND NO. 2: MOBILE APPS AND RFID

Social media, which have grown exponentially in the past two years, will continue to be a force, but the big electronic development for hotel distribution and operations is mobile devices, particularly those with radio frequency identification (RFID) chips. Because of the remarkable plunge in the cost of RFID, we anticipate that this will break out as its own trend soon enough, and the combination of RFID and mobile apps will allow guests to use their smart phones to book a room, check in, open their guestroom door, and settle their folio – all without

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direct contact with your staff. Even without RFID, guests' use of mobile devices will create opportunities for innovation by hoteliers, including new services and operating efficiencies. Most critically, the dominance of electronic distribution as summarized in trends 1 and 2 will solidify the major trend of access to, and transparency of, information.

TREND NO. 3: BRAND MANAGEMENT AND CUSTOMER RELATIONSHIP BUILDING

Given the strength of third-party distribution portals and the push toward commoditization, the hotel brand will become more important than ever, particularly in the context of developing customers' loyalty. To draw again from the package goods industry, Unilever and Procter and Gamble (to cite just two examples) maintain a powerful brand lineup despite powerful forces for commoditization. The hotel industry can draw from these companies' brand strategies. As explained in a recent brand management roundtable at Cornell, P&G benchmarked eight diverse brands that had grown far faster than their competitive set (including Heineken, Louis Vuitton, and Zara). The study found four critical elements of brand building:

- having an ideal,
- focusing on fundamentals to remain true to the brand's heritage,
- recognizing the importance of leadership (in the form of a brand champion), and
- seeking engagement with customers.

TREND NO. 4: CUSTOMERS' SEARCH FOR VALUE THROUGH SOCIAL COUPONING AND DAILY DEALS

Value comes in all forms, but in the current economic environment, it means special offers and discounts, which are a form of customer engagement. The rise of the daily deal sites, notably Groupon, melded social media with customers' desire to get a « deal ». This trend will continue regardless of whether Groupon survives, because dozens of other websites are also offering social coupons. For hoteliers, this means developing packages that will provide value for all stakeholders, including both customers who seek a deal and those who are « regular » customers, as well as the hotel itself. Strategies include creating

packages that are not directly comparable to existing services and controlling cost structures so that the social coupon is not a money-losing proposition. Although social coupons do involve some cannibalization of existing customers, recent research has

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demonstrated that they bring in new customers and encourage infrequent customers to return, thereby helping to offset the revenue forgone by the large daily deal discount.

TREND NO. 5: SUSTAINABILITY GOES MAINSTREAM

For those who thought two years ago that sustainability would flame out as a trend (as has occurred in the past), it is now clear that customers' demand for sustainable hotel operations has taken root and expanded. The hotel industry has taken notice, as demonstrated by a push for consistent reporting standards and industry best practices coming from our industry roundtables in both Asia and North America. In that regard, meeting planners and corporate planners are now requesting that hotels provide sustainability-related information (such as energy use or recycling policies). Third-party certification of green claims has become an important part of sustainability reporting, as demonstrated for instance by Travelocity's Green Hotel Directory, which does not recognize self-certified hotels.

TREND NO. 6: BLENDING OF HOSPITALITY AND HEALTH CARE

Although health care structures and financing vary substantially from nation to nation, it has become clear that the core principles of hospitality management apply to health care and assisted living facilities just as they do to hotels. In the USA, for instance, we know of two major hospitals that have managers who were formerly with the Ritz-Carlton Company. Likewise, an offshoot of Hyatt Hotels is a major operator of lifecare

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communities. Presentations by these industry executives at a recent industry roundtable highlighted the key element of this trend, which is to instill a culture of hospitality that acknowledges and values all stakeholders. When managers set the tone for the organization, not only does employee turnover diminish, but patients' health is often improved.

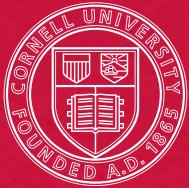
TREND NO. 7: NEXT GENERATION GLOBALIZATION

Not long ago, globalization meant that hotel brands from highly developed nations expanded into developing nations, whether through master franchises or by acquiring local firms. Globalization is now flowing in the reverse direction, as brands from developing nations are expanding to developed nations, as well as to other developing nations. To name just a few brands,

Jumeirah now manages the Essex House in New York, as well as properties in London and Frankfurt; and Taj operates US properties in Boston, New York, and San Francisco, as well as hotels in London and Sydney. Thus, globalization will mean that hotel brands criss-cross the globe.

TREND NO. 8: ECONOMIC UNCERTAINTY

Two years ago, we thought we were emerging from one of the greatest economic challenges of the recent era. Today, it's not clear that we have emerged from anything – or that we have even found the tunnel with the proverbial light at the end of it. At this writing, it seems that economic and political turbulence will continue, and the hotel and travel industry will constantly be facing a «new normal» somewhere on the globe. ■



Cornell University School of Hotel Administration



Photo (left to right): Jonathan M. Tisch, James S. Tisch '75, Andrew H. Tisch '71

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