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HOTEL yearbook 2013

Scenarios for the year ahead

Puneet Chhatwal, Steigenberger's new CEO, shares his thoughts on the challenges in the year ahead

Dorchester Collection CEO Chris Cowdray on leadership

How will 2013 shape up for the key hotel markets worldwide?
30 exclusive country reports from Horwath HTL

Special section: "Spa 2020"
Leading experts explore the next decade in the spa industry

How is your company visualizing its future business landscape?
Woody Wade on scenario planning in the hotel industry

This excerpt from the Hotel Yearbook 2013 is brought to you by :

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WADE & COMPANY

Wade & Company is a Lausanne-based consultancy that helps senior managers in the hospitality industry better understand how their future “business landscape” could change, affecting their competitiveness and creating new opportunities and challenges. Its scenario planning workshops give management teams a creative yet structured approach for envisaging alternative ways their future operating environment could realistically unfold over the next few years, depending on how current uncertainties develop. With these eye-opening insights, Wade & Company’s clients can maximize the flexibility of their strategic plans and be better prepared for whatever future dies arise. More info is at www.11changes.com.



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.

Putting the crowd to work for you

CROWDSOURCING IS A RELATIVELY NEW TECHNIQUE FOR TAPPING INTO THE VAST POOL OF TALENT AND LABOR AVAILABLE VIA THE INTERNET. IT PARTICULARLY OFFERS SMALL INDEPENDENT HOTELS AN ALTERNATIVE APPROACH TO MARKETING SUCCESS, WRITES **SONJA HOLVERSON**, PROFESSOR OF MARKETING AT SWITZERLAND'S **ÉCOLE HÔTELIÈRE DE LAUSANNE**.

The nature of the hotel industry is characterized by two prominent aspects that mostly determine its profitability: high fixed costs and fluctuating demand. Taken within the context of the inevitable impacts from the macro-environmental forces including economic, demographic, socio-cultural, political, natural, and technological with which hoteliers are confronted, the industry is highly vulnerable. This volatility is greatly compounded for small independent hotel owners that lack critical mass and resources, including human and capital, to compete alongside the larger international hotel groups and to even be noticed in an increasingly “noisier” travel communication marketplace.

THE MARKETING CONUNDRUM FOR SMALL INDEPENDENT HOTELS

Any hotelier who has personally engaged in social media, for example, has experienced the prolific number and newly defined characteristics of the communication and distribution channels which are veering further away from traditional and familiar hospitality marketing tactics. This can be overwhelming for a small hotel owner and manager.

Many small hotels have sought refuge and success with hotel marketing consortia, but very small hoteliers do not have a budget for this membership. Furthermore, they have neither the time nor the resources to have their own strategic marketing staff, as well as employees working in sales and communication online as well as offline in order to keep up with and implement all of the latest trends that their customers are expecting. Deemed by many marketing experts to be an imperative, the social media phenomenon has developed into an industry as well as a job position, with Social Media Managers earning from \$73,000 to \$116,000 annually in cities like New York and San Francisco. Lesser positions with lower salaries are also being created, but it is most unlikely that a small independent hotel would be able to budget any such positions.

However, small hoteliers have always had advantages that the big hotel chains do not have, such as their individual highly motivated objectives, personal touches in service, unique

product offers and great flexibility in adapting to the rapidly changing travel marketplaces.

CROWDSOURCING AS A MARKETING OPTION

One step to profitability for small independent hotels is to focus on reducing the high fixed costs –including some marketing salaries – as well as variable costs such as creative and marketing agency fees. Small hoteliers could consider the various forms of what is known as “crowdsourcing”, a more project-oriented approach available in today’s global business environment.

The concept of crowdsourcing is not entirely new. Project collaborations have been around since the beginning of humankind. In the 1980s, enterprises were experimenting with multi-functional teams and project-based tasks. However, up to this point the group of participants (the “crowd”) was dependent on proximity. It was the creation of the World Wide Web in 1991, and then the invention of the Mosaic browser in 1993, that changed the way we live and work forever. The unprecedented and continuing acceleration of the Internet enables specialists to connect more easily and encourages communities of specific interests to form in all areas of society.

The term “crowdsourcing” was coined by Jeff Howe, business author, in an article he wrote for Wired magazine in 2006 which was followed in 2008 by his book *Crowdsourcing: Why the Power of the Crowd is Driving the Future of Business* (Three Rivers Press, New York). Howe defines crowdsourcing as “when a company takes a job that was once performed by employees and outsources it in the form of an open call to a large undefined group of people, usually on the Internet.” Companies are using various business models of crowdsourcing which are determined according to the type of projects needed by their clients. The “crowd”, large or small, is usually defined very specifically and managed by the crowdsourcing organizer that matches the participants best suited with the project at hand. There is also a form of crowdsourcing that companies perform for themselves by putting out an open call to a more public “crowd” seeking various opinions via social media channels. Furthermore, there

Putting the crowd to work for you cont.

are also “crowdfunding” companies which are concerned with investments in start-up companies. These two models are not in the scope of this article.

Crowdsourcing should not be confused with traditional outsourcing which is based on capacity (large number of workers doing similar jobs). Crowdsourcing is based on capability (expertise in the areas required) and taps into global knowledge, expertise, creativity and other resources. Large brands, as well as start-ups, are increasingly using crowdsourcing for their marketing and innovation-related business objectives. According to the 2011 figures from Crowdsourcing.org, the media and entertainment industries comprised 20 % of crowdsourcing revenue, and the travel and hospitality industries accounted for 6 % of revenues.

Crowdsourcing can be used in a very broad sense by simply asking loyal or new customers to provide input in order to make improvements for a business of any size. In the hotel industry in 2009, InterContinental Hotel Group (IHG) and Chase Bank crowdsourced their Priority Club Visa membership program which is offered in the IHG customer loyalty program. In order to optimize Visa cardholder satisfaction of members and double the number of Visa cardholders, IHG contracted Communispace.com, a specialist that creates online communities and connects companies to their customers. Communispace created a pool of 300 Priority Club Visa cardholders to determine the most important benefits and services based on the “crowd’s” opinion. IHG followed this up over the course of a year by continuing a dialogue with their elite customers and implemented a new program focusing on the elite level of its loyal customer base (Gold and Platinum).

A very innovative crowdsourcing hotel project was implemented in 2006 by Starwood Hotels and Resorts, which was developing an upscale lifestyle hotel that we now know as aloft. The “crowd” was composed of the anonymous avatars (created by real people) moving about and interacting with the virtual aloft Hotel on the platform of Second Life, which was more conservative at the time than it is today. How the

avatars reacted on Second Life to various virtual scenarios regarding space, furnishings, facilities and designs was valuable information for Starwood and helped determine the outcome of the final hotel product – of which there are now 46 properties around the world.

Some business models of crowdsourcing companies have a “crowd” which is composed of a registered pool of various relevant experts with certain skill sets unconstrained by

Crowdsourcing has enormous potential for small independent hotels

geography. There are crowdsourcers that invite companies to propose projects and then members of the “crowd” bid for incoming activities. Other crowdsourcing companies contract with the client and select the appropriate online experts in the “crowd” that would best match the client’s project. Since the “crowd” does not require offices, supplies, transportation, and other costly overhead, there is usually a great deal of savings for the client compared to the conventional use of their own personnel or local marketing agencies.

CROWDSOURCING OPPORTUNITIES FOR SMALL HOTELIERS

Even in a consolidated hotel industry and chaotic online travel marketplace, it is possible for small hoteliers to connect with the many potential customers out there searching for unique lodging establishments. Matthew Barker of Hit Riddle tells us that their approach to crowdsourcing for travel companies is very campaign-specific with selected experts from his pool. Barker says, “There is some light at the end of the digital tunnel. Independent travel companies often have much better access to all the raw materials necessary for a healthy Web presence: local knowledge, genuine expertise and plenty of passion and personality. The owner of an independent B&B, for example, usually has more passionate local travel knowledge and experience than the manager of a well-known hotel chain

Putting the crowd to work for you cont.

property. The trick is in applying those qualities online and converting them into a solid and cost-effective digital marketing strategy, along with the judicious use of an external contractor.”

Today’s evolving technology and changing business models make it possible to enlist ever-larger numbers of specialists to do ever-more complex and creative tasks at significantly reduced costs. Crowdsourcing has enormous potential for small independent hotels and provides collective intelligence, specific skills, and constantly fresh ideas. Oftentimes, there is a deep commitment of the member of a “crowd” community towards specific interests such as graphics, website design, search engine ranking, content writing, logo designing, filmmaking, product development, etc. When these members of different “crowds” come together, they can accomplish a more successful and more rapidly completed project than an individual could working alone in order for the hotel to achieve its marketing objectives.

EXAMPLE OF AN ONGOING CROWDSOURCED SMALL INDEPENDENT HOTEL PROJECT

Online travel marketing specialist, Hit Riddle, just began crowdsourcing a project with a small family-owned rainforest lodge in the Peruvian Amazonian jungle, called Tambo Blanquillo. Bocu Manu is the nearest airport in the area which includes the Manu National Park of Peru. The Tambo Blanquillo

Lodge, built in the local style of the communal houses, offers 20 rooms with shared bath and a new dining room as well as a wooden platform area for pitching up to 20 double tents with shared bath and a mess hall. The lodge also offers full service guided multiple day trips into the jungle of 4-5 days.

The objectives of the crowdsourcing project with Hit Riddle for the Tambo Blanquillo Lodge are to increase the company’s search engine rankings, where there is a very competitive environment. Although there is great demand for its services, according to Hit Riddle, the lodge is competing with “a number of well resourced authority players such as internationally-owned hotel chains, major online travel agencies and larger tour operators.” A major contributing factor to a website’s search engine rankings is its degree of authority, as calculated algorithmically by the search engines. Although, the lodge has the most authority in terms of actual knowledge and expertise of its region, in the search engine world, this is overshadowed by larger companies who have the resources to develop the technological “authority” that is the current metric for Internet search ranking.

To counter this disadvantage, websites like Tambo Blanquillo first need to expand and improve their websites by increasing the amount of useful, informative and high-quality content published throughout the site. Secondly, they need to seek links



Putting the crowd to work for you cont.

from other authoritative websites to help increase their own authority score.

Companies like Hit Riddle can crowdsource these solutions for small hotels because they have an enormous global travel network with travel writers, bloggers, and other content creators who can write authoritatively about any part of the world, as well as a network of Internet marketing specialists. In addition, they have developed relationships with authoritative networks of publishers in order to link to the Tambo Blanquillo Lodge which will increase their authority signals to the search engines. In order to acquire the social media exposure, Hit Riddle will work with their network partners to post and promote the lodge, which will increase its exposure and improve its search engine ranking on the Internet.

According to Barker, “What we do is to help a smaller company like the Tambo Blanquillo Lodge to level the playing field and compete with the larger brands for the coveted top spots that they deserve. We can do that by ‘crowdsourcing’ some of the things that their website is missing for those important authority signals. [...] We can also negotiate rates and lower costs through economies of scale.”

PRELIMINARY RESULTS

The Tambo Blanquillo Lodge project has so far completed two months of work. However, website traffic has increased

over 185%, search traffic has increased by 195% and search engine rankings for target keywords have moved up 63 places. Barker tells us that these have cumulative results: “Within six months, we would expect to have them competing on the first page for all their main target keywords, and when you consider the competition, that’s a pretty impressive ambition for a single property accommodation provider.”

THE FUTURE OF CROWDSOURCING

Crowdsourcing provides a marketplace of diverse and fresh creative and technical services. This “collective intelligence” is available now and evolving rapidly into a variety of unlimited possibilities for small independent hotels in order to compete with the larger hotel groups and tour operators.

Crowdsourcing projects can require a lot of discussion and feedback with the participants at least in the beginning. Furthermore, as with all business partners, one has to carefully inquire about specific crowdsourcing companies’ offer and conditions, which vary a great deal.

However, crowdsourcing frees up one’s time, speeds up project completion, provides global access to multi-culturally sensitive “branded” freelance specialists, gives access to economies of scale which reduces overhead, and helps lead small hoteliers to profitability. ■





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The Brighter Solution is **in** the Cloud



Cloud-based solutions are rapidly changing the way hotels are managed today. Why? It's simple: the market drivers – your guests – are continuously using Cloud solutions, and in order to be the first to communicate with them, it makes sense to meet them on their level – up, up, up **in** the Cloud!

Remember how Napster and Apple turned the music industry upside down by providing innovative solutions to simplify the way fans listened to music? The consumer embraced those technological advances with such emotional momentum that there was no turning back. Who was forced to completely rethink their business strategies, to not get stuck in the mud? The record labels.

The hospitality industry is currently witnessing a similar transformation. Look at how technology such as mobile devices, social media channels, OTA's and review portals have revolutionized the way guests interact with hotels. These changes will continue as guests demand more speed, mobility, functionality and 'coolness'.

It's not enough that a hotelier implements new marketing strategies, he would also be advised to invest in new technology to keep the conversation going with his guests, wherever they may be in the future. Catering to the guests' wellbeing now involves free Wi-Fi, Social Media, optimized Channel Management and positive reactions to hotel reviews.

However, there's something very important missing, the backbone of hotel management, the Property Management System (PMS) itself. Think about it, how well-suited is an on-site PMS to quickly handle the technological changes of the future? The system stands a much better chance if it's web-based, if it's already **in** the Cloud!

With a fully automated Cloud-based system, updates, extensions and interfaces are no longer installed manually. Imagine instantly having the

new tools that you need, online and waiting to ease your workload and boost your sales. All you need to do is use them.

It is not fair to say that Cloud computing is a trend; it's a revolution that has already changed our daily business processes. The questions really are **when** and **how** to switch to a full Cloud PMS. Once your initial research is complete and you have the right partner, one you can depend on now and in the many years to come, you are ready to make the move!



„When researching the right Cloud provider, it's important to go with an established one, one with years of industry-based experience and an impressive client base who has a solid infrastructure to also handle larger client projects.“

Ian Millar, Deputy Director of INTEHL (Institute of Innovation & Entrepreneurship, Ecole Hôtelière de Lausanne), Switzerland

Developing hotel management solutions since 1994, protel was the first to offer a windows-based PMS that same year and was also the world's first to offer a web-based PMS in 2009. Today, protel hotel management systems are used in more than 80 countries in around 11,000 hotel businesses and schools of all sizes – 4,000 of whom are registered as Cloud (SaaS) users.

protel Cloud Solutions meet the individual needs of each hotelier:

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A hybrid solution blends both on and off-premise components. For those who are not quite ready to make the complete switch yet, but still need those Cloud benefits of flexibility, resiliency and reliability, a hybrid solution is highly recommended.

Interested in finding out more about protel **Cloud Solutions** and the brightest solution for you?



„Cloud solutions are based on the newest technology. Old technology will only get older. With that in mind, I knew we had to move into the Cloud and get a web-based system. protel, the pioneers of the Cloud PMS, quickly became a trusted partner.

With protel Air, I am saving up to 5 hours per week by not having to maintain my own system. Now I can fully concentrate on guest relations by personally interacting with each and every guest before, during and after their stay to help ensure repeat visits.“

Frank Schilling, Managing Director
Best Western Hotel Butterfly, Zermatt, Switzerland

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