

More Reservations, Happier Guests

The Ultimate Guide
for the Modern Hotelier

Foreword by Jordan Hollander
of Hotel Tech Report

 Cloudbeds



More Reservations, Happier Guests: The Ultimate Guide for the Modern Hotelier

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Also, find us on Twitter @Cloudbeds or Facebook at Cloudbeds to learn how we help properties around the world to create more reservations and happier guests.

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FOREWORD

Hotel Tech Report recently surveyed 650 hoteliers about technology preferences and market trends. One of the questions we asked was “What is the most important goal you have for technology going into the upcoming year?”

The top priority for hoteliers based on this research is to “transform business processes, culture and operating models for the future” (21.23%). In the survey, future proofing the business was twice as important to hoteliers as reducing operational cost (10.62%) and it was even more critical to hoteliers than driving incremental revenue (19.23%). A book that addresses how to build a modern, resilient lodging business could not have come at a better time.

More Reservations, Happier Guests builds on the collective hospitality experience in one of the fastest growing hotel tech startups of all time: Cloudbeds. With more than 22,000 properties using its platform, Cloudbeds has gleaned insights from working with hospitality businesses of all sizes and types, all around the world. This book distills this collective wisdom into the key concepts hoteliers need to understand in order to build successful businesses.

In hospitality, we’re seeing blurred lines between different types of operations. Short-term rental businesses are professionalizing and reaching scale, making them look more like traditional hotels. Branded hotel chains are beginning to look more like boutique hotels as they add more soft brands to their respective install bases. We’re also seeing small, independent operators turn niche concepts—boutique roadside motels, glamping sites, renovated shipping containers—into successful, growing travel trends.

We are seeing a world where hospitality knows no bounds, and that’s largely driven by technology. It’s through the ever-evolving technology we have today that travelers can now book treehouses and camper vans in the same way they would book a hotel room, or that a property can offer a nearly 100% contactless guest experience from check-in to checkout without sacrificing guest satisfaction.

As business models evolve and markets shift, hoteliers also need to educate themselves about the latest trends, technologies and strategies being successfully leveraged by their peers. How do hotel organizations collect, clean, manage and action data to optimize their businesses? What are the forces shaping OTA relationships? What aspects of the guest experience can be automated to drive efficiencies without decreasing consumer satisfaction? What creative strategies can be deployed to lower payment fees and get better terms while accepting more payment methods? All of these and more will be answered in the pages ahead.

Jordan Hollander

CEO at Hotel Tech Report

ABOUT CLOUDBEDS

Simplicity isn't simple. It takes tremendous care, discipline, and craftsmanship to take something inherently complex like hospitality technology and make it intuitive.

Since 2012, Cloudbeds employees have focused on democratizing lodging software, disentangling it, and making it accessible for properties of all sizes and types. It's no secret that legacy software is broken. Expensive licensing fees, high maintenance costs, multiple support teams and vendors, large investment in training users, and countless disconnected tools. It's time to fix this.

Cloudbeds gives you everything you need to grow your business in one integrated platform. We focus on delivering a world-class human and technology approach to our software while we empower you to delight your guests and thrive. This is backed by our mantra, More Reservations and Happier Guests, which we use as the driving force behind how we service, innovate and advocate for a better path forward to the industry, as a whole.

The hospitality industry is not only our business, it's our passion. We've experienced its ups, shifts, and challenges. Through it all, our mission at Cloudbeds remains the same; to one day power every property in the world. Today, we proudly power over 22,000 properties in 157 countries around the world. And we are just getting started.

Cheers to more reservations and happier guests,

The Employees at Cloudbeds

INTRODUCTION

Get Ready for the Future

Hoteliers are eternal optimists. It's part of what makes our industry great, keeps guests coming back, and attracts quality employees. In the time since the Covid-19 pandemic hit the global travel industry, our optimism has never been more tested.

Today, as an industry, we are leaner but stronger, more resilient, and optimistic that recovery is well on its way. But if there's one thing we've learned, it's that optimism isn't enough. We need to be future-proof. This means forward-thinking, prepared for any scenario, and able to adapt quickly as circumstances change.



WHY WE WROTE THIS BOOK

At Cloudbeds, we recognize that technology forms the backbone of a successful lodging business. However, technology is only as powerful as the people behind it. We're committed to helping hoteliers develop the knowledge and skills they need to leverage technology to achieve their business objectives. This book is part of that commitment. We want to help you run a successful property and grow your business.

Since launching in 2012, Cloudbeds has grown to encompass more than 600 employees around the world, many of whom are current or former hoteliers. In this book, we draw from the breadth of our team's collective experience, combining it with input from our clients, partners, and thought leaders in the travel industry.

People like Larissa Fuller, cofounder and general manager of LOCAY, a boutique accommodation community in Australia. For her, being future-proof is about consistency. "Ensuring staff and management maintain procedures and service fundamentals is key to maintaining quality, ensuring consistency, and managing guest expectations, all of which contribute to the long-term success of the business," she tells us.

WHO THIS BOOK IS FOR

This book is for owners and operators of all types of lodging businesses—large and small hotels, inns, hostels, and private rentals, whether branded or independent—no matter where you are in the world, what department you're in, or where you are in your career. For simplicity, throughout the book we refer to this diverse group as "hoteliers."

Rather than highlight our differences, we focus on our commonalities—our shared challenges and opportunities, trends that shape our destiny, and universal truths about the hospitality business.

WHAT TO EXPECT

In the coming chapters, we share insights, ideas, strategies, and best practices on a range of timely topics. We explore everything from leveraging the power of data to drive performance in all departments, to smart revenue strategy in any market conditions, to building guest satisfaction in a time of changing traveler behavior and expectations.

In the end, we hope this book will not only help you future-proof your property, it will make you feel as optimistic as we are about the bright future ahead for our industry.



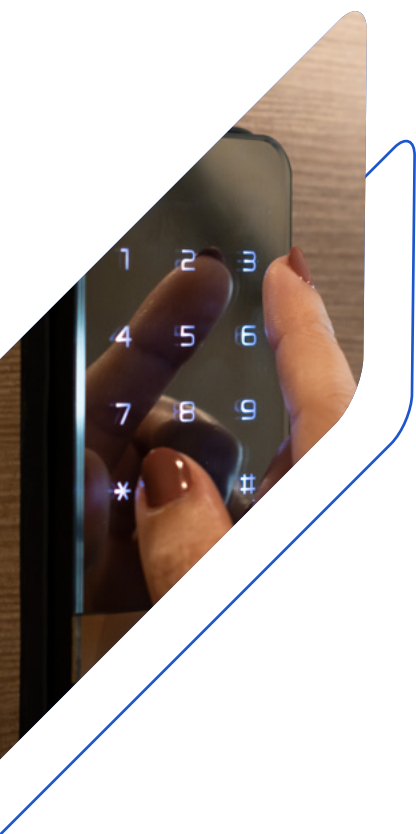
CHAPTER 1

Three Trends Transforming the Hotel Business



Most trends come and go, but some trends endure and become the standard way of doing business. Here we look at three interrelated trends that were fast-tracked by the pandemic and appear destined to transform the hotel industry well beyond the recovery. While these trends create exciting opportunities for lodging operators, they involve the convergence of hotel labor and technology and require careful thought and planning.

Trend #1



SELF-SERVICE IS TRANSFORMING THE GUEST EXPERIENCE

Traditionally, part of the appeal of hotels is the abundance of staff on hand to perform tasks guests normally do for themselves at home—things like opening doors, carrying luggage, serving meals, and making the bed. Today, travelers are far more self-sufficient. Instead of waiting for employees to serve them, guests are performing tasks themselves, and hotels are encouraging the behavior.

The trend isn't unique to the hotel industry, of course. It's been 15 years since the first iPhone came out, and since then mobile applications like Google Maps, iMessage, and Uber have become part of our daily lives. Today, we can do our banking, check in to flights, and check out of supermarkets using a smartphone. Why line up or wait on hold when we can help ourselves?

The pandemic has acted as a catalyst to the digital transformation. According to a global survey from McKinsey & Company, companies have accelerated the digitization of customer interactions and internal operations by three years on average. Today, 58% of all customer interactions globally are now digital, compared to 36% prior to the pandemic, according to McKinsey.¹

Part of the impetus has been growing demand for contact-free services. By summer 2020, travelers had made their preferences clear. In a Blackbox Research survey of over 10,000 people across 17 countries, 76% of respondents indicated that, when they next traveled, their preferred destinations would be countries that offered reliable contactless experiences. Nothing promises "no contact" quite like self-service.

For most hotels, switching to opt-in housekeeping and grab-and-go meals has been relatively easy. Other services, such as remote check-in, keyless room entry, digital ordering, and contactless payments, require substantial investments in technology. For some properties, this means converting from fully manual processes, while others had systems in place prior to the pandemic and were well-positioned to meet the demand.

The self-service trend couldn't come at a better time. Faced with ongoing pandemic challenges, staffing shortages, and rising labor costs, owners and operators are desperate to save costs and increase productivity. Self-service is cheaper and more efficient than live service, enabling forward-thinking hotel companies like citizenM to promise unprecedented efficiencies like "1-minute check-in from anywhere."

Looking ahead, as health and safety concerns ease, will guests go back to allowing employees to handle their credit cards and make up their rooms? Undoubtedly, some will, and it's safe to presume that certain tasks, like maintenance and dishwashing, will always be handled by employees. But as more consumers discover the ease of self-service in other areas of life, they will grow to expect it in hotels. In fact, some may even prefer it. In a 2020 GlobalWebIndex survey, nearly 4 out of 10 internet users said they prefer to use automated services over speaking to a customer service representative.²

In the rapidly growing private rentals segment, self-service is already the norm. Airbnb customers can use its mobile app to make a reservation, check in, get assistance, check out, and pay their bill—all without ever seeing a host or employee. Sonder, an operator of short-term rentals, calls its mobile-first service "the future of hospitality."

Self-service is about giving travelers greater control of their trip experiences. Today's luxuries are speed and convenience. Salesforce found that across generations, more than 67% of customers say they prioritize convenience over brand, and this number jumps to 76% for Generation Z.³ Hoteliers need to adapt or risk being left behind.

¹ McKinsey & Company. How COVID-19 has pushed companies over the technology tipping point—and transformed business forever. 2020. <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/how-covid-19-has-pushed-companies-over-the-technology-tipping-point-and-transformed-business-forever>

² GlobalWebIndex. Connecting the Dots: Consumer Trends that Will Shape 2020. P. 41. https://www.gwi.com/hubfs/Downloads/Connecting_the_dots.pdf

³ Salesforce. The State of the Connected Customer. 2020. P. 15. https://www.salesforce.com/content/dam/web/en_ie/www/PDF/salesforce-state-of-the-connected-customer-4th-ed.pdf



Trend #2

AUTOMATION IS TRANSFORMING THE EMPLOYEE EXPERIENCE

Meanwhile, in the back-of-house, another form of automation is transforming the employee experience. While machine automation has been used in hotels for decades (think elevators, dishwashers, and washing machines), only recently has computer automation become more pervasive. Increasingly, tasks traditionally performed manually by employees are being digitalized and automated by computers and software.

As with self-service, the pandemic gave impetus to automation, as hotels looked for ways to do more with minimal staffing. But whereas self-service is about guests helping themselves, this type of automation is about computers helping employees. And while the notion of humanoid robots serving guests generates a lot of media hype, the bulk of automation today involves more banal work: computers performing simple, repetitive tasks and automating data processing, workflows, and reporting.

Today, hotels have access to an array of tools with built-in automation, from accounting software to property management systems and revenue management systems. There are tools for managing operations, housekeeping and maintenance tasks, employee and guest communications, staff scheduling, payroll, customer relationship management, online reviews and surveys, and dozens of other processes.

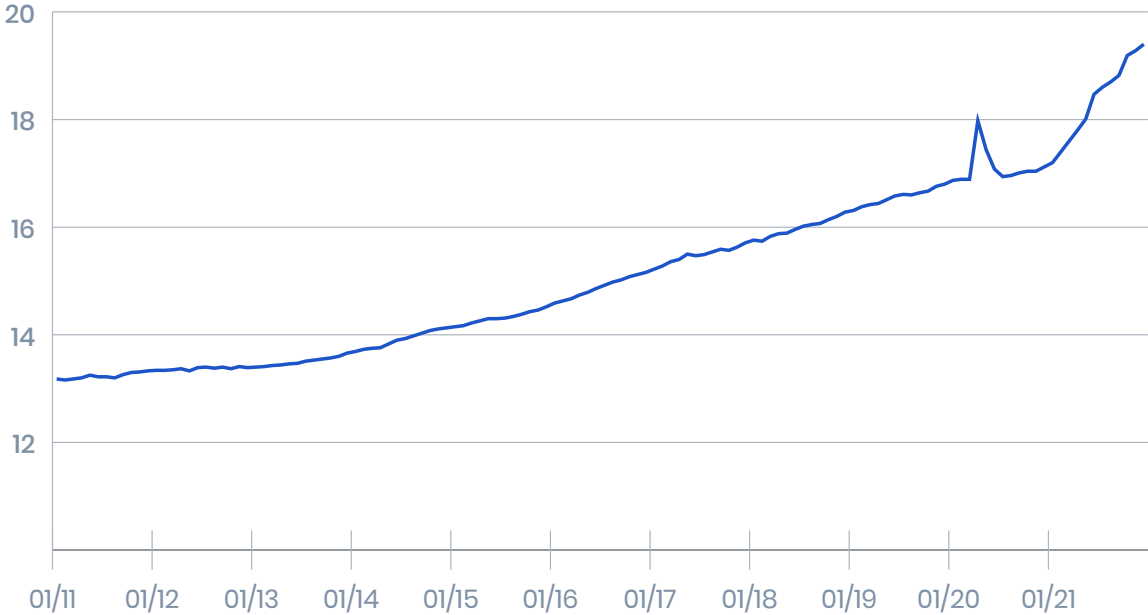
With the help of automation technology, hotels can process vast amounts of data to make more informed decisions, streamline workflows to boost efficiency and consistency, and deliver information and services more quickly and accurately. The end result? Operators of all types of accommodation can run their business more efficiently, strengthen guest satisfaction and loyalty, and increase revenue and profits.

“*Today, hotels have access to an array of tools with built-in automation...*”

And we're only at the beginning. In the future, more technology will be powered by artificial intelligence, machine learning, and natural language processing, vastly increasing the range of automation capabilities. Stay tuned for advanced digital assistants and chatbots, fully automated restaurants, self-driving shuttle buses, automated review responses, and much more. And yes, there will be humanoid robots.

⁴U.S. Bureau of Labor Statistics. 2021. https://data.bls.gov/timeseries/CES7000000003?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true

AVERAGE HOURLY EARNINGS OF ALL EMPLOYEES IN THE U.S. LEISURE AND HOSPITALITY SECTOR, JANUARY 2011–JANUARY 2021



...from accounting software to property management systems and revenue management systems.”

Trend #3



HOTEL STAFFING MODELS AND JOB DESCRIPTIONS ARE CHANGING

Where does the rise of self-service and automation leave employees? Before the pandemic, McKinsey predicted that 37 million U.S. workers would be displaced by automation by 2030. In 2021, the company increased its projection to 45 million.⁵ For hotels, while it will be some time, if ever, before large numbers of jobs are displaced, automation is already changing staffing models and job descriptions.

Once again, the pandemic acted as an accelerating force. In 2020, as hotels scaled back services or closed temporarily, record numbers of employees were laid off or furloughed. The following year, as travel began to pick up again, hoteliers discovered that many of these employees had taken jobs in other industries.

According to a 2021 Joblist poll, 25% of former hospitality workers in the U.S. said they would not work in the industry again, citing low pay, poor benefits, taxing schedules, and difficult customers.⁶ By summer 2021, an estimated 150,000 hotel and restaurant workers in France⁷ and 300,000 workers in Germany had left the hospitality industry,⁸ and there were more than 200,000 hospitality job vacancies in the U.K.⁹

In the meantime, wages—already the highest operating costs for hotels—have been on the rise. The U.S. Bureau of Labor Statistics forecasted the average hourly earnings of employees in leisure and hospitality to increase by 46% between 2011 and 2021. Furthermore, creeping inflation and global supply chain issues are driving up the costs of real estate, financing, supplies, and equipment.

For the employees and managers who have worked throughout the pandemic and stayed loyal to the industry, things haven't been easy either. Pulled in all directions, they've struggled to maintain a positive outlook while covering responsibilities in multiple departments, working long hours, and managing guest complaints about reduced staffing and services. Many of them feel overworked and burned out. In the Joblist poll, 45% of hospitality workers said they were more dissatisfied with their jobs than prior to the pandemic, and 58% said they planned to quit before the end of the year.¹¹

⁵ Kevin Roose. The New York Times. The Robots Are Coming for Phil in Accounting. <https://www.nytimes.com/2021/03/06/business/the-robots-are-coming-for-phil-in-accounting.html>

⁶ Joblist. Q3 2021 United States Job Market Report. 2021. <https://www.joblist.com/jobs-reports/q3-2021-united-states-job-market-report>

⁷ Encarna Bravo. Neo Restauration. Le secteur de la restauration doit se montrer plus attentif à ses équipes terrain en investissant sur la motivation et la formation. 2021. <https://www.neorestoration.com/article/etude-44-des-employes-du-secteur-hr-ressentent-un-manque-de-reconnaissance-au-travail,58753>

⁸ DW. "Staff wanted" as pandemic forces hospitality workers to rethink. 2021. <https://www.dw.com/en/staff-wanted-as-pandemic-forces-hospitality-workers-to-rethink/a-59118045>

Will staffing levels return to normal once travel recovers? While hotels will undoubtedly hire more employees, many may never go back to pre-pandemic staffing levels. Owners and operators have discovered that properties can be operated with far fewer managers and employees without a serious backlash from guests. Even if they wished to return to 2019 staffing levels, with so many employees leaving the industry it's questionable whether they could find enough qualified job candidates. Going forward, the new reality at many properties will be a leaner staffing model with more consolidation of roles, multitasking, self-service, and automation.

“When we get out of the crisis, [our brands] will be higher-margin and require less labor than they did pre-Covid,” said Chris Nassetta, CEO of Hilton, during a 2021 earnings call. Operators of both branded and independent properties should take heed.

Rather than lead to massive reductions in staffing, today's automation tools are designed to ease pressure on staff and augment their work, handling mundane tasks to free them up for more complex, high-value tasks like providing elevated guest service, problem solving, analysis, planning, and strategy.

Over time, however, the number of hotel jobs is likely to shrink. Jobs involving simple, repetitive tasks and data processing are most vulnerable to being displaced. This includes reservations, front desk, guest services, and accounting. Jobs involving complex multitasking and physical labor such as housekeeping and food services, which are relatively low-paying and would be costly to automate, are less vulnerable to automation but more vulnerable to the self-service trend. Also safe for the time being are jobs requiring skills that can't easily be replicated by computers, such as strategic thinking, creativity, leadership, empathy, relationship-building, and complex problem-solving. This includes positions in senior management, sales, marketing, revenue management, IT, and maintenance.

“Using AI, mobility, cloud, robots and cobots (collaborative robots), IoT and other next-gen technologies, the hotel—especially 4- and 5- star properties, can still keep a 'human guest-facing facade' but automate all of the back-end operations, enable smart guest communications, and automate and personalize every touch point with the customer,” Max Starkov, adjunct professor at NYU Tisch Center for Hospitality, wrote in a recent article. “In my view, five years from now, the hospitality industry won't be needing half the people it needed back in 2019, and the savings from payroll will mean the investments in next-gen technology will pay for themselves.”¹³

⁹ Naomi Ackerman. Evening Standard. Hospitality sector short of 200,000 workers amid staffing crisis, industry boss tells MPs. 2021. <https://www.standard.co.uk/business/hospitality-sector-staffing-crisis-200000-roles-b945568.html>

¹⁰ U.S. Bureau of Labor Statistics. https://data.bls.gov/timeseries/CES7000000003?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true travail,58753

¹¹ Joblist. Q3 2021 United States Job Market Report. 2021. <https://www.joblist.com/jobs-reports/q3-2021-united-states-job-market-report>

¹² Eli Rosenberg. Hotel industry emerges from pandemic with new business model, possibly fewer workers. The Washington Post. 2021. <https://www.washingtonpost.com/business/2021/06/11/hotel-workers-reduced-cleaning/>

¹³ Max Starkov. HospitalityNet. No, Guests Do Not Require Human-Provided Services In Hospitality. 2022. <https://www.hospitalitynet.org/opinion/4108290.html>



ADAPTING TO THE TRENDS

As automation continues to disrupt the hotel model, owners and operators have an opportunity to re-examine technology, roles, and skills and prepare for the long-term needs of their business.

Here are a few considerations for adapting to these trends:

- Decide which processes in the front-of-house and back-of-house can be streamlined using technology and which aspects should continue to be handled by employees.
- Divest from outdated, legacy technology that prevents the property from keeping pace with changes in consumer technology and traveler behavior.
- Make strategic investments in the technology, infrastructure, and bandwidth needed to adapt and grow the business over time, including automation, tech integration, cloud computing, and 5G networks. Keep in mind that the right investments today will pay for themselves in increased productivity and cost savings in the future.
- Attract and retain employees who can grow and evolve in a more tech-enabled workplace, providing training and upskilling opportunities, competitive wages and benefits, flexibility with schedules, and remote work opportunities.
- Leverage the power of automated data processing to make better decisions across the organization, keeping a laser eye on key performance indicators to ensure that every initiative, investment, and decision drives guest satisfaction, loyalty, and profitability.



Q&A

What the best advice would you give to a hotel owner about how they can prepare for the future no matter what it might hold?



For far too long we in the hotel industry have been far too hesitant. For decades (or maybe centuries!), we have stuck to the same winning but tired old formula for connecting and interacting with guests before, during and after their stay.

The COVID-19 pandemic, however, has acted as a significant driver of change, particularly in regards to consumers' digital adoption and expectations. Digital has become core to most consumers' lives, changing how they want to buy from and interact with businesses of all types. As a result, hotels are being forced to rethink many aspects of their day-to-day operations, from how they sell to more digitally savvy consumers to how they reorganize workflows to integrate digital more thoroughly into every aspect of what we do.

Doing so necessitates a solid underlying technological infrastructure, using best-of-breed and cost-effective core systems well adapted to the specificities of the hotel sector. To avoid the "islands of automation" challenges seen in the past, where valuable data was trapped in isolated proprietary software, our new approach needs to be open and interoperable to allow the hotel to build up an integrated, flexible, and synergistic portfolio of systems capable of seamlessly supporting all aspects of hotel management and operations.

In today's digitally enabled world, everyone agrees that data is power. While in the past we have sporadically collected guest data, in general, we have largely failed to leverage it effectively as a strategic resource. Seizing the opportunity provided by digitalization to facilitate access to accurate, timely and relevant customer data, we in the hotel industry need to embrace change and rethink how we can better leverage this newfound customer knowledge to enhance service, sell better, and drive revenues. Only by personalizing everything that we do in this way will we be able to differentiate ourselves, stand out from the pack, and ensure success in the future.

Peter O'Connor

Professor in Strategic Management
University of South Australia

CHAPTER 2

Smooth Operator: Finding Efficiencies and Excellence in the Guest Experience Through Automation



In the post-pandemic world, hotel operations are leaner, guests are more self-sufficient, and everyone is more tech dependent. However, the economic fallout has created a widening gap between the high expectations of guests and the economic realities of hotels. Automation has the potential to fill that gap. The question is, how can hotels leverage automation to enhance the guest experience rather than detract from it?

CATALYSTS TO AUTOMATION

As software applications take on more tasks traditionally performed by employees, automation is touching virtually every aspect of hotel operations. From online reservations to post-stay surveys, the fully automated guest experience is now within reach. Up until recently, however, the on-property guest experience has remained largely “high touch,” involving frequent face-to-face interactions between guests and employees.

The pandemic changed that. Virtually overnight, hotels had to find ways to minimize contact between guests and employees. For many, this meant prioritizing technology investments that had been on the backburner for years. Since then, staffing shortages and rising labor costs have given added urgency to the need for automation.

Today, hotels utilize an array of tools that automate operational tasks, from guest-facing services like remote check-in, keyless room entry, and digital communications to employee-facing functions like revenue management and marketing automation.



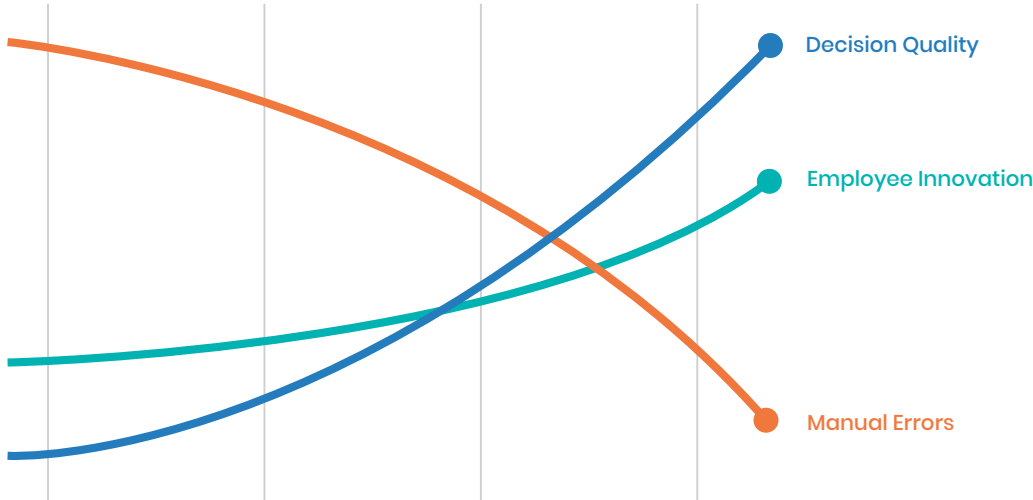
ADVANTAGES OF AUTOMATION

Automation has the potential to improve hotel operations in a variety of ways, including:

- Greater efficiency and productivity
- Increased revenue
- Faster, more consistent service
- Fewer manual errors
- Savings in labor and other costs
- Better scalability with business flows

The advantages aren't limited to large hotels with complex operations. In fact, many smaller properties, vacation rentals, and apart-hotels are well ahead of the game when it comes to automation and are already reaping the many benefits.

AUTOMATION



WHAT OPERATIONAL TASKS CAN BE AUTOMATED?

Here's a snapshot of the operational tasks hotels can automate and some of the tools available to make it happen.

DEPARTMENT	TASKS	TECHNOLOGY	BENEFITS
Reservations	Bookings, changes and cancellations, confirmations, pre-arrival messaging, upsells	PMS, CRS, CRM system, website booking engine, guest messaging app, upsell app, mobile concierge tool	Greater efficiencies, no waiting on hold, fewer errors, more revenue, guests have more control
Front Desk	Check-in, keyless room entry, checkout, payment processing and reconciliation	Mobile check-in and keyless entry technology, hotel app, guest messaging software, chatbot, payments solution	Greater efficiencies, reduced labor costs, reduced wait times, higher guest satisfaction
Guest Services	Responding to guest queries and requests, in-room controls (temperature, lighting, entertainment), in-stay surveys, concierge services, loyalty program, requests for surveys and online reviews	PMS, CRM system, hotel app, guest messaging tool, webchat app, chatbot, voice assistant, IoT software, digital directory, operations management software, guest survey tool, mobile concierge tool, loyalty management tool, guest survey tool, online reputation management software	Higher guest satisfaction, consistency in task completion, better complaint resolution
Housekeeping & Maintenance	Housekeeping on demand, tracking of rooms to clean and service, guest requests, rushed rooms, stayovers	PMS, operations management software, housekeeping and maintenance task management tool, messaging app	Greater efficiencies, quicker room turn-over, better upkeep, fewer guest complaints
Food, Beverage, & Retail	Self-bookings, digital ordering, digital menus, payments processing, food prep and delivery, self-serve café and gift shop, grab and go meals, vending machines, minibar management	Restaurant reservation software, QR codes, digital menu app, point-of-sales (POS) system, hotel app, payments solution, guest messaging tool, chatbot, automated vending machine, automated minibar systems	Greater efficiencies, saved costs, more revenue and profitability
Revenue Management	Pricing, inventory management, forecasting, reporting, competitive benchmarking	Revenue management system, pricing tool, rate shopper, channel manager, forecasting software	Greater efficiencies, more revenue and profitability
Sales and Marketing	Email marketing, customer relationship management (CRM), online advertising	CRM system, marketing automation tool, ad management platforms	Higher guest satisfaction, personalization, more revenue and profitability

Property Spotlight

LEVERAGING THE BENEFITS OF AUTOMATION

At Hotel Las Cortes de Cádiz in Cadiz, an ancient port city in southwestern Spain, automation strategy is central to the property. Set in a meticulously restored 19th century palace house, the hotel uses tools to automate a variety of functions. This includes online check-in, night audit, website bookings, pricing, and channel management, all of which are integrated with the PMS.

“Automation allows our property to improve processes, save money and time, reduce mistakes, and boost revenue,” said Alberto Lozano, director of reception, reservations, and e-commerce. “Now that our staff don’t have to spend so much time on computer-related tasks, they have turned into guest experience leaders. Not only have we saved money, we’ve also been able to reallocate a portion of our budget for staffing and processes to marketing.”

Next up, the property plans to introduce digital room keys. “Automation adds value to the hotel, putting the guest at the center of the transformation,” Lozano said. “More automation will free up our staff to provide a magnificent experience to our guests.”

He added, “It isn’t just about technology. Automation is vital to the future of the hotel business to reach maximum efficiency at all levels—finance, operations, and hospitality.”

Hotel Las Cortes de Cádiz
Cadiz, Spain



HOW ARE HOTELS PRIORITIZING AUTOMATION?

In 2021, Travel Singularity and Shiji Group surveyed hotel companies on which aspects of the guest journey they plan to digitize in 2021. Here are their top priorities:

70%

plan to digitize hotel information (replacing the in-room handbook)

57%

plan to digitize check-in/checkout

38%

plan to digitize room keys

38%

plan to digitize room service requests¹⁴

OVERCOMING RESISTANCE

Despite the advantages, resistance to automation remains strong in some hotel circles. Owners and investors are often reluctant to make the sizeable investments required, especially at a time when they're trying to recoup losses from the pandemic. Operators and management companies worry about losing the personal touch with guests that distinguishes their properties from competitors. Employees share similar concerns to operators, as well as fearing being replaced by computer software and robots.

There is also the question of traveler adoption. If they build it, will they come? In the mid-2000s, Marriott, Starwood, and Hilton installed check-in kiosks in lobbies of select hotels in an effort to reduce congestion and expedite check-in and checkout. The result? Most guests ignored them, preferring to be served by employees. Those who did try the kiosks often found them to be difficult to use or out of service. The kiosks became known as "dust collectors," and many were quietly removed.¹⁵

Were the kiosks a massive failure or simply ahead of their time? Most likely the latter. Today, consumers encounter self-serve kiosks everywhere they go—in supermarkets, drug stores, banks, fast food restaurants, and retail stores. In airports, travelers sometimes have no choice but to check in by kiosk. As a result, consumers are quickly becoming more comfortable with the technology, paving the way for a comeback in hotels. That comeback, however, is more likely to take the form of hotel apps. Rather than queue for a kiosk, guests can use their smartphone to check in on the way from the airport, access hotel services from anywhere, and enter their room without stopping to pick up a key.

To overcome resistance to automation, hotels need to give consumers the confidence the technology will work, will save them time, and will offer other concrete benefits. Employees need reassurance it will augment their job rather than replace it. And owners must weigh the costs of investing in automation with the benefits of labor cost savings and the risks of failing to keep up with traveler expectations.

¹⁴ Shiji Group. The Current State of Technology in Hotels and the Way Forward. 2021. P. 5. <https://insights.shijigroup.com/thank-you-report/>

¹⁵ Christopher Elliott. Is the Check-in Kiosk in the Lobby for Real? The New York Times. 2005. <https://www.nytimes.com/2005/05/31/business/is-the-checkin-kiosk-in-the-lobby-for-real.html>

MAINTAINING THE HUMAN TOUCH

But what about the human touch? If you ask hoteliers what distinguishes their property from others, most will point to their customer service. As more customer touchpoints are digitalized and automated, will hotels lose the human connections that create memorable stays and keep guests coming back? And how attached are travelers to human service?

The answers depend on the type of property. In a luxury resort where most guests are on vacation, a generous employee presence will continue to be important. In a city hotel where most guests are on business, guests may prefer the speed and efficiency of automation. In a private rental, guests are already accustomed to having no face-to-face contact with hosts and employees.

“In the luxury and boutique markets, I think customer satisfaction is still correlated to the amount of human connection and support offered,” said Larissa Fuller, cofounder and general manager at LOCA Y in Sydney, Australia. “People still seek connection, boutique service, character, and communication. While travelers want convenience, these markets also need to ensure that increased automation doesn’t affect the value placed on their product and brand.

In Hangzhou, China, FlyZoo Hotel is known as “the hotel of the future.” There, virtually all aspects of the guest experience are automated. Guests can check themselves in and enter their room using facial recognition technology and use the in-room digital assistant to get answers to their questions and adjust the temperature, lighting, curtains, and entertainment. Drinks are prepared by a robotic butler, and meals are delivered by robotic droids. A scan of the online reviews suggests that guests are loving the experience overall, although there are still a few operational kinks to iron out.

FOUR ESSENTIAL GUEST NEEDS

For any type of hotel, for guests to embrace automation it must cover four basic needs:

Control: Guests should be given the option to perform tasks for themselves or be assisted by employees.

Convenience: Guests should be able to perform tasks when and how they want, using their preferred device and messaging channel (SMS, WhatsApp, Messenger, WeChat, etc.).

Efficiency: The technology should function reliably and consistently and process transactions quickly and seamlessly, more so than employee-operated transactions.

Support: An employee should be on hand to assist guests if needed, whether in person, by phone, or through instant messaging.

One company that checks off all the boxes is citizenM, a collection of “affordable luxury” boutique hotels in Europe, the U.S., and Asia. Since opening its first property in Amsterdam in 2008, the company has automated everything from check-in and checkout to its 24/7 self-serve canteen. Today, mobile services include one-minute check-in, keyless room entry, and opt-in housekeeping. While the properties run on a much leaner staffing model than traditional hotels, a friendly employee is always close by to help guests when they need it. The hotels consistently rank above full-service hotels in traveler ratings in their locations.

NOW IS THE TIME TO EMBRACE AUTOMATION

Automation is not a matter of opinion but a matter of time. Properties that resist automating at least basic manual tasks will find it increasingly difficult to keep guests happy and stay competitive. The longer you wait, the further behind you risk falling. Now is the time to embrace automation as a key component of your future-proof strategy.

6 WAYS TO ENSURE SUCCESS IN AUTOMATION

Here are a few ways hoteliers can embrace automation to increase efficiency, productivity, and profitability while preserving the human side of hospitality:

1. Start Simple

Focus on automating simple, repetitive tasks and transactions that are easy to implement, are cost efficient, and will enhance the guest experience. This may include guest communications (pre-stay, in-stay, and post-stay) and revenue management tasks such as rate shopping, pricing, and distribution.

2. Get Humans to Do Human Work

Determine what guests need more of at each touchpoint: efficiency or human touch? Emphasize automation in back-end operations while preserving the human touch in high-value guest touchpoints such as local recommendations, complaint handling, and problem solving.

3. Give Guests More Control

Where possible, offer guests the choice of performing tasks themselves. Allow them to self-check-in and out, upgrade their room, arrange an early check-in or late checkout, opt out of housekeeping services, and pay using contactless methods.

4. Provide Support

Ensure that guests know where to turn when they need help and can access a live employee quickly. The human touch doesn't have to be physical; provided that employees are knowledgeable and efficient, it can be just as effective by telephone, SMS, webchat, or messaging app.

5. Invest in Your Employees

Recognize that your team members remain your most valuable asset. Provide training and upskilling opportunities to help them work in tandem with automation, develop skills that computers can't replace, and grow and evolve with your business.

6. Choose the Right Tech Providers

Find technology partners that understand the hospitality business and can provide the tools, training, and support you need to successfully deploy automated systems. This includes rigorous testing and validation, data security, and integration with your PMS.

Tales from behind the front desk

When I was still in college I got a summer job at a sport fishing lodge in Alaska's southeast archipelago. We operated with a skeleton crew. They never gave me a job title, but it should have been something like "Log-Varnisher, Dishwasher, Reservations Manager, Sous Chef, Jacuzzi Guy."

This was back in 2002: the year Amazon launched their game-changing web services platform. It's safe to say that nobody in Thorne Bay, Alaska knew technology was taking a giant leap down south in Seattle. Our property management system was Office 97 on a desktop PC, plus a pile of yellow sticky notes. The internet was slow, except when the wind jiggled the satellite dish on the roof. Then the internet went out altogether.

One day my boss, the hotel General Manager, joined some guests going out on saltwater. They got lucky and caught some 'kings'—the beautiful chinook salmon prized by fishermen. My boss was jubilant. His own salmon weighed in at 40 pounds—not huge, but still the top catch in what had been a terrible year for fishing. He wanted friends in the 'Lower 48' to see his prize. "Frank!" he called. "Go tell the dock guys not to cut up my salmon. I'm going to freeze it and ship it to the States."

I hurried off. But I only made it about 20 yards before the lodge Maitresse D' accosted me. They desperately needed me in the dining room. Dinner prep was going sideways. So I sped off to lodge, and in two minutes I'd forgotten all about my boss' beloved fish. I was folding napkins when the Maitresse told me to stop and come outside. There stood the GM. He proceeded to explain that, per his earlier instruction, he wanted his beautiful salmon to remain in one piece. He'd just learned that it was in several pieces. The dockhands had fileted it along with the others. My boss was disappointed by my performance, a thing he made clear during several minutes of artful profanity.

Today I can laugh about it. I can also imagine all the screwups we could have averted (not all of them mine) if only we'd had a real PMS. Muddled communication; food inventory surprises; the guests we stranded in Ketchikan because we didn't time the float planes. And we definitely needed a RevPAR calculator. We were running our usual rates during a slow summer, and basically hemorrhaging money. But I learned a valuable life lesson. When your boss tells you to tell the dock guys not to filet his prize salmon, it's a good idea to simply go tell the dock guys not to filet his salmon.



Frank Morgan

*Former Hotel Staff Member and
Technical Writer at Cloudbeds*



CHAPTER 3

How to Get Online Travel Agencies Working for You



Love them or not, online travel agencies (OTAs) are a distribution channel hotels can't afford to ignore. Whether you operate a three-room B&B or a large resort hotel, if you're not working with third-party distributors, you're missing out on business.

But working with OTAs isn't just a matter of signing up and hoping for the best. To take advantage of the opportunities and avoid the pitfalls, you need to actively manage your listings, pricing, and inventory and take a strategic approach to online distribution.

THE RISE OF ONLINE TRAVEL AGENCIES

When Expedia and Booking.com first appeared on the travel scene in the mid-1990s, travelers quickly flocked to them as an easy way to search for hotels and compare offerings in a destination. Hoteliers, on the other hand, weren't so thrilled. Many resented the hefty commissions charged for bookings, ranging from 10 to 30% of room revenue, and some of the tactics OTAs undertook to attract business.

In 2008, the reputation of OTAs got a boost when Cornell University published a landmark study that found that travelers often discovered hotels on OTAs and then booked directly with the property. According to the research, a listing on Expedia could generate 7.5 to 26% in incremental reservations over and above those made through Expedia. The authors called this phenomenon the Billboard Effect.¹⁶

Since then, the true value of the Billboard Effect has been hotly debated, with prominent industry leaders declaring it "dead," while others argued that the reverse is true, claiming many trip planners visit hotel websites first and then go to OTAs to book. In the 2010s, the world's largest hotel groups, including Marriott, Accor, and Hilton, plus a host of independent properties launched campaigns to reduce their dependency on OTAs and attract more direct bookings. Many of those strategies are still in place today.



Up to 30%

**of room revenue
can be charged
as a commission
for bookings**

¹⁶ Chris Anderson. The Billboard Effect: Online Travel Agent Impact on Non-OTA Reservation Volume. Cornell University School of Hotel Administration. 2009. <https://ecommons.cornell.edu/handle/1813/71015>

¹⁷ PATA. The Role of Online Travel Agencies in Supporting Asia Pacific SMEs in Recovery. 2020. P. 12. https://static1.squarespace.com/static/5f24290fd0d0910ecab2b02e/t/5facc36b16947a58fe96a9af/1605157825658/PATA_OTA_Stakeholder%2BResearch_Report-9Nov.pdf

¹⁸ Phocuswright Research. OTA bookings projected to climb 55% in Europe. 2021. <https://www.phocuswright.com/Travel-Research/Research-Updates/2021/ota-bookings-projected-to-climb-55-percent-in-Europe>

¹⁹ PATA. The Role of Online Travel Agencies in Supporting Asia Pacific SMEs in Recovery. 2020. P. 12. https://static1.squarespace.com/static/5f24290fd0d0910ecab2b02e/t/5facc36b16947a58fe96a9af/1605157825658/PATA_OTA_Stakeholder%2BResearch_Report-9Nov.pdf

²⁰ Phocuswright Research. Four Key Developments Keeping the U.S. OTA Market Exciting. 2019. <https://www.phocuswire.com/phocuswright-ota-market-excitement>

²¹ Skift Research. Hotel Direct Booking Outlook in 2021. 2021. P. 4. <https://research.skift.com/report/hotel-direct-booking-outlook-in-2021/>

GROWTH AND CONSOLIDATION

Nevertheless, the growth of OTAs has shown little signs of abating. According to Phocuswright, OTAs account for well over 60% of bookings worldwide and 70% or more in Asia Pacific, Latin America, Eastern Europe, and the Middle East.¹⁷ In Europe, OTAs captured roughly 64% of online lodging bookings in 2020.¹⁸

Smaller, independent properties tend to be more dependent on OTAs and pay higher commissions than branded hotels, which benefit from higher brand awareness and greater negotiating power. According to the Pacific Asia Travel Association (PATA), “two-thirds of all OTA bookings globally are with small, privately owned hotels that have fewer resources, networks, and smaller customer bases vs. those of large global brands.”¹⁹

In the 2010s, OTAs experienced a period of consolidation, out of which emerged what is often called a “duopoly” of the two major players, Expedia Group and Booking Holdings. Today, Expedia Group owns Expedia, Hotels.com, Travelocity, Trivago, Wotif, and Vrbo, whereas Booking Holdings owns Booking.com, Priceline, Agoda, and Kayak. In 2019, these two companies represented 92% of the OTA market in the U.S., according to Phocuswright.²⁰ A third major player is Trip.com Group, which dominates the China market and owns Trip.com, Skyscanner, Qunar, and Ctrip.

DISTRIBUTION CHANNEL – 2019	SHARE OF BOOKINGS
Phone and Walk-ins	10%
Group Bookings (Weddings/Conferences)	7%
Non-Digital Direct	17%
Unpaid Digital Direct (Web and Mobile)	22%
Paid Digital Direct (Metasearch, Google, FB, etc.)	4%
Digital Direct	26%
TOTAL DIRECT	43%
Online Travel Agents	32%
Corporate Travel Agents	4%
Traditional Travel Agents	8%
Travel Agents	44%
Bedbanks/Tour Operators	7%
Global Distribution Systems	4%
Wholesale	11%
TOTAL INDIRECT	55%
Other	2%
Total	100%

Source: Hotel Direct Booking Outlook in 2021, Skift Research²¹

During the pandemic, OTA bookings fell sharply, as did business for all travel sellers, although hotels reported a higher proportion of direct bookings. However, the change is largely attributed to slashed marketing budgets. Looking ahead, as travel rebuilds and budgets are reinstated, hotels can expect OTAs to return with a vengeance. And with OTAs now promoting alternative accommodations along with traditional hotels in search results, the competition is heating up. The question is, how can operators of all types of lodging tip the scales in their favor and maintain “win-win” relationships with OTAs?

Here are just a few examples:

WHY OTAS ARE AN ESSENTIAL PART OF A HOTEL'S CHANNEL MIX

First, it's important to recognize that, regardless of how strong the Billboard Effect may or may not be, it's difficult for properties to achieve optimal occupancy without the help of OTAs. Rather than pray they will go away or fade into obscurity, a more prudent approach is to accept that "if you can't beat them, join them."

Here are a few of the most compelling reasons to partner with OTAs:



Benefit From Huge Ad Budgets

With no properties to operate, OTAs invest a large proportion of revenue into marketing. In fact, Booking Holdings, Expedia Group, and Trip.com spent over \$14 billion combined on marketing in 2020.²² It's the main reason they dominate both paid and organic search results.



Build Awareness and Trust

Huge ad budgets drive massive brand awareness in markets independent hotels could never hope to reach on their own. Being listed on a well-regarded OTA not only increases visibility, it builds trust.



Pay Only For Bookings

There is no upfront cost to create an OTA listing; if you don't receive bookings, you don't pay. This contrasts with other advertising models like pay-per-click, display, and metasearch, in which you pay for clicks whether or not a booking results.



Tap Into Rich Data and Expertise

OTAs invest millions in travel research, data collection, and loyalty programs, constantly searching for ways to attract and retain customers. By working with OTAs, you can benefit from rich data and expertise at no additional cost.



Leverage Sophisticated Tools

OTAs have resources to build sophisticated, high-performance websites and booking engines on their site, incorporating easy navigation, conversion tools, and guest reviews to optimize bookings.

²² Skift Research. Hotel Distribution 2020 Part I: The Channel Mix. 2019. P. 4. <https://research.skift.com/report/hotel-distribution-2020-part-i-the-channel-mix/>

BEWARE OF THE PITFALLS

Along with the advantages come a host of potential pitfalls that every lodging operator should take measures to prevent. These include:

- **Overdependence on OTAs.** OTAs (and bedbanks) are the most expensive distribution channel by far, with commissions averaging almost 20%, according to Skift.²³ If more than half your bookings are from OTAs, you may have a dependency problem. Strive for a more balanced mix from direct channels, GDS, corporate rates, wholesalers, and groups.
- **Commission creep.** OTAs offer opportunities to participate in promotions and loyalty programs in exchange for higher commissions. The more programs you join, the less revenue is left over for you. Keep a close eye on net rates to ensure commissions aren't eating too far into profit margins.
- **Brand confusion.** Some OTAs bid on hotel brand names in search advertising, confusing travelers about where they're booking. While this tactic is generally permitted by Google, it's important to be vigilant. If behavior violates agreements or goes beyond acceptable business practices, ask them to stop.
- **Predatory pricing.** To attract customers, OTAs may undercut your rates by taking a cut in commissions, fees, or exchange rates. Even a difference of a dollar or two can sway booking decisions in their favor. Monitor rates closely to ensure you're always priced at parity or lower, and call OTAs on any unfair practices.
- **The wrong guests.** If you offer heavily discounted rates or list your unique property on OTAs with the wrong guest demographic, you may attract the wrong type of guests, leading to operational challenges and bad reviews. Instead, focus on targeting travelers who will better appreciate the style and value of your property.

²³ Skift Research. Hotel Direct Booking Outlook in 2021. 2021. P. 10. <https://research.skift.com/report/hotel-direct-booking-outlook-in-2021/>

8 WAYS TO GET OTAS WORKING FOR YOU

Now that we've reviewed the advantages and pitfalls of working with OTAs, let's look at a few strategies for making the most of OTA relationships.

Diversify your channel mix. In addition to listing with the big players and their affiliates, work with smaller, niche, and regional OTAs. For upscale properties, this might include sites like Mr & Mrs Smith and Tablet Hotels. For smaller properties, it might include sites like Airbnb, Hostelworld, and Vrbo. Regional OTAs may include Ctrip in China, Despegar in Latin America, and eDreams in Europe.

Use a channel manager. The more distribution channels you're listed on, the higher your visibility and the more potential bookings you will generate. A channel manager makes it easy to manage your listings on multiple sites by automating changes to pricing, availability, and stay restrictions simultaneously, including OTAs, the GDS, metasearch, and your website booking engine.

Optimize listings. Not only will quality OTA listings set your property apart from competitors, they will also improve visibility and conversion rates. Add clear, compelling descriptions, lots of high-quality photos, and details about your location and amenities. Follow OTA guidelines, ensuring content is helpful, accurate, complete, and always up to date.

Price strategically. Offer a variety of rate plans to appeal to a range of traveler types, including packages, value-adds, non-refundable rates, and flexible cancellations. By maintaining rate parity with OTAs, you can earn higher price-quality scores and greater visibility. Use a rate shopping tool to ensure your rates are always positioned strategically relative to competitors.

Manage your OTA reputation. Higher traveler ratings on OTAs mean more visibility, higher rankings, and more conversions. Monitor and respond to reviews and take action to prevent negative reviews and earn five-star ratings.

Track ROI. Direct bookings are generally more profitable than OTA bookings, but only to a point. Be careful not to spend so much on advertising to acquire direct bookings that the costs exceed OTA commissions. Track return on investment on all channels, factoring in conversion rates, ad costs, fees, and other direct and indirect costs.


Convert OTA bookers. Think of OTA commissions as a one-time fee to acquire new customers, then turn them into loyal, direct-booking guests. Collect guest contact information upon arrival and use a marketing automation tool to send special email offers to entice guests to book directly for future stays.

Treat OTAs as partners. OTA market managers can be a valuable source of business opportunities and market insights. Develop strong relationships with them by being proactive and responsive. Conduct regular business reviews, using the tools, market data, and insights provided to gain an upper edge on competitors.

NEW ATTITUDE, NEW OPPORTUNITIES

Hoteliers who complain loudest about OTAs tend to be doing the least to rebalance the relationship. By channeling that energy into taking charge of relationships, you can turn OTAs into a highly profitable part of your distribution mix—and, paradoxically, a valued source of direct bookings thanks to the Billboard Effect.

“ *The more distribution channels you're listed on, the higher your visibility and the more potential bookings you will generate.*

The background is a solid teal color. In the lower right quadrant, there are two decorative white lines. One is a thin, straight line that curves upwards from the bottom left towards the right edge. The other is a thicker, curved line that starts from the bottom left, curves upwards and to the right, and then curves back down towards the bottom right edge.



CHAPTER 4

Generating Demand: Marketing Fundamentals for Every Property Type



Who has time for marketing? Your competitors do. Marketing is often the first activity to be scaled back when business is slow—just at a time when it’s needed most. That’s a problem considering that the primary goal of marketing is to generate demand. Without demand, there is no business.

A major reason why marketing often doesn’t get the attention it’s due is most lodging operators haven’t received formal training in marketing. One day marketing is added to their responsibilities, and after that it’s sink or swim. For smaller properties that don’t have the luxury of a dedicated marketing manager, marketing is done off the side of a manager’s desk or not done at all. They hope it’s working but are never quite sure.

Although the hotel marketing function can be complex and multi-faceted, once the fundamentals are in place maintenance is actually pretty easy. It’s a matter of keeping a close eye on performance and tweaking strategies as market conditions change.

For newbies and veterans alike and for all types of properties, here’s a look at the essentials of hotel marketing.

THE PURCHASE FUNNEL

Marketers like to use a lot of jargon, and a favorite term is the “purchase funnel” or the “customer decision journey.” Both terms refer to the typical path consumers follow when buying a product or service. It starts with initial awareness and then moves through interest, consideration, intent, and evaluation. As shoppers move down the funnel, they visit websites and other information sources, narrowing down their purchase options. Along the way, marketers have opportunities to attract their attention through activities like SEO, paid advertising, social media, and email marketing. If all goes well, the journey ends with a purchase of the product.

According to McKinsey & Company, the purchase journey is not funnel-shaped but circular, featuring a “loyalty loop” in which buyers of a product who have a positive experience go straight to repurchasing the product.²⁴

For accommodation marketers, the message is the same for either model. Travelers consult a multitude of sources when planning a trip, and the stronger the hotel’s presence on these channels, the higher the likelihood of converting them to guests.

5 BUILDING BLOCKS OF HOTEL MARKETING

We can identify five key steps in marketing a property:



Create a Compelling Brand

While the property's brand may be already established, the marketer acts as the custodian of the brand and brings it to life. That includes everything from name and logo to descriptions, imagery, and collateral. Strive for a clear, compelling identity and consistency in messaging across channels.



Identify Your Key Value Propositions

These are the unique selling points or key features and benefits that attract guests to your property. They answer the question, Why should I choose your property? Whether it's your location, style, ambience, amenities, or reviews, describe them in ways that make you stand out from competitors and give travelers the confidence they're making the right choice.



Identify Your Target Markets

Who are your ideal guests? Where do they live, and what do they share in common? Target markets can be grouped into segments such as leisure and business travelers or by geography, booking channels, personas, demographics (age, gender, income, etc.), or psychographics (lifestyle, interests, attitudes, etc.). The important thing is to know who your potential guests are and to find ways to reach them.



Activate Your Channels

Where will guests find out about your property? In search, on OTAs, on social media, or elsewhere? Will they use a mobile device or desktop computer? After they stay, how will you entice them back? Identify your priority channels, set a budget for each, and invest in tools like marketing automation software. Then activate your selected channels.

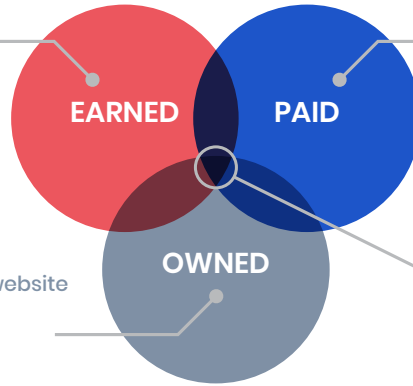


Measure the Results

Monitor the results of your efforts, paying close attention to conversion rates, revenue, and costs of acquisition, as well as website visitor volume and behavior, costs-per-click, and email open rates and click-throughs. Measure progress over time and shift resources to the channels where results are strongest.

THE DIGITAL MARKETING MIX

- Reviews and ratings
- Media and blog coverage
- Guests posts and mentions
- Social shares
- Influencers (free)



- Pay-per-click
- Display and paid social ads
- Remarketing and retargeting
- Native ads
- Paid influencers
- OTAs & distribution channels

- Brand website
- Blog
- Profiles
- Email
- Facebook page
- Twitter feed

The optimal mix leverages them all

3 TYPES OF MARKETING CONTENT

Marketing content can be divided into three main types, each of which serves a unique purpose:

Paid media is content the hotel pays for, such as advertising and OTA listings. As the purchaser, you have high control over the messaging, but it tends to have low trust among travelers.

Owned media is content the hotel creates and owns, such as descriptions and imagery on its website and posts on social media. As the owner, you have high control over the messaging, and it typically has moderate trust among travelers.

Earned media, also called user-generated content, is content created by third parties, such as online reviews and media coverage. You have low control over the messaging, but it generally has high trust among travelers.

To maximize reach and conversion rates, marketers should strive for a balance of all three types of content in promotional activities. For example, your website may feature descriptions and photos (owned media), along with a Tripadvisor review feed (earned media), and you could purchase Google Hotel Ads to attract visitors (paid media).

Content	Examples	Messaging	Action
Paid Media	<ul style="list-style-type: none"> • Pay-per-click • Display and paid social ads • Remarketing and retargeting • Native ads • Paid influencers • OTAs & distribution channels 	<ul style="list-style-type: none"> • High control • Low influence 	Search Engine Marketing (SEM)
Owned Media	<ul style="list-style-type: none"> • Brand website • Blog • Profiles • Email • Facebook page • Twitter feed 	<ul style="list-style-type: none"> • High control • Moderate influence 	Search Engine Optimization (SEO)
Earned Media	<ul style="list-style-type: none"> • Reviews and ratings • Media and blog coverage • Guests posts and mentions • Social shares • Influencers (free) 	<ul style="list-style-type: none"> • Low control • High influence 	Online Reputation Management (ORM) and Public Relations (PR)

KEY MARKETING CHANNELS

In the olden days, farmers took their wares to a public market to sell them. Today, we still have trade shows, but marketing channels have proliferated to encompass everything from print advertising to email marketing—and most of the action is happening on digital channels. While large hotels may have the resources to maintain an active presence on all channels, smaller properties must be more selective.

FOR ANY SIZE OF PROPERTY, HERE ARE THE KEY MARKETING CHANNELS TO PRIORITIZE:

Your Website and SEO

Your website should be designed to appeal to two main audiences: travelers and robots. By robots, we mean algorithms that decide how to rank your website in search results. Content should clearly communicate your property's brand and positioning and give travelers a sense of place, with appealing descriptions and compelling photos and videos. The site should be easy to navigate, rich in applicable keywords and tags, and mobile friendly. Include calls to action such as "Book Now" buttons and a "Check Availability" widget, as well as incentives to book directly. Use Google Analytics to track performance.

Digital Advertising

Paid advertising can be expensive, but it's often the only sure-fire way to reach travelers online. To be effective, advertising should be highly targeted and results closely monitored. Prioritize pay-per-click ads on Google and display ads on Facebook and Instagram. With over 90% of the search market worldwide, Google itself is a priority channel, with numerous free products that require your attention, including Search, Maps, and Google My Business.

Online Reputation Management

Online reviews are an essential source of earned content and a powerful marketing tool for converting guests. In addition to monitoring, responding to, and soliciting reviews on major review sources like Google, Tripadvisor, and OTAs, hotels should also manage the listings on these sites, on destination marketing organization sites, and on other review sources and directories.



Social Media

Facebook, Instagram, and YouTube are highly popular among travelers for sharing trip experiences and finding inspiration. With a moderate investment of time, you can maintain a presence and build and engage communities of fans. Be aware that social media can be time-consuming and distracting, with limited potential to drive bookings and revenue, so keep an eye on results and budget your time accordingly. If you have extra time, consider exploring Snapchat and TikTok. Use a social media management platform to manage posts and track results.

Customer Relationship Management (CRM)

CRM is the process of building databases and profiles of guests and prospects to personalize service and marketing communications. When executed well, CRM is a quadruple threat, bringing higher guest satisfaction, loyalty, advocacy, and direct bookings. Branded hotels can generate from 40% to 65% of bookings from loyalty members, but don't let lack of a loyalty program stop you from recognizing and rewarding repeat guests.²⁵ Use a marketing automation or CRM tool to send customized, targeted email offers.

Public Relations

If your property has unique stories to share, public relations can be a rich source of earned content, reaching potential guests through stories in newspapers, magazines, travel websites, broadcast outlets, and social media. Work with journalists, bloggers, and influencers to generate media coverage, including articles, photos, and video content. Consider hiring a PR professional.

²⁵ Skift Research. Hotel Distribution 2020: The Channel Mix. P. 13. <https://research.skift.com/report/hotel-distribution-2020-part-i-the-channel-mix/>

WHAT ARE THE MOST EFFECTIVE MARKETING CHANNELS?

In a 2021 survey from Skift, travel companies rated the following three marketing channels as most effective:

74%

Search engine optimization (SEO)

72%

Paid search

70%

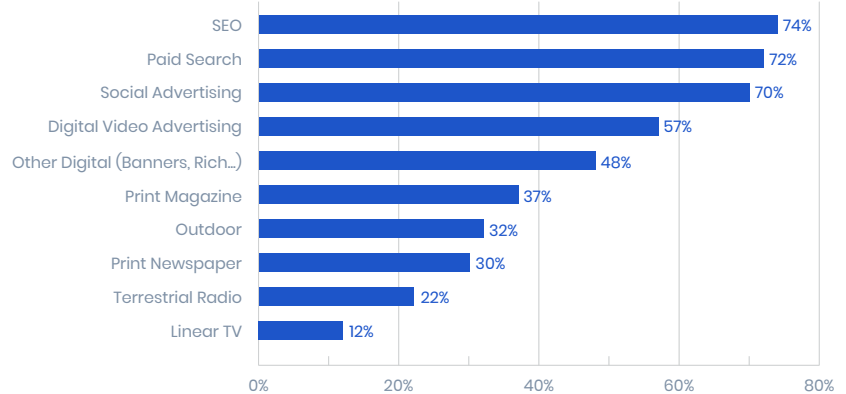
Social advertising

Not surprisingly, these same channels made up more than two-thirds of total marketing expenditures in 2021. The lowest-rated channels? Print newspaper (30%), radio (22%), and TV (12%).²⁷ Clearly, travel marketers show a strong preference for online channels.

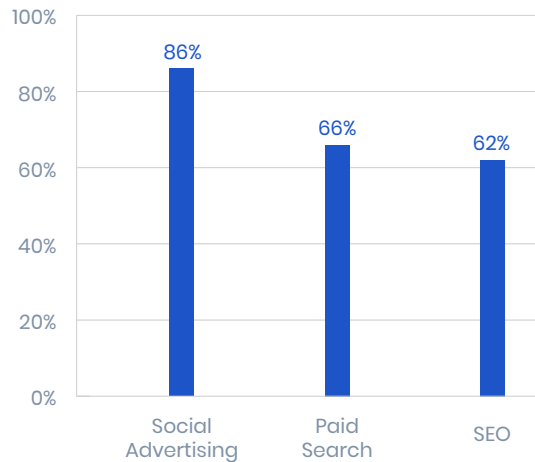
FUTURE-PROOF YOUR MARKETING

After scaling back marketing activities during the pandemic, hotels—and their competitors—are reinstating expenditures and looking for new, creative ways to reach and convert travelers. Mastering the fundamentals is just the beginning. As you build your skills and broaden your reach, don't be shy about reaching out to tech partners for support and to travel industry partners to explore opportunities for collaboration.

MARKETERS WHO RATE CHANNELS/FORMATS AS EFFECTIVE



TOP 3 MOST EFFECTIVE CHANNELS/FORMATS IN DELIVERING DESIRED ROI



Source: Skift Research. Digital Advertising in Travel 2021²⁸

²⁸ Skift Research. Digital Advertising in Travel in 2021. P. 15. <https://research.skift.com/report/digital-advertising-in-travel-2021/>

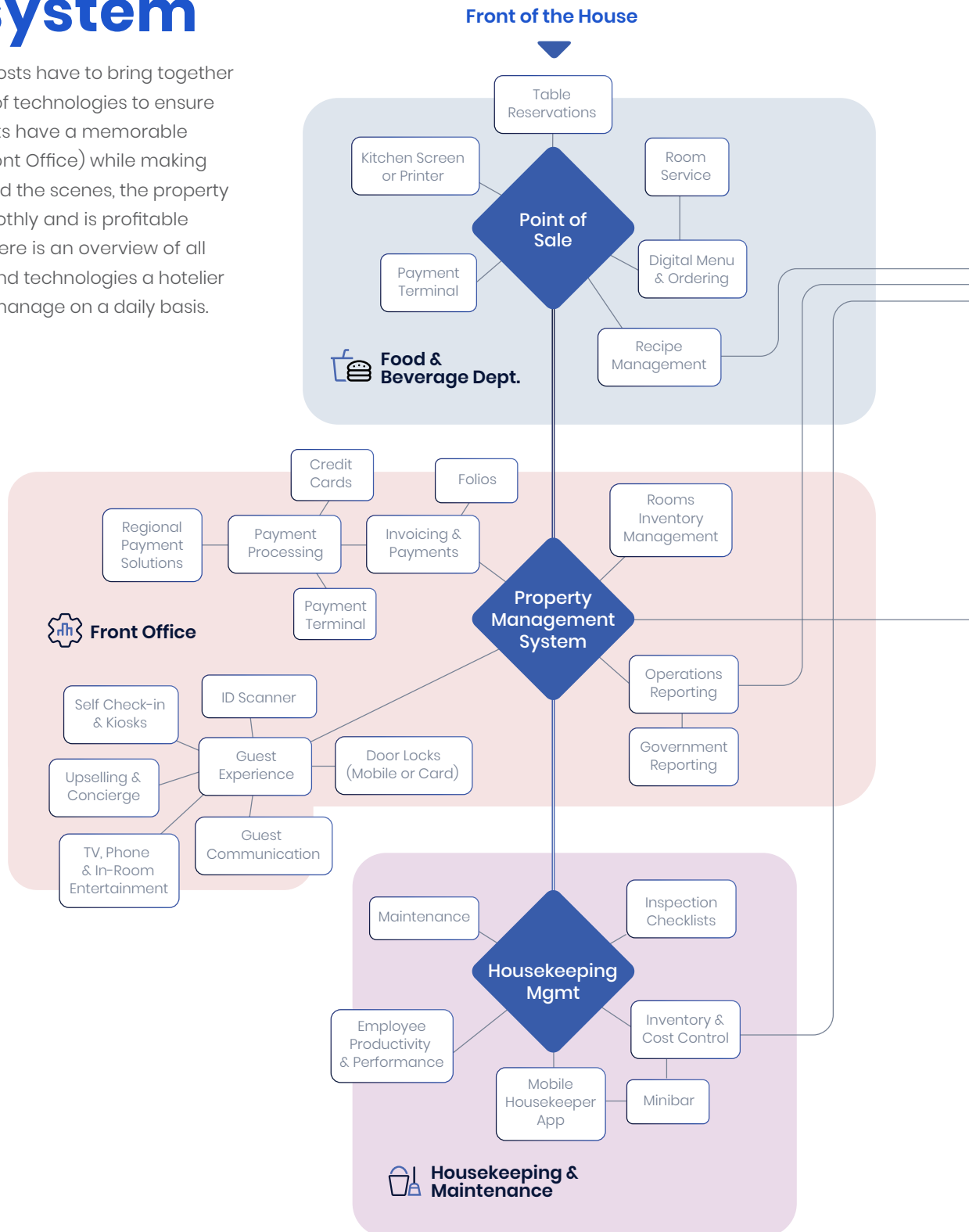
²⁷ Skift Research. Digital Advertising in Travel in 2021. P. 12 & 15. <https://research.skift.com/report/digital-advertising-in-travel-2021/>

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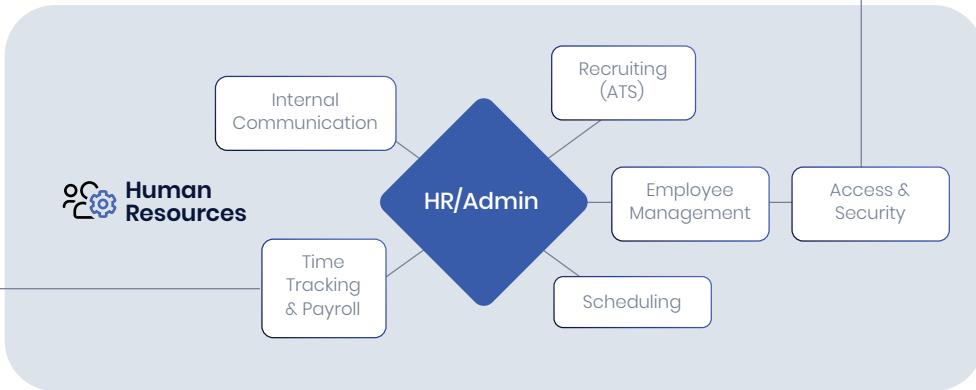
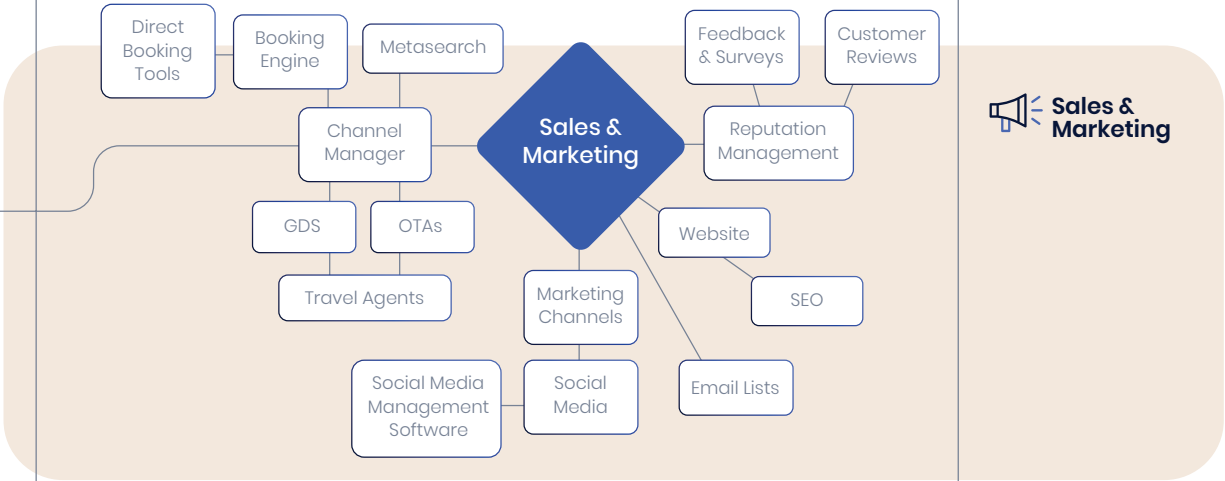
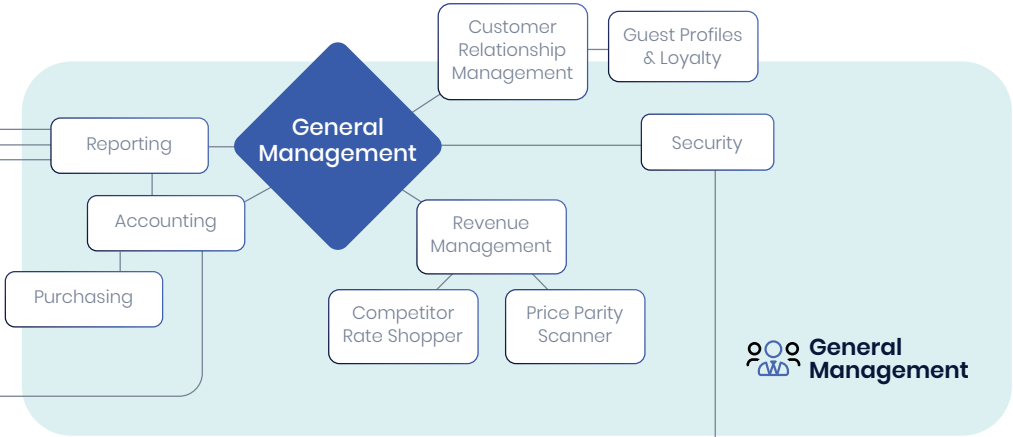
As you build your skills and broaden your reach, don't be shy about reaching out to tech partners for support and to travel industry partners to explore opportunities for collaboration.

The Hotel Ecosystem

Hoteliers and hosts have to bring together a wide variety of technologies to ensure that their guests have a memorable experience (Front Office) while making sure that, behind the scenes, the property is running smoothly and is profitable (Back Office). Here is an overview of all the functions and technologies a hotelier or host has to manage on a daily basis.



Back of the House





CHAPTER 5

How Happy Are Your Guests? Earning Guest Satisfaction & Loyalty in a Changing Travel Landscape



Happy guests spend more, tell others, and come back. They are more pleasant for employees to service and more understanding when things go wrong. On the other hand, unhappy guests can create havoc for a property, disrupting operations, posting negative reviews, and deterring other travelers from booking.

It's no surprise, then, that guest satisfaction is a top priority for hoteliers. In recent years, however, it has been a moving target. During the pandemic, travelers became more concerned about safety protocols, cleanliness, and cancellation policies, in addition to the usual concerns about quality and value. In addition to having to find ways to allay these concerns, hotels, in the face of record low demand, were forced to cut back on staffing and services. And just as travel seemed poised to recover, the industry was hit with a global labor shortage.

All of this has taken a toll on guest satisfaction. Since the start of the pandemic, guest satisfaction has declined in virtually all hotel segments, from economy to luxury, according to J.D. Power's 2022 North America Guest Satisfaction Study. Ratings for arrival and departure service, guestrooms, and breakfast have taken the biggest hits.²⁸

Today, as hotels compete over a shrunken market of travelers, keeping guests happy has become more critical than ever. Fortunately, hoteliers have numerous tools, best practices, and metrics at their disposal to track, analyze, and improve guest satisfaction.



SOURCES OF GUEST FEEDBACK

How do you know if your guests are happy? Ask them. Guest feedback can come in many forms—in an encounter with a guest in the lobby, at checkout, or on social media. Today, most guest feedback comes in the form of online reviews and guest surveys.

ONLINE REVIEWS

When review sites first appeared in the early 2000s, they were quickly embraced by travelers. Hoteliers, however, were not so enthusiastic. Suddenly, guests had public platforms like Tripadvisor and Expedia to share their impressions and experiences with the potential to influence the booking decisions of hundreds or even thousands of travelers. For travelers, reviews quickly became an essential source of travel information and advice, whereas for hoteliers, they became another task to manage. Some hoteliers chose to disregard reviews, hoping they would be a passing fad.

In 2012, reviews became harder to ignore after Cornell University published a landmark study which found that a 1% increase in a hotel's review score led to average increases in price of 0.89%, in occupancy of 0.54%, and in revenue per available room (RevPAR) of 1.42%.²⁹ A few years later, a 2019 survey from Tripadvisor found that 81% of travelers read reviews before booking accommodation, and 79% were more likely to book a hotel with a higher review rating than an otherwise identical property.³⁰

As traveler ratings have grown in popularity, traditional star rating systems have become less commonly used to categorize hotels. In 2018, a report from Cornell University found that a hotel's online reputation scores were a more reliable indicator of quality than the hotel's brand.³¹

Today, the value of online reviews is almost universally accepted by hoteliers—not only as a marketing tool but as a source of feedback for improving the guest experience. Lodging operators of all types and sizes now have systems in place for monitoring and responding to reviews, acting on guest feedback, and measuring performance—a discipline known as online reputation management (ORM).

²⁸ Hotel Management. J.D. Power guest satisfaction score remains steady. 2021. <https://www.hotelmanagement.net/operate/jd-power-report-finds-guest-satisfaction-holding-steady>

²⁹ Chris Anderson. Cornell University Center for Hospitality Research. The Impact of Social Media on Lodging Performance. 2012. <https://ecommons.cornell.edu/handle/1813/71194>

³⁰ Tripadvisor. Online Reviews Remain a Trusted Source of Information When Booking Trips, Reveals New Research. 2019. <https://ir.tripadvisor.com/news-releases/news-release-details/online-reviews-remain-trusted-source-information-when-booking>

³¹ Chris K. Anderson and Saram Han. Cornell University Center for Hospitality Research. Indexing Hotel Brand Reputation. 2018. <https://ecommons.cornell.edu/handle/1813/70980>

GUEST SATISFACTION SURVEYS

Guest surveys have been around for much longer than reviews. In the early days, hotels used printed comment cards to gather guest feedback—and some still do. Today, most properties have replaced printed cards with electronic surveys emailed to guests after (and sometimes during) their stay.

Unlike online reviews, which are controlled by review sites, published publicly, and often unsolicited and unverified, guest surveys offer more control to accommodation operators. Survey questions can be designed to probe in areas where feedback is needed most. Responses can be structured to include the property's preferred feedback methods, such as the Likert scale ratings, follow-up questions triggered when a rating is low, and the option to add freeform commentary. Moreover, survey responses come from verified guests, so there is no doubt about their authenticity. And because responses are private, sent by the guest directly to hotel management or via a third-party survey service, they provide opportunities to resolve issues with guests discreetly rather than in a public forum.

Given the differences, hoteliers are well advised to solicit and track both types of feedback as part of a well-rounded guest satisfaction management program.

Tools for Monitoring & Measuring Guest Satisfaction

Both reviews and surveys can be a tremendous source of guest feedback data for accommodation operators, providing both quantitative, or measurable, data and qualitative, or descriptive, data. For quantitative data, guests are prompted to rate their overall experience as well as rate select departments or attributes such as the room, service, or value. For qualitative data, guests are prompted to provide freeform commentary about certain aspects of their stay. While quantitative data is easier to measure, qualitative data often provides deeper insights into guest sentiment.

Worldwide, over one hundred travel sites carry reviews of hotels and other types of lodging. The primary sources are Google, Booking.com, Expedia, and Tripadvisor. Depending on the property type and location, other important sources may include Yelp, Airbnb, Vrbo, Hostelworld, and dozens of other websites and OTAs. Travelers also post comments, photos, and videos about their hotel experiences on Facebook, Instagram, YouTube, Twitter, Tiktok, and other social networks.

For hoteliers, keeping track of all the feedback can be time-consuming. Online reputation management solutions are paid tools that help hotels collect, organize, measure, analyze, and benchmark online reviews. Major providers to the hotel industry include Revinate, Medallia, ReviewPro, and TrustYou. Smaller providers include Guest Revu, Reputize, Experience Hotel, and many others. Some of these companies also provide guest survey management tools. Some review sites, including Tripadvisor, Google, Airbnb, and OTAs, also provide tools and data to help hotels manage reviews.

³² Net Promoter Score® and NPS® are registered trademarks of Bain & Company, Inc., Fred Reichheld, and Satmetrix Systems, Inc.

³³ NICE Satmetrix. Net Promoter Benchmarks. 2021. <https://www.satmetrix.com/infographic/2021-us-consumer-benchmarks/>

How to Manage Different Types of Guests

TYPE	COMMENT		MOTIVATION	ACTION
Detractor	"Stay away!"	★☆☆☆☆	Expectations not met	Engage and appease
Promoter	"Highly Recommend!"	★★★★★	Expectations exceeded	Engage and thanks
Passive	"Just okay"	★★★☆☆	Expectations met, no more or less	Depends on comments
Influencer	"Highly recommend!"	★★★★★	Money or free stay; grow followings	Qualify
Troll	"You SUCK!!!"	★☆☆☆☆	Wants attention	Ignore
Blackmailer	"Give me a refund or I'll write a bad review!"	★☆☆☆☆	Wants special treatment	Don't give in to threats; resolve; report

Net Promoter Score

A popular measure of customer satisfaction is the Net Promoter Score®, or NPS®.³² A company's NPS is derived from the following question in customer surveys: "On a scale from zero to 10, how likely is it that you would recommend us to a friend or colleague?"

NPS is considered a strong indicator of both customer satisfaction and loyalty. Respondents are grouped as follows:

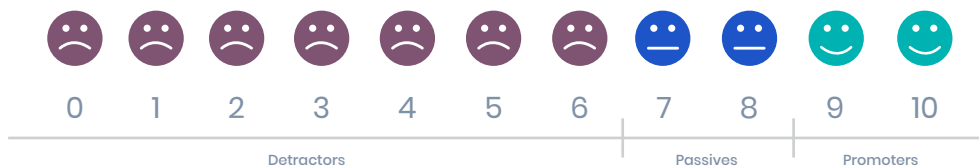
Promoters (score 9-10): Loyal enthusiasts

Passives (score 7-8): Satisfied but not overly enthusiastic or loyal

Detractors (score 0-6): Unhappy and potentially harmful to online reputation

A company's Net Promoter Score is calculated by taking the percentage of total promoters and subtracting the percentage of total detractors. Scores can range from a low of -100 to a high of +100. According to Satmetrix, the average NPS for hotels is 49, with Ritz Carlton leading the industry with a score of 66.³³

Even if you don't track NPS, grouping guests into promoters, passives, and detractors can be helpful in deciding how to respond to feedback.



$$\text{😊} \% - \text{😞} \% = \text{NET PROMOTER SCORE}$$

10 STRATEGIES FOR INCREASING GUEST SATISFACTION

To take control of guest satisfaction, consider the following strategies:

1. Start with the Essentials

In addition to a warm welcome, every guest wants an efficient check-in, a clean, comfortable room, and a pleasant, frictionless stay. As a starting point, commit your team to providing these basic needs on every stay.

2. Set Expectations

Overpromising and under-delivering is a quick way to earn bad reviews. Set realistic expectations in marketing materials and work hard to exceed them. Send a pre-arrival email or text to invite guests to start planning their stay, and include important information such as safety protocols or changes to services.

3. Wow Your Guests

Always be on the lookout for opportunities to turn a good stay into an unforgettable stay. Offer a complimentary upgrade (why let a beautiful room sit empty?), a welcome amenity, or other thoughtful, personalized touches.

4. Offer Digital Service

Keep in closer contact with guests and provide quicker service by enabling communications on digital channels such as text messaging, webchat, messaging apps, social media, or a chatbot.

5. Monitor Guest Feedback

Invest in a reputation management tool to track online reviews, analyze guest sentiment, and benchmark performance against competitors. Use a survey tool to perform the same functions with surveys.

6. Ask for Feedback

Send a post-stay survey to guests a few days after their stay. Include an invitation to share feedback on Tripadvisor or Google, with a direct link to the corresponding page on the site.

7. Master the Art of Service Recovery

Don't wait to find out about guest disappointments in a review or survey. Train staff to be on the alert for signs of trouble and empower them to resolve issues quickly. Follow the six steps to service recovery: listen, clarify, empathize, apologize, resolve, and follow up.

8. Check in with Guests During Their Stay

Send a quick text or short email survey to guests just after arrival or halfway through the stay to see how things are going. This will help you identify problems as well as opportunities to wow guests while still in house. And take time to chat with guests on property. You might make a new friend!

9. Benchmark Performance

Set survey and review objectives by department, along with timelines for achieving them. Share the results with the team, using feedback as a constructive learning tool, recognizing positive comments and celebrating achievements.

10. Respond

Respond promptly to reviews and surveys—positive, negative, and mixed. Thank the guest for the feedback, apologize if something went wrong, and explain how you're following up. Never show anger or frustration; always take the high road. If a review contains false information, dispute it with the host site.



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Word of mouth is not only the cheapest, but also the most successful marketing conversion that attracts new business.



Property Spotlight

MAKING GUEST SATISFACTION A TEAM EFFORT

“Guest satisfaction is the ultimate performance benchmark for your team and the best marketing investment you can manage,” said Larissa Fuller, cofounder and general manager at LOCAY. “Word of mouth is not only the cheapest but also the most successful marketing conversion that attracts new business.”

In addition to using online reviews as a marketing tool, LOCAY analyzes them to understand traveler expectations and monitor competitors. In the past, review data has helped the company identify needs for mobile services, responsive websites, contactless check-in, and SMS technology. “It helps us keep our offerings up to date, relevant, and ahead of the marketplace, driving a constantly evolving and improving product,” Fuller explained.

LOCAY is also keenly aware that reviews drive traffic and conversions on Google, Tripadvisor, and OTAs. To encourage a steady flow of reviews, the company sends all guests a post-stay review request by email. Feedback is shared on staff portals and in break rooms. Team members share the responsibility of responding to all reviews within 24 hours.

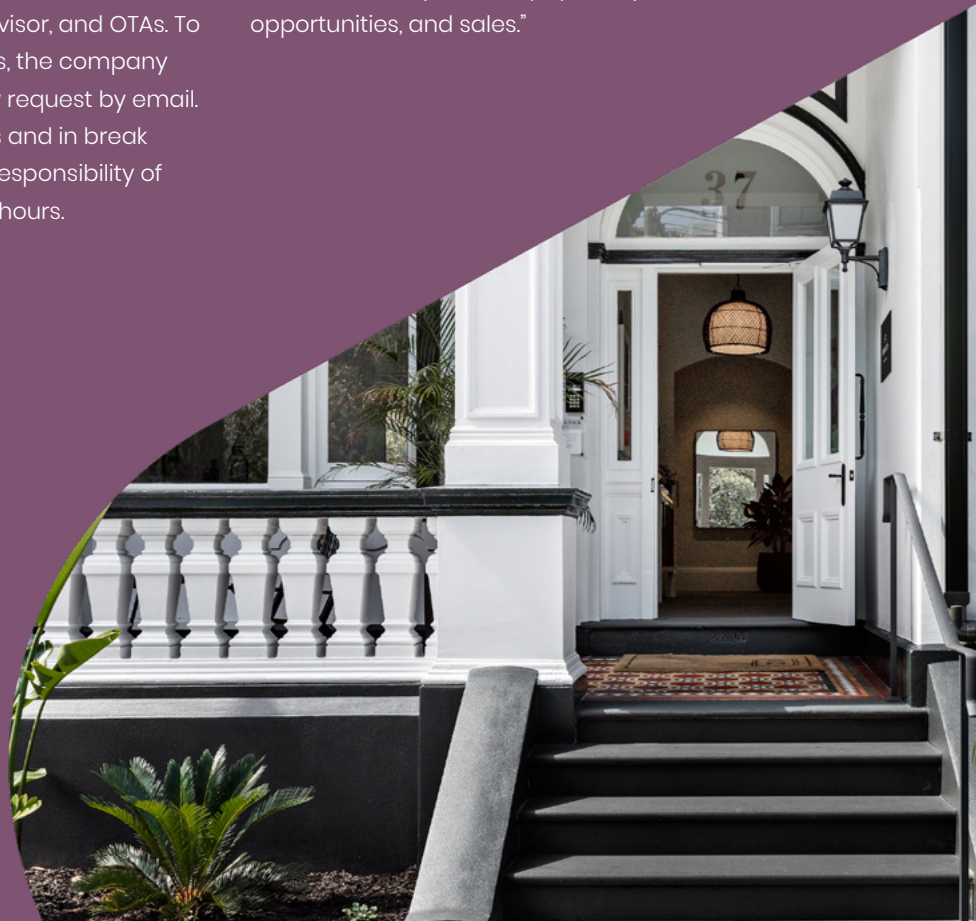
“A fast response exceeds the expectations of guests and shows prompt organisation and management of the brand,” Fuller said. “When staff understand the importance of maintaining guest satisfaction and its direct link to bringing in more money to the business (and potentially to themselves), it can be a real driver of performance.”

Recently, after taking over management of a chic boutique hotel in Sydney, LOCAY undertook improvements to enhance the property’s overall look, ambiance, and service. “In doing so, we have seen a genuine spike in reviews, occupancy, and local interest,” Fuller said.

The experience has only strengthened the company’s commitment. “Guest satisfaction leads to loyalty, repeat visits, and terrific reviews,” she said. “These all work collectively to drive popularity, brand interest, opportunities, and sales.”

LOCAY

Sydney, Australia





CHAPTER 6

Revenue Management: Tools & Strategies for Optimizing Performance in Any Market Conditions



Revenue management is a complex discipline at the best of times, and the period since 2019 has been especially challenging. The pandemic turned typical travel patterns upside down, sinking demand to record lows and making it impossible to forecast accurately beyond a few weeks. Business, group, and international travel came to a virtual standstill, whereas leisure and local travel surged. Many hotels were forced to close or scale back staffing and services while other properties thrived.

Today, the uncertainty continues. Recovery is impeded by ongoing travel restrictions and continued hesitancy to travel among certain segments. Not until corporate and group travel bounce back can the industry hope to fully recover. With a shrunken pool of travelers, competition among hotels has never been fiercer. Inflation, rising labor costs, and the need to make up for previous losses have put upward pressure on room rates, just at a time when hotels are operating with minimal staffing and services.

Meanwhile, new travel trends have emerged, further disrupting travel patterns. This includes a renewed focus on health and wellness, the rise of remote work, digital nomads, “workcations,” and people traveling to work remotely from different locations, as well as preferences for smaller gatherings and hybrid meetings. Many of these trends favor smaller, rural properties and private rentals. The alternative accommodations sector, comprising private rentals, vacation rentals, aparthotels, and upscale hostels, has been quicker to recover than traditional hotels. According to AirDNA, demand for private rentals is expected to increase in 2022 by 14.1% over 2021 levels.³⁴

Throughout the ups and downs, revenue managers—or, for properties without the luxury of a dedicated revenue manager, those tasked with the responsibilities—have worked hard to squeeze the best performance out of suboptimal conditions. Looking ahead, as market conditions evolve and new opportunities emerge, they must continue to be nimble, data-driven, and responsive.

Fortunately, the lodging industry now has decades of collective knowledge and experience in revenue management to draw from, including tried-and-true strategies, best practices, and state-of-the-art technology. Here we provide an overview of revenue management fundamentals for maximizing revenue in any market conditions.

³⁴ AirDNA. AirDNA's 2022 Forecast: U.S. Short-Term Rental Outlook Report. 2021. <https://www.airdna.co/blog/2022-forecast-us-short-term-rental-outlook-report>

DEFINING REVENUE MANAGEMENT

If you ask ten hoteliers what revenue management is, you're likely to receive ten different definitions. To understand revenue management, we need to go back to its origins. Following deregulation in the late 1970s, U.S. airlines gained more control over airfares and routes. To optimize yield, or revenue, for every flight, they began to flex airfares according to passenger demand and market conditions, charging premiums for popular flight times, busy routes, weekday trips, and other conveniences. At the same time, they developed yield management tools to help manage pricing and inventory.

The hotel industry soon followed suit, with the first revenue management systems appearing in hotels in the 1980s. Since then, hotel revenue management has evolved into a science, with sophisticated tools, reams of data, and universally accepted metrics and practices. Today, revenue management is often defined as "selling the right room at the right price to the right customer at the right time." Ultimately, it's about managing a hotel's pricing and inventory to maximize revenue and profit.

Nowadays, consumers encounter revenue management in action virtually everywhere they go—when booking a tee time at the golf course, during happy hour at the local bar, and when ordering a ride on Uber. Consumers have come to expect prices to fluctuate and are generally okay with it provided practices seem reasonable and fair.

KEY REVENUE METRICS

Revenue management is primarily focused on three key performance metrics (KPIs):

METRIC	DEFINITION	CALCULATION
Occupancy Rate (OCC)	A measure of the percentage of rooms occupied in a hotel over a specified period of time	$(\text{Occupied Rooms} \div \text{Available Rooms}) \times 100$
Average Daily Rate (ADR)	A measure of the average price guests pay for rooms in a hotel over a specified period of time	$\text{Room Revenue} \div \text{Rooms Sold}$
Revenue Per Available Room (REVPAR)	A measure of the average amount of revenue earned among all the rooms available for sale in a hotel over a specified period of time	$\text{Room Revenue} \div \text{Total Available Rooms}$

BENCHMARKING AGAINST COMPETITORS

To guide strategies and forecast performance, revenue managers draw from a combination of internal data, such as historical performance, internal compression, and booking pace, and external data, such as weather, seasonality, events, public health conditions, and economic conditions.

Valuable sources of external data are competitor pricing and market share. Hotels use this data to benchmark performance against their competitive set, which typically comprises three to five primary competitors. To benchmark pricing, hotels cull rate data from online travel agencies or hotel websites and use it to position their own rates.

To benchmark market share performance, hotels subscribe to data services like STR's STAR report, which provides breakdowns of monthly competitor performance by average rate, occupancy, and RevPAR. Hotels use this information to calculate indexes—measures of the hotel's performance relative to its competitors. For example, to calculate a hotel's occupancy index in a given month, the hotel divides its occupancy rate for that month by the aggregated occupancy of its comp set and then multiplies by 100. An index of lower than 100 means the hotel received less than its fair share of bookings; an index of above 100 means it received more than its fair share of bookings.



REVENUE TERMS & CONCEPTS

Here are simplified definitions of some of the most common terms and concepts in revenue management:

Ancillary Revenue: Revenue generated from sources outside of room sales such as food & beverage, outlets, recreation, parking, and fees.

Best Available Rate (BAR): The lowest non-restricted rate accessible to the public.

Booking pace: The speed at which bookings are made over a period of time leading up to the arrival date.

Business Mix: The blend of traveler types that occupy a hotel such as business, leisure, families, couples, independent travelers, and groups.

Compression: Demand for rooms on a given date. The higher the demand, the higher the compression.

Demand: The estimated quantity of rooms travelers are willing to purchase on a given date. Demand typically fluctuates with pricing, though not always.

Distribution Mix: The blend of bookings from the channels a hotel distributes inventory on such as OTAs, direct bookings, GDS, and wholesalers.

Forecast: A report of anticipated room occupancy, average rate, and RevPAR over a given period of time, typically calculated by day for a future month. A constrained demand forecast is based on the hotel's maximum room capacity and is used to guide operational planning. An unconstrained demand forecast is based on unlimited capacity and is used to guide sales, marketing, and revenue strategies.

Market Segment: A grouping of hotel guests by shared characteristics or booking methods such as corporate, leisure, group, OTA, or wholesale.

No-Show: A guest who does not show up for a guaranteed reservation and does not cancel.

Overbooking: When a hotel sells more rooms than are available on a given night.

Pickup: The number of rooms reserved on any given date since last measured.

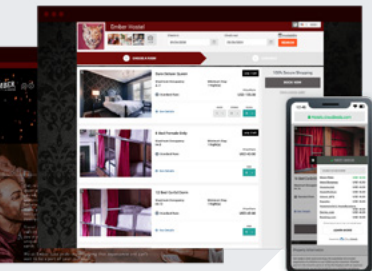
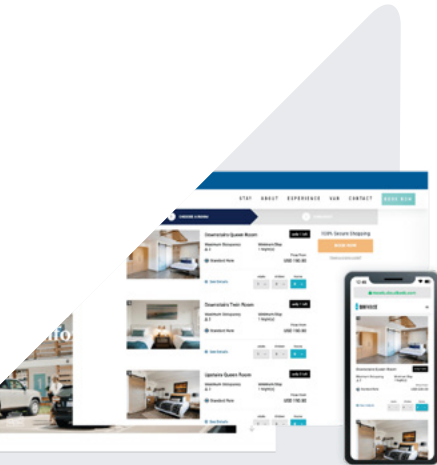
Price Elasticity: A measure of traveler sensitivity to pricing changes. The more demand fluctuates in response to changes to rates, the more elastic it is.

Relocate (or Walk): When a hotel cannot accommodate a guest with a guaranteed reservation due to overbooking and arranges a room at another property.

Shoulder Dates: The nights before and after a busy date or set of dates.

Wash: The number or percentage of rooms booked for a given date that cancel.

A website booking engine enables a property to sell rooms directly from its website.



REVENUE MANAGEMENT TOOLS

With so much data to manage, it's hard for revenue managers not to get bogged down by numbers and reporting, leaving little time for analysis and strategy. Revenue management tools can help by automating data collection, reporting, and tasks. Today, there are tools to meet the needs and budget of every property size and type.

A **revenue management system (RMS)** is a comprehensive tool designed to help hotels manage a range of revenue tasks, including data management, pricing, inventory, and reporting. An RMS uses a rules-based or analytics-based pricing algorithm that factors in internal and external data to recommend or update pricing and stay restrictions. Advanced RMSs feature an array of capabilities that are best suited for large hotels.

A **pricing tool** is designed to help properties manage room pricing and monitor competitor availability and rates. Hotels can set rules to automatically adjust stay restrictions in response to changes in occupancy or competitor rates, or set alerts to make changes manually.

A **channel manager** is designed to help hotels manage rates and inventory on a range of distribution platforms, including the hotel's website booking engine, OTAs, the GDS, wholesalers, and metasearch engines. By enabling the hotel to update all channels at the same time, channel managers help broaden distribution, save time, and prevent overbookings.

A **rate shopping tool** is designed to assist properties to position pricing relative to competitors. It automatically pulls competitor rates and availability from select booking sources and displays them on an interactive dashboard for easy comparison.

A **website booking engine** enables a property to sell rooms directly from its website by displaying real-time rates and availability, saving the property OTA commissions and booking fees.

When these tools are integrated with the hotel's PMS, they help ensure the seamless flow of data and processes to maximize revenue and profitability. However, only about 4% of hotels worldwide use a revenue management solution, according to Skift.³⁵ The rest rely on manual spreadsheets or don't practice revenue management at all.

³⁵ Sean O'Neill, Hoteliers Take a Harder Look at How They Set Room Rates. Skift Research. 2019. <https://skift.com/2019/09/03/mgm-resorts-bet-on-rate-setting-tech-catches-notice-of-rivals/>

REVENUE MANAGEMENT TOOLS

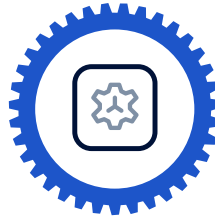
Rate Shopping Tool



Pricing Tool



Website
Booking
Engine



Channel
Manager



Revenue Management
System



14 STRATEGIES TO MAXIMIZE REVENUE AND PROFITS

For beginners and seasoned revenue managers alike, here are key strategies to boost performance and maximize revenue in any market conditions:

- 1 Practice Dynamic Pricing**

Static pricing is old-school. To drive incremental revenue, flex rates according to demand, reducing them to boost occupancy during times of low demand and increasing them to boost average rate during times of high demand. Monitor performance closely, adjusting pricing in response to changes in occupancy, market demand, and competitor activity.
- 2 Implement Stay Restrictions**

Rather than hike rates or sell out quickly on busy nights, consider adding a stay restriction such as closed to arrival or a minimum length of stay to boost occupancy on shoulder nights.
- 3 Boost Rates with Inclusions**

Studies show that deep discounting doesn't increase demand, it leaves money on the table. Instead of slashing rates when demand is weak, hold rates and offer value-adds such as free breakfast, wi-fi, or parking.
- 4 Diversify Your Distribution**

Maximize visibility by listing on multiple distribution channels, including major OTAs, smaller distributors, regional OTAs, destination sites, and niche OTAs that specialize in your property type.
- 5 Set Strategies by Market Segment**

As the pandemic has shown, market segments can change and evolve over time. Keep a close eye on who's traveling and adapt distribution strategies as business, group, and international segments come back.
- 6 Diversify Your Offerings**

Target different traveler segments with customized offers that appeal to preferences such as extended stays, packages, advance purchase, and negotiated rates for companies, associations, and consortia. As travel picks up, consider reinstating cancellation fees, non-refundable rates, and advance deposits.
- 7 Prioritize Direct Bookings**

Reservations from a hotel's direct channels are generally more profitable than OTAs and other channels. To encourage direct bookings, offer a price guarantee and incentives like discounts and inclusions. Remember to ask guests (including OTA bookers) for their email address so you can send email to encourage them to book directly on their next stay.

8 Monitor Rate Parity

Maintain consistency and integrity in rates across distribution channels. Comply with contractual obligations with OTAs while keeping a close eye on their pricing to ensure they don't undercut your rates.

9 Optimize Your Inventory

Charge premiums not only for suites and popular rooms but also for value-added features like more space, a better view, preferred bed configurations and attributes like a balcony, fireplace, wet bar, or pool access.

10 Capture Ancillary Revenue

Maximize guest spend through upsells and sales of room amenities, food & beverage, incidentals, and special services. Consider implementing fees for conveniences such as early check-in and late checkout.

11 Don't Forget About Metasearch

Listing on metasearch platforms like Google, Tripadvisor, Kayak, and Trivago can be an effective way to increase visibility and drive direct bookings. Unlike OTAs, metasearch operates on a pay-per-click model and may require working with an agency or tech partner as an intermediary.

12 Benchmark Against Competitors

Monitor competitor pricing, using a pricing tool to automatically adjust your rates relative to competitors. Track market indexes and set benchmarks and timelines. Keep in mind that competition can also come from short-term rentals and serviced apartments.

13 Prepare Monthly Forecasts

Anticipate future demand by preparing monthly reports of projected occupancy, rate, and RevPAR to help guide operational planning and sales, marketing, and revenue strategies.

14 Invest in Technology

Save time, increase productivity, and drive better revenue performance with tools like an RMS, pricing tool, rate shopper, channel manager, and booking engine integrated with your PMS.

READY FOR RECOVERY

As travel recovers and new competitors emerge, revenue management will only become more complex and multifaceted. Properties that master the basics and invest in the tools today will be well positioned to outperform the market in the future.

ADVANCED REVENUE MANAGEMENT STRATEGIES

Once you have mastered the basics, take revenue strategy to the next level with these advanced strategies.

Total Revenue Management

Apply revenue management strategies and tactics to all revenue sources, not just rooms, to achieve maximum total revenue. Depending on the property, this may include food & beverage outlets, function space, retail, spa, parking, or recreation. Use total revenue per available room (TRevPAR) and revenue per available guest (RevPAG) as key performance metrics.

Total Profit Optimization

Make revenue decisions based on total profitability, not just room revenue, factoring in both revenue and costs in all departments to drive better overall performance. Use gross operating profit per available room (GOPPAR) as a key performance metric.



“

Apply revenue management strategies and tactics to all revenue sources, not just rooms, to achieve maximum total revenue.





CHAPTER 7

Cash, Credit, or Contactless? Keeping Up with Traveler Payment Preferences



When it comes to paying for goods and services, consumer behavior is changing rapidly. The world is going digital, and the travel industry is no exception. While the pandemic accelerated the pace of change, the transformation started well before the pandemic and will endure long after it's behind us. Lodging properties that don't keep pace with the changes risk losing business to more agile properties.

TRENDS IN CONSUMER PAYMENT BEHAVIOR

In recent years, five important trends have emerged:

Online Is the New Offline

Online shopping is booming. Ecommerce sales in the U.S. increased by 39.1% in the first quarter of 2021 over the same quarter in 2020, reaching \$215 billion.³⁶ That's a lot of Amazon deliveries. But it's not just retail, it's travel too, and it's happening around the world. In 2020, 65% of worldwide sales in tourism and travel were made online, according to Statista. That number is expected to reach 72% by 2025.³⁷

Cash Is No Longer King

After a long reign, cash has abdicated the throne, having fallen to 20.5% of point-of-sale (POS) transactions in 2020 and expected to fall to 12.7% by 2024, according to Worldpay.³⁸ Who's the new king (or queen)? Debit cards, with credit cards falling a close second in the line of succession. That's no surprise considering that debit and credit payments are widely accepted, easy, and automatic.

Contactless Payments Aren't Just a Fad

Contact-free payments like tap, scan, and mobile wallets have exploded in popularity. It's nothing personal, but people want to keep their distance these days. While the trend was fast-tracked by safety concerns during the pandemic, it appears that contactless payments are here to stay. A 2021 Skift survey found that 50% of travelers hoped to see contactless payment options at hotels once they began traveling again.³⁹

The New Luxury? Convenience

Forget private jets and champagne baths, convenience is the new must-have amenity. A 2020 survey from the National Retail Federation found that 97% of shoppers have backed out of a purchase because it was inconvenient.⁴⁰ For hotel guests, convenience means paying with their preferred method of payment—and not having to wait while a front desk agent types in card details or counts cash.

Fraud and Chargebacks Are on the Rise

Changes in payment behavior don't come without challenges, and that includes an increase in fraud and chargebacks—the bane of the hotelier's existence. Fortunately, advances in payment technology make it easier to prevent chargebacks and keep payment data secure.

COMMON PAYMENT METHODS

Globally, the most popular payment methods in the hotel business are debit cards, credit cards, cash, mobile wallets, and virtual payments.

Credit cards come in two main formats. Cards with a magnetic stripe on the back require the customer to sign the receipt to validate the transaction. These cards are more vulnerable to fraud because account information is stored on the stripe. A newer, more secure technology is the EMV smart chip, which requires the customer to enter a private PIN code.

A mobile or digital wallet is an application like Apple Pay, Google Pay, or Samsung Pay which stores credit card information on a mobile device. Users can make contactless payments by holding their smartphone over the payment terminal. By 2024, mobile wallets are expected to comprise one-third of POS transactions worldwide, according to Wordpay.⁴¹

A virtual credit card (VCC) is a temporary credit card number issued by a bank, allowing people and businesses to make online payments without revealing actual card details. VCCs are issued for specific transactions at set dollar amounts. OTAs like Booking.com and Expedia often use VCCs to send payments to hotels.

EMERGING PAYMENT METHODS

Two newer digital payment methods are gaining traction of late:



Buy Now, Pay Later (BNPL)

A type of short-term financing allowing consumers to pay for purchases on a future date or by installments, often interest-free. For many consumers, the option is irresistible, providing an instant, interest-free loan through an intermediary such as Afterpay, Affirm, or Klarna.



Cryptocurrencies

Unlike traditional currencies, cryptocurrencies are not tied to a government or bank; instead, many are tracked using blockchain technology. Two of the most popular are Bitcoin and Ethereum. Companies like Coinbase and Binance offer a secure online platform for individuals and businesses to buy, sell, and hold cryptocurrency and receive payments.

Should they continue to grow in popularity, both the BNPL model and cryptocurrencies have strong potential in the travel industry. In some cases, they're already in use. In 2021, the Kessler Collection became the first U.S. hotel group to accept cryptocurrency payments from guests.

³⁸ Sean O'Neill, Hoteliers Take a Harder Look at How They Set Room Rates. Skift Research. 2019. <https://skift.com/2019/09/03/mgm-resorts-bet-on-rate-setting-tech-catches-notice-of-rivals/>

³⁷ Statista. Revenue share of sales channels of the global travel and tourism market from 2017 to 2025. 2021. <https://www.statista.com/forecasts/1239068/sales-channels-travel-tourism-worldwide>

³⁸ Jastra Kranjec, Mobile Wallet Payments to Make One-third of all POS Transactions by 2024. TradingPlatforms. 2021. <https://tradingplatforms.com/blog/2021/06/07/mobile-wallet-payments-to-make-one-third-of-all-pos-transactions-by-2024/>

³⁹ Skift. Expectations of Altered Hotel Experiences. 2021. <https://research.skift.com/wp-content/uploads/2021/08/3-1.png>

⁴⁰ National Retail Foundation. Consumer View Winter 2020. <https://nrf.com/research/consumer-view-winter-2020>

⁴¹ Jastra Kranjec, Mobile Wallet Payments to Make One-third of all POS Transactions by 2024. TradingPlatforms. 2021. <https://tradingplatforms.com/blog/2021/06/07/mobile-wallet-payments-to-make-one-third-of-all-pos-transactions-by-2024/>

VARIATIONS IN PAYMENT BEHAVIOR BY LOCATION

Payment habits and preferences tend to vary by region. Hoteliers would be wise to familiarize themselves with practices in popular feeder markets. For example, in the U.S. credit and debit are common payment methods, whereas in Germany bank transfers are more popular. Credit cards are more common in other European countries, as are local payment methods such as iDEAL in the Netherlands. In Latin America, where credit cards are not heavily used and many people do not have bank accounts, alternative payment programs are popular. For example, the OXXO program in Mexico allows customers to pay for online purchases and bills with cash in convenience stores.

While large credit card brands like Visa, Mastercard, and American Express are generally accepted around the world, regional payment methods have recently seen an uptick in usage. As international travel rebounds, travelers will increasingly expect their preferred payment options to be available in the countries they visit. Although meeting this demand can be especially challenging for smaller properties, hotel payment processing systems can help.

PAYMENT TRANSACTION TYPES

The three main types of payment transactions are:



Card-Present (CP)

Transactions in which the customer and credit card are physically present at the business and the customer pays by inserting his chip (and entering a PIN if required) to complete the transaction.



Card-Not-Present (CNP)

Transactions in which the customer is not physically present at the business, including online and MOTO (mail-order/telephone-order) payments. In a MOTO transaction, the customer provides card details and the employee enters them manually or uses stored information.



Contactless

Payments in which the customer is present but does not physically interact with the payment terminal. The customer holds the card or smartphone (mobile wallet) over the reader, and the encrypted information is transferred and securely read by the payment device.

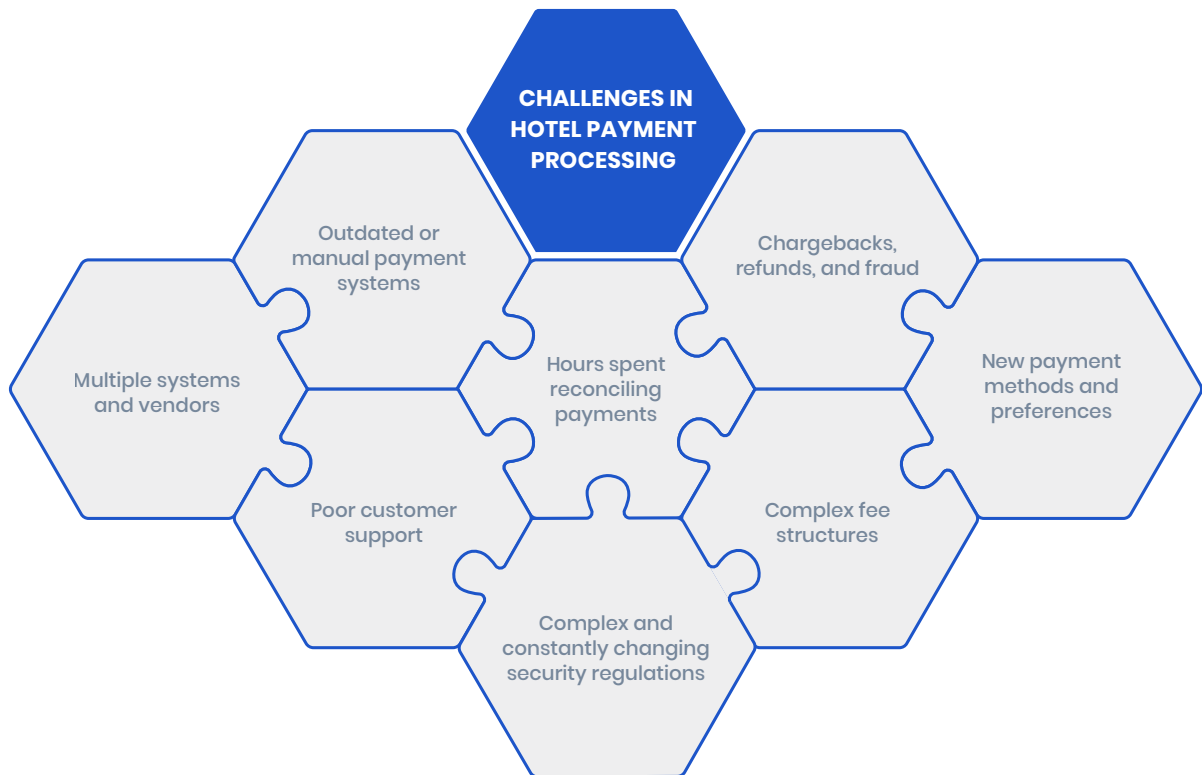
CHALLENGES IN HOTEL PAYMENT PROCESSING

Some of the common pain points in payment processing for lodging operators are shown in the diagram below:

PAYMENT PROCESSING FEES

When a guest pays for a room using a credit card, numerous parties are involved in the transaction. This includes the guest's bank, the hotel's bank, the credit card network, and the payment processor. For online payments, a payment gateway is also involved.

Each party charges fees for its services paid for by the hotel, including interchange rates, assessment fees, payment processor fees, and gateway fees. Fees can vary according to the type of card used, transaction type, payment method, type of merchant, technology provider, and other factors. For example, fees are generally higher for payments by reward cards and corporate cards, card-not-present transactions, and foreign transactions.



THE BENEFITS OF AN INTEGRATED PAYMENT SOLUTION

An integrated payment solution can help lodging operators overcome the challenges, offer guests all the popular payment options, and make the payment process quicker and more efficient. At the tap or swipe of a card, payment details are captured and stored in the guest profile for future stays. There is less manual inputting of information, fewer staff errors, and less time spent reconciling payments and resolving issues across providers. Further, an integrated payment solution saves costs for hoteliers, increases data security, and reduces fraud and chargebacks.

HOW TO CHOOSE A HOTEL PAYMENTS SOLUTION

When shopping for a payment processing provider, look for the following features.

Easy implementation: The processor should be quick to set up, intuitive to learn, and easy to use.

State-of-the-art hardware: Look for a provider that offers the newest, most secure payment terminals on the market and services all major credit cards and payment methods, including contact-free and EMV chip cards.

An integrated system: Make life easier by seeking a provider that combines multiple functions in one system, including payment processor, payment gateway, and merchant bank services, and integrates with the PMS.

In-house support: Hotels are 24/7, and you need the confidence that customer support will be there when you need it. Look for a partner that specializes in hospitality and provides robust onboarding, training, and support services.

Secure and compliant: To ensure that guest data is secure and the property is protected from fraud, breaches, and chargebacks, the provider should be PCI-certified and fully compliant with SCA, PSD2, and 3DS regulations.

Q&A

Is contactless payment the future of payments? If yes, why? If not, what is?



Contactless payments are rapidly replacing Card Present payments, where the cardholder gives the card to the merchant or inserts the card into a terminal. In some parts of the world, nearly all in-person payments are now contactless.

Mastercard found that more than 50% of American shoppers now use contactless payments and 67% of retailers offer some form of contactless payments. The U.S. was far behind Europe and parts of APAC for contactless payments. For example, in Australia, around 90% of in-person payments made with a credit or debit card are contactless.

The pandemic accelerated adoption around the world because of fears about cleanliness, and recent efforts by the card networks to enable contactless payments for mass transit are only accelerating adoption. The ease, speed, and lack of passing cards back and forth makes all the sense in the world. However, the future will be more complex than just “contactless.” Advances in storing credentials from contactless payments for future use will be needed for them to achieve their potential.

The demands of customers are ever increasing, and the winning merchants will be those that can make all experiences, including payments, seamless across any channel or use case. Customers are not their cards, and they do not really care about payments nuances. The hospitality industry, like many industries, will need a fully integrated payment experience that lets a customer book and pay however they want, can store credentials to be used (and tracked) across their entire experience, and be confident that it is a safe and secure experience.

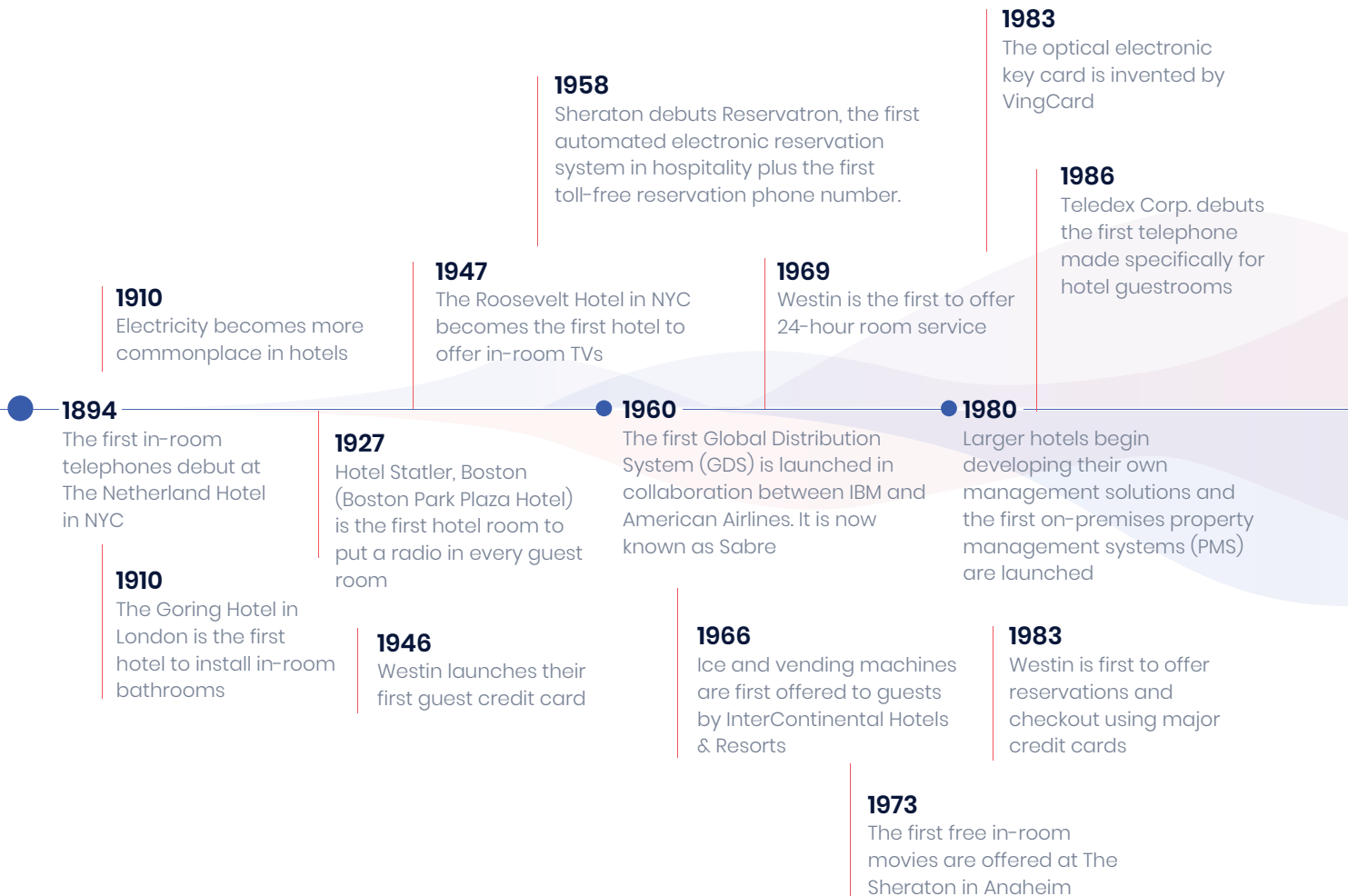
A. J. Axelrod

Principal

Radian Capital

A TIMELINE

The History of Technology in The Hotel Industry



2017
Hyatt begins using Facebook Messenger to communicate with guests

2010
The first generation of cloud Property Management Systems (PMS) enter the market giving hoteliers the freedom to manage their properties from anywhere

2012
The first service-enabled hotel brand app is introduced by Conrad Hotels & Resorts giving hoteliers even more ways to communicate with their guests

2004
Skyscanner launches their meta search engine. Travellers now have even more options

1996
A small division of Microsoft called Expedia launches its website for hotels, airline, and car rental bookings. Also, Travelocity, owned by Sabre, launched its own site to help the "do-it-yourself traveler"

1994
Hyatt Hotels and Promus Hotel Corp. become the first hotel chains to launch their own websites

2000
The first channel manager is launched giving hoteliers the ability to update multiple OTAs from one source

2007
The release of the iPhone marks a change in views on mobile technology and apps

2020
The rise of contactless technologies such as NFC for contactless payments aid travellers and hoteliers during the global pandemics.

2009
The first mobile hotel app for guest service and operational enhancements is introduced by Inteliy

2003
More than 6,000 hotels worldwide offer WiFi to their guests

2014
SPG Keyless, the first mobile keyless entry system, enters the market. Later, Openkey launches its own keyless solution, paving the way for independent hoteliers to use mobile keyless entry

2016
Henn-na Hotel opens in Japan becoming the first robot hotel in the world

1995
Choice Hotels International and Holiday Inn become the first hotels to offer online booking. Choice Hotels and Promus are also first to offer guests real-time access to central reservations

1994
Travelweb.com launches and becomes the world's first online hotel catalog



CHAPTER 8

Mastering the Essentials of Data Analytics to Improve Property Performance



Data is the lifeblood and lifeline of a business. It is so valuable it is sometimes called “digital gold” or “the new oil.” But data offers something gold and oil lack: abundance.

Thanks to the digital revolution, travelers leave data footprints everywhere they go, from online trip planning to post-stay reviews. Each touchpoint provides opportunities for hoteliers to understand guests and serve them better, but that requires technology and processes to consolidate, cleanse, store, analyze, and secure data.

Today, data plays a vital role in the successful management of all types of lodging properties, in every department, and in every leadership position. Yet for people who don't consider themselves a “numbers person,” data can be intimidating. How do you sort through so much data to find meaningful insights?

Today, a wealth of tools and resources are available to help hotels aggregate and consolidate data from a variety of sources, identify and analyze key data points and insights, and use them to improve performance across the organization. It starts with understanding the key terms and concepts and how they apply to the lodging industry.

A FEW BASIC TERMS

First, some basic definitions that every hotelier should know:



Data

Facts and information, often in digital format. When used by a company, it's often called business intelligence.



Data Management

The process of collecting, processing, governing, sharing, securing, and analyzing data.



Data Analysis

The process of examining a set of data to search for patterns, draw conclusions, support decision-making, and predict future trends.



Data Governance

The process of ensuring data quality, including data availability, usability, consistency, integrity, and security.

WHY IS DATA SO IMPORTANT TO HOTELIERS?

Data provides insights to help operators make better decisions across the property—in finance, operations, sales, marketing, and revenue management.

Data can be used to:

- Plan, strategize, and forecast more accurately
- Save costs and drive higher efficiencies, revenue, and profitability
- Understand traveler behavior, needs, moods, and preferences
- Evaluate performance and find ways to improve it
- Make timely and accurate decisions based on facts rather than intuition or gut feel
- Identify patterns and trends
- Benchmark against competitors



KEY PERFORMANCE INDICATORS (KPIs)

While there is no shortage of data available to hoteliers, the sheer volume can be overwhelming. Avoiding data overload means focusing on key performance indicators (KPIs), the metrics used to evaluate progress toward achieving the property's most important business objectives. In addition to property-wide KPIs, hotels can have KPIs specific to a department, project, or campaign. KPIs can also be used to benchmark performance against competitors, the local market, or the industry as a whole.

As an example, a KPI for ABC Hotel might be its traveler rating on Tripadvisor, whereas a KPI for the housekeeping department might be its cleanliness rating on Tripadvisor. If the hotel's overall Tripadvisor rating is 3.9 out of 5, it might set an objective to increase the rating to 4.4 within one year, as well as setting objectives for cleanliness and other attributes.

DATA MANAGEMENT TOOLS

When hotels collect data, they need somewhere to store it so that it's easily retrievable when they need it. For example, when a guest calls in to make a reservation, the details are stored in the property management system (PMS) for retrieval at check-in, throughout the stay, and on future stays.

In addition to the PMS, hotels use a range of tools to collect, store, and retrieve data, everything from a revenue management system to a customer relationship management system. Many of these tools feature dashboards and graphs to facilitate data monitoring and analysis, automated notifications to alert users when action is required, and reporting tools to ensure the right data is delivered to the right employees.

The challenge is that often these systems aren't connected, resulting in data being stored in separate databases or "silos." The process of extracting and reconciling data from multiple sources can be time-consuming and prone to errors, resulting in duplication, discrepancies, and incomplete information. One of the biggest challenges for hoteliers today is to connect these systems so that data can be shared, consolidated, cleansed, and used with greater confidence.

Fortunately, much progress has been made in overcoming these challenges in recent years. Application programming interfaces (API) allow hotels to integrate the PMS with a variety of software applications to streamline processes and consolidate data under one guest profile. With an integrated data management platform, hoteliers have access to the data variety, automation tools, and business intelligence they need to connect the dots and make timely, accurate, data-driven decisions across the organization.

For example, to help achieve its Tripadvisor objectives, ABC Hotel might decide to subscribe to an online reputation management solution. The solution would automate the collection of reviews from a range of online sources, providing data to help the hotel analyze guest feedback and identify areas for improvement. If the solution is integrated with the hotel's PMS, the property can populate reviews into guest profiles and break down performance by room type, room number, employee, and other variables.

Property Spotlight

A DATA-CENTRIC APPROACH TO HOSPITALITY

At Ô de Casa Hostel & Bar in São Paulo, Brazil, ownership takes a data-driven approach to keeping its two most important stakeholders happy and loyal: guests and team members.

“Data is everywhere today, so there is no excuse not to use it,” said Marina Moretti, founder and co-owner. “The pandemic brought a whole bunch of new needs at once. Guests and staff are more concerned about health and cleanliness, open spaces, private areas, and healthy meal and lifestyle choices. It all happened very fast.”

To keep on top of guest preferences, the property employs a full-time data analyst, in addition to employees who are dedicated to monitoring guest needs before arrival, checking how everything went after they leave, and collecting feedback.

“We want to know everything,” Moretti said. “What percentage of our guests bought breakfast? How much are they spending at the bar? How are our rates on OTAs positioned relative to competitors? What are the main guest complaints? It’s all mapped out, and it’s all being taken care of.”

As for keeping employees happy and loyal, the hostel works hard to create an atmosphere that team members want to be part of. “We want them to have fun while they work,” she said. In addition to incentives and bonuses, the hotel pays employees better wages than other establishments in the area and shares profits with the whole team.

Clearly, the approach is paying off. “We are rated #1 out of 866 specialty lodging operators in São Paulo on Tripadvisor, and in 2019 we were voted the best hostel in Brazil in 2019 by Hostelworld,” Moretti said.

She added, “All the work we do is to provide satisfaction to our guests, to make sure they have a great time while enjoying São Paulo and Brazil. Working with a great team is the only way to go.”

Ô de Casa Hostel & Bar
São Paulo, Brazil



DATA ANALYSIS

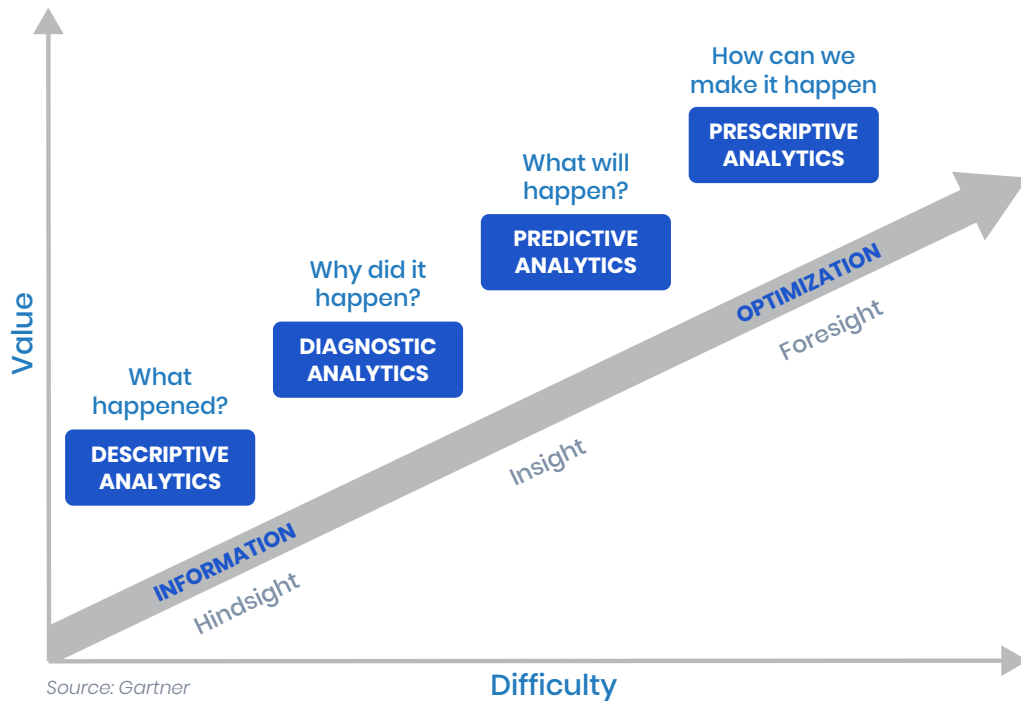
Since most properties don't have the luxury of a full-time data analyst, every hotel manager plays a role in monitoring KPIs, interpreting data, and deciding how to act. Data can be extracted from internal sources, such as historical data pulled from the PMS to create revenue forecasts, and external sources, such as review data pulled from Tripadvisor to monitor guest satisfaction.

Hoteliers tend to lend oversized weight to internal data because it is more easily accessible than external data, which is often overlooked or downplayed. This is dangerous because external data such as economic conditions, weather, seasonality, location, events (local, national, and global), and public health conditions can have a profound impact on property performance.

It's also important to note that although historical data typically provides a strong indication of future performance, patterns can be disrupted by external events such as an economic recession, natural disaster, citywide conference, or large event. Because the Covid-19 pandemic acted as a major disruptor to typical travel patterns, hotel performance during this period is not considered a reliable benchmark of future performance (or at least we hope it's not). Instead, hotels must pay closer attention to more recent data, real-time data, and predictive data.



Data can be extracted from internal sources, such as historical data pulled from the PMS to create revenue forecasts...



TYPES OF DATA ANALYTICS

Data analytics can be broken down into four main types:

- **Descriptive analysis** focuses on past data. It tries to answer the question, “What happened?”
- **Diagnostic analysis** examines data to find the cause of an outcome. It tries to answer the question, “Why did it happen?”
- **Predictive analysis** focuses on the future, utilizing historic data to predict future outcomes. It tries to answer the question, “What is likely to happen in the future?”
- **Prescriptive analysis** draws on data to determine the best decision or course of action to take to solve a problem or reach an objective. It tries to answer the question, “What should we do?”

ANALYTICS IN ACTION

Returning to the example of ABC Hotel, let's imagine that a few months after setting the objective to increase its overall Tripadvisor rating from 3.9 to 4.4 the general manager discovers that the hotel's rating has actually decreased to 3.6.

To find out why and determine the actions needed to correct the problem, she could follow these steps:

- Perform a **descriptive analysis**, reading recent Tripadvisor reviews to find out what happened.
- Upon observing that cleanliness ratings have plummeted and there are several complaints about housekeeping, she could perform a **diagnostic analysis** to find out why, digging deeper into the data and speaking to housekeeping staff.
- If she learns that the housekeeping department has been severely short-staffed, she may decide to perform a **predictive analysis** to see if the shortages are at risk of continuing in the coming months.
- Finally, she could perform a **prescriptive analysis**, proposing measures to uphold cleanliness standards and improve Tripadvisor reviews by requiring managers from other departments to pitch in.
- To perform these analyses manually would take time; data management tools would help the GM perform them more efficiently and be more proactive. Reputation management software would automatically alert her to negative reviews and changes in review trends as soon as they happen, enabling her to take action to prevent the downward trend much earlier in the process. Additionally, workforce management software would help her anticipate and take action to prevent labor shortages.



DATA BY DEPARTMENT: KEY PERFORMANCE METRICS TO FOCUS ON

Here is a breakdown of key data points by department, along with some of the software solutions available to assist with data management.

TYPE OF DATA	WHAT IT'S FOR	SAMPLE METRICS	TECHNOLOGY
Financial Data	Reporting on, forecasting and evaluating hotel financial performance	Gross operating profit (GOP), net operating profit after tax (NOPAT), earnings before interest, taxes, depreciation, and amortization (EBITDA), etc.	Accounting software, reporting and spreadsheet software
Guest Profile Data	Tracking guest demographics, behavior and preferences, guest satisfaction and loyalty	Loyalty program enrollments, stay frequency, average spend, customer lifetime value, review and survey ratings, etc.	PMS, CRM system, ORM solution, guest survey tool, loyalty program software
Operations Data	Managing operations and guest services, including costs, guest requests, staffing, and schedules	Labor costs as a percentage of sales, energy and utilities costs per occupied room, guest query volume, completion rates and times, costs of servicing rooms, etc.	PMS, CRM system, operations management software, labor and inventory management software
Revenue Data	Managing pricing and inventory, driving revenue and profitability, forecasting performance	Occupancy rate (OCC), average daily rate (ADR), revenue per available room (RevPAR), gross operating profit per available room (GOPPAR), market share indexes, etc.	Revenue management system (RMS), pricing intelligence tool, rate shopping tool, channel manager, market intelligence reports
Marketing Data	Analyzing and generating demand by marketing channel, including website, advertising, email, social media, trade shows and events	ROI, costs of acquisition, demographics, website visitors, page views, bounce rate, conversions, email marketing opens, clicks, and bookings, social media followers and engagement, etc.	Web analytics tool, advertising platform, CRM system, marketing automation platform, social media management tool
Food & Beverage Data	Understanding and forecasting F&B performance	Understanding and forecasting F&B performance	Point-of-sales (POS) system, payments system, F&B management software, labor management software

GET READY FOR A DATA-DRIVEN FUTURE

If data is the new oil, hoteliers who learn to extract, refine, and turn data into useful insights will be the future barons of the accommodation industry. As data continues to grow in abundance, driven by artificial intelligence and machine learning, it will only increase in importance. Hoteliers who implement the tools, processes, and metrics now will be well-positioned to optimize performance in the future.

7 WAYS TO LEVERAGE THE POWER OF DATA

Now that we've covered some of the essential terms and concepts in data management, let's look at ways to get data working for you.

1. Share KPIs and Objectives with the Team

Keep staff focused and motivated by sharing key performance metrics, objectives, and timelines. Explain the significance of KPIs and their role in achieving them. Review results daily, sharing highlights in departmental meetings and taking action as needed to achieve objectives.

2. Combine Internal and External Data

Make better decisions by analyzing data from a variety of internal sources (historical, real-time, forecasts, guest profiles, etc.) and external sources (market conditions, competitor pricing and reviews, weather, events, etc.).

3. Ensure Data Integrity

Be a data gatekeeper, instilling in staff the importance of data governance, including the accurate and consistent inputting of information. Conduct regular quality control checks.

4. Beware of the Pitfalls

Avoid data overload by limiting data to the KPIs relevant to each department. Prevent analysis paralysis by prioritizing strategy and action. Beware of confirmation bias—the tendency to search for or manipulate results to confirm prior beliefs.

5. Make Data More Accessible

Data-heavy spreadsheets are difficult to read and intimidating, inviting them to be ignored. Make data more accessible by summarizing key points on dashboards and in reports and using visuals like graphs and charts.

6. Protect Data and Privacy

Ensure staff are aware of the risks of data breaches, scams, and phishing attacks and report suspicious behavior immediately. Follow local regulations and industry best practices in data security and privacy. Vet technology partners carefully to ensure compliance.

7. Invest in the Tools

All these strategies are made easier with data management tools. Take advantage of tools that automate data collection from a variety of sources, consolidate, cleanse, and govern data, and feature rules, alerts, and reporting to deliver the right data to the right employees at the right time.

Q&A

What is the most important report or analysis you recommend for every hotelier?



The most important thing I've learnt about data is that you can spend hours analyzing it, but if it you don't drive action from it, you might as well not bother. That's the biggest challenge when it comes to leveraging data—there is a lot of fantastic granular information out there but it's too complex to operationalize. So whatever data you're looking to use, make sure you know how it will translate into actions, either automated or through business processes. The two best ways to enable this is through simplicity and creating habits for your teams to review and act upon the data.

The second most important thing is that "what gets measured gets done," because of the incredible power of accountability. There is a reason we all take exams at school; humans try harder and perform better when we know someone is going to hold us accountable for our work. This applies to almost everything we do, and it certainly applies when it comes to running a hotel.

One of the challenges of measuring a hotels performance is answering, "What does 'good' look like?" Comparing to prior year or budget doesn't really tell you the answer because of the dynamic environment hotels operate in when it comes to supply, demand, and pricing. The only real way to assess performance is by benchmarking it against the market and most importantly, to competitors relevant to your property.

There are many reports and analyses that meet the above success criteria, but the one that I believe to be the most important is the STAR report, which benchmarks your property's revenue against both a specific competitor set and relevant market performance. It combines internal and high-quality external data, making it the most powerful exam result of your property's performance.

It is relevant to all functions in a hotel, including sales, revenue management, operations and finance, and is also just as useful to the owner, brand, and lender. It is simple and powerful, allowing it to be easily understood by all, to be incorporated into habits, and to drive action.

Robin Rossmann

Managing Director

STR, a division of CoStar Group, Inc.



CHAPTER 9

Why Cloud Computing Is the Future of Hotel Technology



Throughout its relatively brief history, the computing industry has undergone waves of centralization and decentralization. Back in the early days of the mainframe, computers were extremely expensive to build and operate and were largely controlled by companies like IBM, which installed and configured mainframe systems in large corporations.

The introduction of Unix operating systems in the early 1970s enabled more sharing of systems over a network, but decentralization didn't happen on a large scale until the advent of the personal computer (PC) later that decade, when computers became more affordable to the average consumer. Although this led to an extreme decentralization of computing power, only with the launch of the world wide web in the 1990s did the sharing of information collaboratively across decentralized systems truly begin.

Since then, the power dynamics of computing have been shifting back toward a more centralized model. Today, almost any device or node can be connected to the internet, including mobile phones, kitchen appliances, cars, and more, benefitting from centralized processing on the cloud and leveraging powerful applications that were once available only to large corporations.

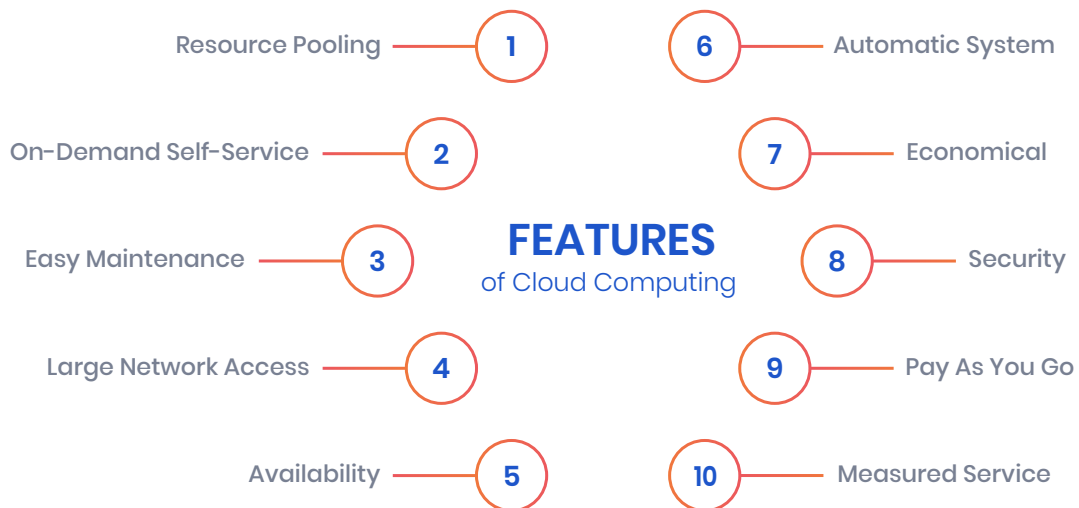


THE RISE OF CLOUD COMPUTING

The transition to a more centralized model paved the way for cloud computing. Cloud-based computing is the delivery of computing services over the internet (“the cloud”), which is also known as SaaS (software-as-a-service). Rather than companies hosting hardware, software, and data on premises, files and applications are stored on remote servers by providers of cloud services. Today, some of the biggest providers are Amazon Web Services, Google Cloud, and Microsoft Azure.

With cloud computing, companies can “plug in” to systems over the internet, and employees can access cloud services from anywhere they have internet access. When an employee opens an application and accesses a file, the information is transferred from a remote server rather than from a local hard drive.

Cloud computing has gained in popularity in recent years because it is less expensive than on-premises computing, is faster and more efficient, and offers better performance and security.



THE BENEFITS OF HOTELS IN THE CLOUD

Although often slow to adopt new technology, the lodging industry has begun to leverage the benefits of cloud computing—and the transition is happening fast. According to a 2021 global survey from Travel Singularity and Shiji Group, 61% of hotel companies expected their information technology environment to be all or mostly cloud-based in two years. Only 6% expected all info tech to be on-premises.⁴²

⁴² Shiji Group. The Current State of Technology in Hotels and the Way Forward. P. 6. <https://insights.shijigroup.com/thank-you-report/>

HERE ARE A FEW OF THE ADVANTAGES TO LODGING OPERATORS OF CLOUD COMPUTING:



Cost Savings

Because cloud systems run on shared resources, hotels pay only for the services they use, resulting in lower costs of hardware, software, installation, operation, and maintenance.



Performance

Cloud-based solutions are more efficient and reliable. Since no hardware or software installation is required, implementation is faster. There is no need to interrupt hotel operations with site visits from technicians, no lengthy on-site training sessions, and no extended downtimes. Installation, upgrades, and maintenance are done remotely, and services are scaled automatically as the needs of the business change.



Accessibility

Because a cloud-based system is accessible from anywhere with internet access, hotel managers and staff can operate the hotel and service the needs of guests remotely, in real-time, 24/7.



Integrations

Many cloud-native platforms are built with open-source application programming interfaces (APIs) that make integration with other applications (also known as “software”) much easier and more cost-effective.



Security

Data stored on cloud-based systems is more secure. Cloud providers have robust cybersecurity measures to protect sensitive data that would be extremely costly for a hotel to provide on premises.

THE CLOUD-BASED PMS

A major impediment to transitioning to the cloud is that the core technology used by most hotels, the property management system (PMS), is based on on-premises technology. Migrating legacy PMS platforms to the cloud is a complex and expensive process, and operators are often reluctant to invest the time and money required.

Newer PMS platforms have proved to be more adaptive. Some providers have gone straight to the cloud, bypassing on-premises systems entirely. Cloud-native companies don't have to worry about migrating older software to the cloud. Much like building a house, it's much faster to build a new house than to renovate a heritage property.

THE HOTEL TECH STACK



Source: DeltaFlair

THE GROWTH OF CLOUD-BASED SERVICES

The arrival of newer, cloud-based PMS providers has disrupted and displaced older technology and business models that rely more heavily on decentralized systems. However, hotels rely on all sorts of additional applications that connect to the PMS via an API. While many of the newer systems are cloud compatible, shifting all of these services to the cloud is a complex proposition.

Here are just a few examples of the cloud-based hospitality technology applications available to hoteliers today.

*Here are
just a few
examples:*



Remote Check-In and Keyless Room Entry: Instead of checking in at the front desk, guests can check in online or using a mobile app and enter their room using a secure, auto-generated digital code.

Point-of-Sale Transactions: Charges guests make in hotel outlets can be instantly applied to their account, preventing late charges and manual input errors.

Revenue Management: With a cloud-based pricing tool and channel manager connected to the PMS, hotels can monitor competitor rates in real-time and instantly adjust rates, inventory, and stay restrictions across all distribution channels.

Housekeeping and Maintenance: Using a mobile app connected to the PMS, room attendants and maintenance staff can receive real-time updates on which rooms need cleaning or repairs, are stayovers, and have a late checkout.

Guest Directory: By digitizing the guest directory, hotels can ensure guests have instant access to the most up-to-date hotel information via mobile device no matter where they are.

Room Service: Instead of relying on printed menus and expensive PBX phone systems, hotels can digitize menus, update them automatically, and receive orders by mobile app or internet phone connection.

In-Room Entertainment: Guests can access their own cloud-based streaming services account by mobile app, freeing hotels from expensive and high-maintenance agreements with movie services and cable companies.

GETTING STARTED ON THE CLOUD

Hotels that resist shifting to the cloud are only putting off the inevitable. Give the rapid pace at which technology is migrating to the cloud, hospitality businesses who fail to adapt will face increasing technology challenges.

The good news is shifting to cloud computing is remarkably easy. Start by creating a prioritized list of the core services needed to run your business. A good place to begin is the PMS since it's the foundation to which many other applications will be connected. Then add additional software provided by the PMS provider or third parties, such as a website booking engine to drive direct bookings, revenue management software to manage pricing and inventory, or a customer relationship management (CRM) system to manage email marketing and guest loyalty.

When selecting cloud providers, it's important to do your research, ask the right questions, and check references. Look for tech partners that specialize in hospitality and can adapt to changes in market conditions, growing with you as your business expands.





CHAPTER 10

Why an Open, Integrated PMS Platform is the Backbone of a Successful Hotel



If guest service is the smiling face of a lodging property, then technology is its sturdy backbone. Over the past decade or so, breakthroughs in hotel technology have touched virtually every hotel department. Keeping up with the pace of adoption is one of the biggest challenges for hoteliers. As more software tools become available, hoteliers must manage an ever-growing array of software applications, vendors, interfaces, and data sources. Meanwhile, guests expect a single, seamless experience.

THE EVOLUTION OF THE HOTEL PMS

Perhaps the most important technology investment accommodation operators will ever make is the property management system (PMS). It's also the most expensive. A 2019 Lodging Technology Study found that PMS software received the highest budget allocation by far of any software among the 17,980 hotels surveyed.⁴³

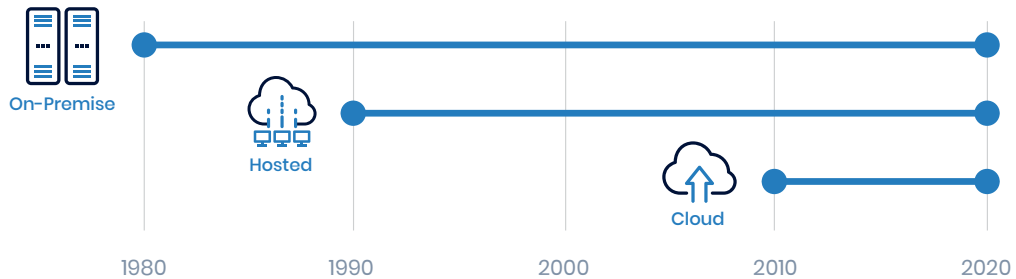
Once the exclusive domain of large, luxury hotels, the PMS is now a must-have for all types of lodging businesses. The growth has been possible because modern PMS options are more affordable and better customized to meet the needs of smaller businesses. Small properties no longer need to pay for a host of complex features they will never use.

The story of the PMS goes back to the 1970s, when the first models were introduced to help hotels run more efficiently by automating manual tasks related to front office operations. Today, the core functions of the PMS encompass the management of reservations and guest profiles, room inventory and pricing, housekeeping, check-in and checkout, and billing and reporting. In addition, a vast array of applications now connect to the PMS. Today, guests can check themselves in online, text the front desk for extra towels, and settle their account using technology integrated with the PMS.

However, keeping up with changes in consumer behavior has been an ongoing challenge. Apps like Uber, Messenger, and DoorDash condition consumers to expect transactions to be mobile-compatible, instant, and seamless. Web-based services allow consumers to make restaurant reservations, book medical appointments, and resolve customer service issues online. And self-serve kiosks in banks, airports, and supermarkets enable consumers to serve themselves instead of waiting for an employee. This has put pressure on hotels to offer similar technology experiences on and off property.

⁴³ Hospitality Technology, 2019 Lodging Technology Study, 2018. <https://hospitalitytech.com/2019-lodging-technology-study-hotels-gear-age-augmented-authenticity?from=gate>

EVOLUTION OF A PMS INFRASTRUCTURE



Source: Skift Research

THE CHALLENGES OF INTEGRATION

Another challenge is that many of the applications hoteliers use today were developed independently of the PMS. This has resulted in fragmented systems, data silos, multiple guest profiles, and duplication of efforts. Frustrated guests are kept waiting while staff manually input data and don't understand why they must repeat information they previously provided. While newer PMS providers have proven to be nimbler and more adaptive, integrating with the large, legacy PMS platforms used by many hotels is complex and cost prohibitive.

Moreover, the traditional hub-and-spoke model of hotel technology, in which applications are connected to a central PMS hub, has given rise to a complex patchwork of systems, integrations, and vendors for hoteliers to manage. Making the system work has become the biggest challenge in hotel technology today. And while modern open application programming interface (API) models alleviate some of the issues, the predominance of legacy systems remains a major obstacle.

HERE COMES THE CLOUD

One of the most significant improvements to hotel technology in recent years has been the transition from on-premises servers to cloud-based solutions. Rather than host expensive hardware and software on property, hotels access them over the internet for a monthly subscription fee, sharing the costs with other businesses.

For legacy PMS providers, migrating to the cloud is a time-consuming and disruptive process. For newer, cloud-native providers, there is no painful migration process and minimal downtime. Because the PMS is accessible from anywhere with internet access, upgrades and maintenance can be performed remotely. Hotel operators with no technology background can manage the system on site with little IT support required.

Unlike older, closed PMS platforms, in which the provider wields control over applications and restricts access to the system, many cloud-native PMS platforms are built with open API standards. Integration with other applications is much easier and more cost-effective. Once an integration is built, it can be replicated for all customers.

THE CONVERGENCE OF HOTEL TECHNOLOGY

Despite the advantages, moving everything to the cloud doesn't fundamentally solve the problem of managing multiple applications and vendors. Efficiencies gained can quickly be lost; complexity is the silent killer of operational efficiency. In an industry with such high staff turnover, software should be easy to learn and quickly adaptable to changes in technology and guest preferences. In an ideal world, the vast majority of a hotel's business needs would be served with as few vendors as possible.

It has become increasingly evident that the hub-and-spoke model has outlived its usefulness. Leading experts in the field see traditional silos of technology converging into a fully integrated platform. Dave Berkus, creator of one of the earliest hotel PMS models, envisions "a single, cloud-based system integrating everything from CRM to reservations to the accounting functions at the properties, all the way through all forms of marketing and follow-through."⁴⁴ George Roukas, partner at hospitality consultancy Hudson Crossing, believes "hotel technology will evolve from separate applications to platforms and eventually to ecosystems running discrete capabilities."⁴⁵

THE HOSPITALITY TECHNOLOGY PLATFORM OF THE FUTURE

The shift to an open, integrated PMS model has been called the "platformization" of the PMS. Much as smartphones have evolved into a multi-purpose platform, the hotel tech stack will evolve into a cloud-based, fully integrated suite of core applications. This may include the PMS, revenue management system, channel manager, payments processing solution, ad tools, analytics tools, and other software applications that help hotels generate more bookings and enhance the guest experience. For added features, hotels can browse a marketplace of third-party apps and services curated by the PMS provider.

Because this PMS model is an open platform, it's easier for hotels to forge partnerships with other tech providers and integrate a variety of software applications, expanding the platform as the business grows. More than an operating platform, however, it is a modern data platform that allows data to flow freely among integrated systems and is accessible to all users for making data-driven decisions. Data is consolidated into a single guest profile, alleviating the issues of data silos, duplication, and manual input errors.

The versatility of the platform makes it suitable for a broad range of property sizes and types, including operators of multiple properties. All business types can benefit from greater efficiency and reduced labor costs by automating an ever-increasing number of tasks. For employees, there's only one system to learn, one sign-in, one dashboard accessed by all departments, and one primary point of contact for customer support.

The PMS of the future is much more than a PMS; it's a cloud-based, open, end-to-end data management platform upon which hotels can operate their entire business, driving more revenue and better guest experiences at every touchpoint. With the system so seamlessly integrated, the PMS descriptor can be dropped entirely; now it's simply a "hospitality technology platform." And it's available to all hoteliers today.

⁴⁴ Hotel Tech Report. FOSSE Creator Dave Berkus Predicts the Future of Hotel Tech. 2020. <https://hoteltechreport.com/news/dave-berkus>

⁴⁵ George Roukas. Converged CRS And PMS Are Finally Here! Now What? P. 2019. <https://ppnqjpvk2w307grolebf0z18-wpengine.netdna-ssl.com/wp-content/uploads/2019/05/Converged-PMS-and-CRS-Are-Finally-Here-1.pdf>

What are the most underutilized features of a PMS that, if used correctly, could improve a hotel's performance?



This is probably one of the most common questions posed when discussing hotel performance. Often the quick response is to send in a task force, develop new processes and checklists, and add dashboards, all in an attempt to drive utilization.

The reality is that the question is hard to answer. The dynamics that take place at a hotel—and subsequently how the PMS is used there—can be influenced in numerous ways, including the age of the system, age of the hotel product, staff turnover, staff knowledge, staff training, vendor engagement, and brand activation of products and services. It can also vary by hotel within a brand.

Driving to a specific feature may be the wrong question to ask. A better approach is to ask: What areas are we trying to improve? Can the deployed PMS system provide assistance to the performance improvement goal?

By addressing the question in this manner, we are able to work on solutions that may lead us to looking at how the PMS system is engaged to drive results. If the PMS can drive a specific area of hotel performance, then appropriate training recommendations can be made. Success will only be achieved, however, if training is executed and results tracked back to the original request on hotel performance.

This question also comes up when new PMS systems are being considered, and again, it may be the wrong question. If the focus is on the system and what it does, as opposed to understanding how the brand and their hotels operate (along with their approach to integrating new technologies), this can result in a situation of mismatched features, ultimately creating underutilization of a critically important tool.

Hoteliers and PMS vendors both have the common goal of having satisfied customers and having their offerings be top performers in the marketplace. A solid approach to understanding the objectives of the hotelier will allow for the deployment of a PMS system that contributes to overall hotel performance and is utilized to its fullest potential.

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CONCLUSION

Future-Proof: Forward-Thinking, Prepared & Adaptive

Our industry is constantly evolving. Today's hospitality businesses are not bound by traditional hotel models. The industry has expanded beyond providing beds and meals to creating experiences, connections to people and places, and lasting memories.

Undeniably, the Covid-19 pandemic has accelerated the shift to a leaner, more efficient, and more tech-enabled property. As hoteliers strive to balance the financial needs of the property with the expectations of guests, technology can help bridge the gap.

However, operators must be careful to avoid the legacy problems of a decentralized, fragmented tech stack and instead move toward an open, integrated, and cloud-based platform. A system that not only serves the hotel's current technology needs but will scale with the business as it grows and evolves.

Equally vital is building a team with the skill set to thrive in today's dynamic environment—creative, versatile, data-savvy, tech-focused, profit-oriented, and, above all, guest centric. To be successful, hoteliers must keep a laser focus on key performance indicators—in guest satisfaction, operations, revenue, marketing, and finance. Failure to plan, budget, and benchmark results will challenge the viability of any business, particularly one in which inventory is perishable and costs are climbing.

Forward-thinking, prepared, and adaptive—this is the recipe for future-proofing a lodging business. Throw in a generous dash of optimism, and hoteliers are ready to overcome any obstacles and seize any opportunities that may come.

GLOSSARY OF HOTEL TERMS

Administration Costs

Administration costs, also known as overhead costs or fixed costs, are the costs that incur on a business or hotel solely from running. They can be seen as the basic costs that occur without a sale having to be made. Examples of administrative costs are taxes, rent, insurance, licensing fees, utilities, accounting, and legal teams, administrative staff, facility upkeep, etc. Keeping administration costs low is a priority among hotel owners. They want to see their profits grow, which can only increase if administration costs are lower than gross profit.

Advance Rates

Discounted rates to entice guests to book in advance. Commonly known as "Early Bird" deals.

Allotment

The number of hotel rooms available for sale by an agent or supplier.

Average Daily Rate (ADR)

A metric used in the hospitality industry to measure the average rate paid for rooms sold. It is used to calculate the average price or rate for each hotel room sold for a specific day. It is used to measure how successful the performance of the hotel is against other hotels that have similar characteristics such as size, clientele and location and/or its own previous figures. The formula is $\text{Room Revenue} / \text{Rooms Sold} = \text{ADR}$.

Average Length of Stay (ALOS)

The average amount of days that guests stay at the hotel during a particular period. The formula is $\text{Number of room nights} / \text{Number of bookings} = \text{Average Length of Stay (ALOS)}$.

Average Published Rate (APR)

A rate taken by averaging all types of hotel rooms throughout the year according to high or low season.

Best Available Rate (BAR)

A pricing system used by hotels to define a rate based on the demand and occupancy of a room.

Blocked

Hotel rooms taken out of inventory without a deposit. Reasons include holding the room for an upcoming reservation, but also for maintenance, storage, and any other reason that keeps the room from being sold.

Boutique Hotels

Smaller upscale and luxury hotels separate themselves from large competitors by their service and product offering.

Central Reservation System (CRS)

A type of reservation software used to maintain the hotel information, room inventory and rates, and to send inventory and manage reservations across many different distribution channels such as the GDS, IBE, OTA, 3rd party websites, etc. A CRS is typically used by hotel groups and chains that want a single platform to manage multi-channel and multi-property strategies.

Channel Management

Techniques used by hotels to optimize performance across distribution channels such as OTAs. Channel Management means the updating of the hotel information, room rates, and availabilities across all distribution channels, such as a hotel's website, third parties (OTAs, IDS, ADS), and the CRS or GDS. Using a Channel Manager is a smart way to save time and avoid errors. There is no need to update dozens of extranets manually, as nowadays you can do that just from one system.

Commission

A charge or fee that a hotel pays to third parties (travel agents, OTAs) for selling their hotel rooms. It is usually a fixed percentage of the room rate. The total commission is usually 15% to 30% depending on the influence of the OTA, on the size of the hotel, and also on the popularity of the destination.

Competitive Set

A group of hotels by which a property can compare itself to a competitor's performance as a whole.

Cooperative Marketing

Programs for marketing involve two or more participating companies, institutions, or organizations.

Credit Card Terminal

A credit card terminal is a piece of equipment that is used to read the information on a credit card and charge a cost to it. The credit card terminal's main purpose is to process credit card payments.

Customer Relationship Management (CRM)

A system used to track customer information and leads for a business.

Demand Generation

In hospitality, meeting demand for goods and services is not only about meeting customers' needs, whenever required; sometimes, a hotel or other type of hospitality business can create demand through promotions, packages, and discounts.

Direct Channel

The term Direct Channels refers to the revenue generated in a specific distribution channel of the Direct Hotel Market Segment – such as through the phone, email, live chat, messaging services, or the official hotel website. Driving sales from Direct Channels is essential for anyone in hotel management to reduce commissions from other channels, such as OTAs, and increase the profit of a property.

Extranet

The back-end of a hotel sales website that allows hotels to log in and enter all their rates, availability, and restrictions.

Folio

An overview of a guest's hotel account, including all charges and payments made. This is managed by the reception of the hotel and is most often stored in the Property Management System (PMS).

Food and Beverage System

A food and beverage control system is a means of computerizing best practices within a restaurant or catering operation. It gives hotel managers a better idea of the flow of food through the restaurant, enabling them to plan cash flow and stock control more effectively.

Forecast

An analysis that renders revenue expectations for an upcoming period.

Global Distribution System (GDS)

A software platform that enables transactions between travel industry service providers, such as airlines, hotels, and car rental companies, with travel buyers such as travel agencies. The system can link inventory, rates, and bookings between buyers and sellers in real-time, but does not hold the inventory itself in its own system.

Gross Operating Profit (GOP)

The result of the hotel's gross operating revenue, minus gross operating expenses.

Hotel Intelligence

Historical electronic booking data reports that include information on rates and length of stay patterns and business sources for individual subscriber properties and their local competitive sets.

Hotel Manager

The manager underneath the General Manager in ranking that is responsible for an individual hotel, unlike the General Manager, who may cover more than one.

Hotel Rate Parity

Hotel rate parity is the practice of maintaining consistent rates across all distribution channels, regardless of the online travel agent (OTA) commission. Rate parity is usually part of the agreement signed by hotels when they partner with an OTA where Hotels are not allowed to undercut OTA rates on their own websites.

Independent Hotel

An Independent Hotel is a hotel that is independently owned and run. It doesn't allow any other proprietors to use its name/brand. Basically, all hotels that are not related to a hotel chain are considered "independent." Travelers expect their chosen hotel to lean towards their wants and needs. A big advantage of independent hotels is that they have the flexibility to provide special and personalized services compared to corporately owned and operated hotels, as the large chain brands have restrictive rules and protocols. An independent hotel can often enhance their guests' stays with unique memorable experiences that a large chain could often not provide.

Intranet

A private computer network uses an Intranet to securely share part of an organization's information within itself.

Intelligent Hotels

Hotels that use state-of-the-art technology to run operations.

Key Performance Indicator (KPI)

KPI includes a set of ratios and formulas that help calculate and indicate the performance and progress of a hotel accordingly to its plans and actions. KPIs are usually metrics widely used as a measurement of business performance.

Last Room Availability (LRA)

A combination of negotiated and group rates that allow agents to book a hotel's last available room at a contracted rate.

Length of Stay (LOS)

Total nights that a guest spends with a hotel.



Margin

Within revenue management in the hotel industry, Margin is often used to refer to the commission or fee OTAs are making on your room rate. The formula for the calculation OTA Margin is $\text{Room Rate} \times \% \text{ Commission} = \text{Margin}$ in €/\$. Hotels should be aware that on cancellation or no-show fees they have to be careful to pay commission only over the fee charged to the guest and not the complete stay.

Merchant Rate

A business model used by OTAs to mark up hotel net rates to sell to the public.

Metasearch

A travel metasearch engine, otherwise known as an aggregator, is a search engine that sends queries to several travel booking sites for dates and rates and then aggregates the results into one master list. The advantage to users is to be able to see all available prices across a number of different travel booking sites for their intended stay dates.

Net Operating Profit (NOP)

NOP stands for Net Operating Profit, also known as NOI (Net Operating Income), and refers to the amount of money that a hotel has earned after the cost of distribution and operating expenses have been deducted. This is used to see whether a hotel is making more than it spends or is operating at a loss.

It is used to examine the cash flow of an investment before the effects of taxes and financing costs are considered. This performance indicator is often a crucial figure for investors as part of their estimation of the value of the property. The formula is $\text{Revenue Generated} - \text{Operating Expenses} = \text{NOP}$.

Net Revenue

The term Net Revenue, also known as net income, can be found at the bottom of every income statement. Net means free from all deductions and revenue refers to the income generated by the organization. To calculate Net Revenue, first add all of the expenses listed on the income statements such as materials, fees, rent, transportation, office supplies, utilities, and taxes together. Thereafter, subtract the sum of these expenses from the total revenue to find your net income. The formula is $\text{Total Revenue} - \text{Operating Cost, Expenses \& Tax} = \text{Net Revenue}$.

Occupancy Rate

The occupancy rate shows the percentage of available rooms or beds being sold for a certain period of time. It is calculated by dividing the total number of rooms sold by the number of rooms available.

Online Booking Engine (OBE)

Also known as an internet booking engine (IBE), it is an online application that allows a user to search and book rooms directly from a property. An OBE displays rates and allocations in real-time and shows the customer an immediate confirmation of the product/service booked. The main advantage of a booking engine is that it provides easy access to payment processes and purchase systems. The guest can finalize a booking easily, without any help or need of a travel agent or a hotel.

Online Travel Agency (OTA)

OTAs are online companies whose websites allow consumers to book various travel related services directly via the Internet. These third-party agents usually sell trips, hotels, cars, flights, vacation packages, etc. provided by travel suppliers. Examples of the most commonly known OTAs are the Priceline Group (Booking.com, Priceline.com, agoda.com, KAYAK, rentalcars.com, OpenTable), Expedia, Inc. (Expedia.com, Hotels.com, Egencia, Hotwire, Trivago, Venere.com, CarRentals.com, Classic Vacations, Expedia CruiseShipCenters, Expedia Local Expert (LX), Wotif Group, Travelocity), and Airbnb.

Overbooking

Sometimes it can be necessary for a hotel to sell more rooms than it actually has available. Overbooking can sometimes be the only way to protect a hotel from diminished revenue due to unexpected cancellations, no-shows, or booking errors.

Overhead Costs

The term Overhead Costs, also called overhead expenses, refers to the indirect costs which occur when operating a business, while excluding costs directly related to the manufacturing of a product or delivery of a service. Overhead Costs do not directly contribute to the generating of revenue. It refers to all non-labor expenses required to operate a business. Examples of Overhead Costs are accounting fees, advertising, insurance, interest, legal fees, labor burden, rent, repairs, supplies, taxes, telephone bills, travel expenditures, and utilities.

Prepaid Rate

The term Prepaid Rate refers to paying for the stay at a hotel in full at the time of booking, rather than at arrival or departure from the hotel. Paying the prepaid rate generally can come with large price reductions from 10% to 25% off the BAR (Best Available Rate), which can lead to large cost savings if customers plan ahead.

Point of Sale (POS)

A point-of-sale system, or POS system, is a software/hardware system that allows a hotel to manage sales, invoicing, and ordering for charges related to the hotel stay, such as food and beverage, activities, room service, spa services, and miscellaneous items. A POS system is often integrated with a hotel PMS in order to simplify the guest experience and allow guests to bill their room without having to carry a credit card within the property.

Price Parity Scanners

Rate discrepancies can have a negative effect on a hotel's visibility, reputation, and bookings. The process of checking rates across all sales channels is time-consuming and difficult to do on a daily basis. Rate parity scanners (software) automate this process and inform hoteliers of any pricing discrepancies across their distribution channels.

Profits Per Available Room (ProPAR)

A metric that calculates net revenue per available room. Also known as Net RevPAR.

Proprietary Booking Engine

An individual or group of hotels that own and operate their Internet reservation system.

Rate Shopper

A rate shopper is an analysis tool used by hotels to automate their rate comparison process. Its primary benefit is to help hoteliers make easier and quicker pricing decisions; rate intelligence is essential in revenue management.

Recipe Management

A recipe control system is software where a hotelier is able to unitize what goes into standard service for a catering business. This can be per head, per potato or give an overview of what is needed for the entire service. This is a powerful tool for a sizable catering operation where there is a predictable number of heads coming through every mealtime. The chef is then able to manage their cycle of recipes once they logged which provides them more control and flexibility when there is a variation in the number of people that are going to be coming through the restaurant that day. The chef can simply vary the numbers and automatically order the appropriate amount of food.



Reputation Management

Hotel reputation management is all about monitoring and influencing how your hotel is perceived online. It involves keeping track of review sites, posting and engaging on social media, optimizing your site for search, and much more.

Return on Investment (ROI)

ROI is a profitability ratio used to evaluate the gain or loss generated on an investment. In other words, it indicates how much money was earned on an investment, expressed as a percentage of the purchasing price and initial investment. The formula is $(\text{investment revenue} - \text{investment cost}) / (\text{investment cost}) = \text{ROI}$.

Revenue Management

Running a successful hotel does not simply involve selling as many rooms as possible. The key to successful revenue management involves selling the right room to the right client at the right moment for the right price, and on the right distribution channel (i.e. the one with the best commission efficiency). The practice of hotel revenue management uses a combination of historical analysis, forecasting, benchmarking, competitive pricing analysis, and other tools to determine the best pricing strategy for a property.

Revenue Per Available Room (RevPAR)

RevPAR is regarded as one of the most important financial calculations for any hotel. It reflects the property's ability to fill available rooms at an average rate. RevPAR is calculated by multiplying the hotel's average daily rate (ADR) by its occupancy rate for the period of time being measured; an increase in RevPAR means that either ADR or Occupancy is improving.

Room Inventory

To calculate the room inventory, take the number of rooms a hotel has available for reservation minus the number of rooms sold to determine the number of rooms available for a particular day.

Rooms Yield

An equation averaging revenue from all rooms, divided by the number of rooms in a hotel, divided by 365 nights.

Shoulder Nights and Season

Shoulder nights are the nights on either side of a peak day when demand is higher than usual. For a leisure hotel with busy weekends, for example, this could be Thursday night and Sunday night. Shoulder seasons are the periods of time just before a peak season, for example, the months before and after a summer high season.

Standard Operating Procedures (SOPs)

Hotel SOPs are an essential set of written down instructions in hotel management, that staff use to execute operational procedures and maintain service standards. By having well-developed SOPs in your hotel it is possible to provide more consistent and higher-quality services and products. Benefits include maintaining consistency and quality of service and ensuring it is perceived well by the guest. Another goal is safety as it is essential to have a plan in place for emergency situations.

Stop Sell

The act of stopping the hotel from being booked on distribution channels. It is often used when a hotel is sold out during a certain time period.

Underbooking

Underbooking is a situation that happens when a hotel has failed to sell the number of rooms that reaches their satisfactory booking standards. Some hoteliers try to reduce double-bookings by allocating separate inventory for each distribution channel. While this does eliminate the potential to sell the same room twice, it can also easily result in unnecessarily vacant units. This might also be done on purpose when staff and/or resources shortages force a hotel to block rooms from sale in order to keep service standards.

Vacation Rental

A vacation rental is the renting out of a furnished apartment, house, or professionally managed resort-condominium complex on a temporary basis to tourists as an alternative to a hotel. Airbnb and VRBO are currently the most famous examples for the industry. In Europe, the term villa rental or villa holiday is preferred for rentals of detached houses in warmer climates.

Wholesaler

A third-party organization that sells hotel rooms that buy rooms in bulk, often at a negotiated discount, directly from a hotel supplier and then sells the inventory to other travel sellers, such as travel agents, tour operators, and travel booking sites. Wholesalers do not sell their inventory directly to the public.

Yield Management

Yield management is a dynamic hotel pricing strategy designed to produce the maximum revenue, or yield, from a set inventory of rooms. The main difference between yield management and revenue management is that yield management has a narrower focus and focuses strictly on room revenue, whereas revenue management factors in total revenue.



More Reservations, Happier Guests:

The Ultimate Guide for the Modern Hotelier

There's never been a more exciting time to be in the hospitality industry. Travelers are eager to experience the world in new and unique ways in 2022 and beyond, from meeting fellow climbers and surfers at a converted motel "basecamp," to watching the stars from a luxury geodesic dome up in the mountains, to sleeping in a converted tequila barrel in a field of agave.

Today's lodging businesses are not bound by traditional hotel models—in some cases, they're not even bound by walls. We wrote this book with these modern hoteliers in mind, putting together our collective knowledge of hundreds of years in hospitality and technology to help properties of all sizes and types to succeed.

More Reservations, Happier Guests. That's our promise to you.

Written by the team of passionate hospitality professionals at Cloudbeds, including Adam Harris (CEO), Richard Castle (COO), Rafael Blanes, Chad Brubaker, Kristy Espat, Kevin Goddard, Marshall Knauf, Sebastien Leitner, Ana Monteiro, Jeremee Peters, Jason Richards, Marco Rosso, Andre Sovgir, Victor Tofan, Jessie Zhang, and Ettore Zotarelli.
