

# HOTEL yearbook 2011

What to expect in the year ahead



Four Seasons CEO Kathleen Taylor  
on the evolving concept of luxury

The post-crisis outlook in key markets:  
20 exclusive situation reports from Horwath HTL

Best Western CEO David Kong describes the key issues  
US hoteliers will have to tackle in 2011

The industry's most progressive approach to operations:  
our interview with citizenM's Michael Levie

Plus ideas, expectations and insights for 2011  
from the Chief Executives of 8 hotel groups

# Leaving it to the experts

TECHNOLOGY IS ONE OF THE HOTEL FUNCTIONS THAT INCREASINGLY CREATE HEADACHES FOR HOTEL OWNERS AND OPERATORS ALIKE. IS IT POSSIBLE TO KEEP THINGS SIMPLE? IT WAS IN THE 2008 EDITION OF THE HOTEL YEARBOOK THAT SWISSCOM'S LEO BRAND REMARKED, « A CONVERGED IP NETWORK WILL ALLOW THE HOTELIER TO TAKE CONTROL OVER HIS OPERATIONS WHILE DEALING WITH ONE ADVANCED SYSTEM INTEGRATOR ONLY, AS OPPOSED TO A VARIETY OF VENDORS AND INFRASTRUCTURES. » BASED ON THIS UNCONVENTIONAL THINKING, DUTCH HOTEL GROUP **CITIZENM** HAS DISCARDED THE BELIEF THAT HOTELS NEED TO DELIVER A MAXIMUM OF SERVICES THEMSELVES, AND THIS HAS OPENED THE DOORS TO NEW CONCEPTS OF GUEST SERVICE. WE SPOKE WITH CHIEF OPERATING OFFICE **MICHAEL LEVIE** ABOUT HIS COMPANY'S NOVEL APPROACH.



**THE HOTEL YEARBOOK: Michael, what would you say are the most important changes you have observed in the hospitality arena in the last ten years or so – not only in terms of guest behavior and expectations, but also management techniques, key technology-driven capabilities, and the like? Does the citizenM approach take all these changes into account? How do you see these things evolving in the next few years?**

**MICHAEL LEVIE:** To answer what important changes the hospitality industry has gone through over the past ten years, one can't see this in isolation from how the world in general is changing. «The world is getting smaller» is an understatement. Travel is easy and getting cheaper. Not only are the «privileged few» traveling, but almost everyone today.

Most industries reinvent themselves every seven years. But the hospitality industry seems to repeat yesterday today... again and again. Mass travel, be it for leisure or business, has changed significantly due to the Internet, mobile devices, or

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technology in general, and the recent and current recessions are of course among many other influences.

citizenM chose a niche market – still very broad, i.e. mid-market travelers – and asked them the following questions: What do they require from a hotel? What do they not need? What are they willing to pay for and what not? What frustrates them in hotels today, and what would «wow» them? We simply executed this list well and shifted the industry paradigm. Use of new building techniques (modular factory), technology as

an enabler, and smart pricing and distribution allow us today to share savings with the guest, and offer affordable luxury. In the near future we will focus on improving functionality, re-engineering to improve the overall product at more compatible prices and to become a brand!

**HYB: Can you tell us a little about the company's 2011 plans? Where will you be opening? Where are you looking?**

**MICHAEL:** 2011 will be a year of construction for citizenM; simultaneously 2 hotels in London and 2 in New York will go up. Further, citizenM will be concentrating on new deals in Europe and US, with a focus on Paris, London, Milan and New York City. 2012 will be the year of openings for citizenM, while construction on new deals is undertaken.

**HYB: Looking at your customer profile, your hotels target mobile citizens, and your brand is named after them. What made you choose «mobility» as a key attribute for your brand?**

**MICHAEL:** People who travel frequently become globally aware and understand the world. They are informed and value-conscious. They are true personalities: social, multicultural and free-spirited. And to keep up, they are very tech-savvy and mobile.

**HYB: And you are not only serving these tech-savvy guests when they stay in a citizenM hotel, but also actively building a worldwide community of mobile citizens. How do you go about this, and to what extent is your approach different from traditional guest loyalty schemes?**

**MICHAEL:** We want to communicate with our citizens beyond the timeframe between reservation to payment. Lifestyle is an attitude, and as such we link, talk and share through our electronic magazine, social online media, our website and any other opportunity we get. Loyalty schemes are for others; we would rather recognize our guests!

# Leaving it to the experts cont.

**HYB: Let's talk about your business model. It is based on low operating costs and the outsourcing of all non-core hospitality functions. Can you tell us a little more about this, and especially what you keep in-house, and thus consider core competencies you must keep for yourselves? In what way does this differentiate you as far as the guests are concerned? (I.e. is it even visible to them that certain things are outsourced?)**

**MICHAEL:** Thus far, citizenM owns, build and operates its hotels. Our concept is based on limited service, but the service we do offer is at deluxe levels, comparable to the 5-star hotels in the industry. Our operating costs are tuned to deliver effective and well-perceived personalized service, while taking full advantage of contemporary technology.

What we outsource is opaque to the guest, and those companies that work with us on a contract basis feel very much part of our mission and vision. It is more effective to have specialized activities taken care of by those who best know how to do it. Outsourcing for citizenM is nothing more than involving

concentrated knowledge effectively. We require the same attitude, delivery and results for in and out-sourced activities, in order to always deliver the very best guest satisfaction.

**HYB: Some of your applications, such as your Property Management System and your voice system, have been deployed off-site. Can you tell us why?**

**MICHAEL:** Guest satisfaction is the only focus in our hotels. The manager, supervisors and ambassadors – i.e. citizenM employees – have « assisting tasks » only. For example, assisting with kiosk check-in and out, helping a barista make a cup of coffee or shake a cocktail, or working the point of sale. Their main focus is to be nice and friendly and make sure to deliver the very best personalized experience.

Centrally, we handle accounting, distribution/reservations, contracting and other chores. For that, we want the latest, most friendly operable technology. Again, specialists have to take care of this – and do so in their own environments. We then receive the service over the Internet.

## ESCAPING THE COMPLEXITY TRAP

The success of citizenM is built on a distinctive guest experience as much as it is on low operating costs. In traditional hospitality concepts, combining the two seems like trying to square the circle: further refining guest amenities would inevitably lead to higher costs. citizenM escaped this « complexity trap » by building a rigid technology backbone where all applications would follow the IP addressing defined by its technology partner Swisscom.

At citizenM Glasgow, for example, all guest applications run off one convergent wired and wireless network: the RFID cards that guests use to access their rooms, pay and check out; the mood pads that control the TV and entertainment system, window shades, room ambiance and temperature; the hotel's wireless IP phone system and even the hotel's CCTV

system. By clustering all applications into a standardized network environment, citizenM has been able to reduce their IT operating and maintenance cost to a minimum. At the same time, since all systems are fully interfaced, the chain can continuously personalize its guest services. For instance, data obtained from the guest's online room reservation are available at check-in and on the guest room mood pad, while additional user settings and preferences are fed back into citizenM's back-office systems.

« Together with our technology partner Swisscom, we have turned the usual selection process for our guest applications around, » explains Michael Levie. « Rather than asking for the best solution provider within its own set of competitors, we inquired for those potential providers that were compatible with our overall technology layout. » From a catalogue of IP-compliant technologies, the chain chose its preferred



**HYB: «In their own environments»? Does this mean that there are companies all over Europe «running» aspects of your hotels from their respective central locations? Can you give us some examples?**

**MICHAEL:** Yes, we have SaaS systems that citizenM is running off. Hetras Hotel Management Systems would be an example of that. This young software organization has launched a new hospitality platform that citizenM uses combining PMS/CRS/CRM in

service providers for its PBX system, the room lighting and HVAC (heating, ventilation and air conditioning), for IPTV and entertainment as well as for wired and wireless HSIA services.

citizenM has even taken the concept of infrastructure consolidation one step further: The chain's combined Property Management and CRM System, provided by Hetra, resides in a remotely hosted data center in Munich, and serves as a central resource for all citizenM properties. Likewise, the hotel PBX telephone system (a software based solution provided by NEC) has also been moved «into the cloud» – a data center in Manchester – and can be used for any forthcoming citizenM hotels without incurring any further set-up costs. All applications are remotely managed and monitored by Swisscom in Geneva according to mutually agreed service levels.

one web-based system. Swisscom Hospitality Services installs and maintains our networks, while controlling all in-room technology.

**HYB: Within the multitude of innovations that you are bringing to the industry, it is the interior design aspect and the creative use of technology that seem to impress your guests most. TripAdvisor named citizenM Amsterdam the «Trendiest Hotel of the World 2010». How can a chain like yours afford to invest in stylish and cutting-edge technology?**

**MICHAEL:** Our guests actually claim that the friendly ambassadors and service are the most important things to them. The multitude of innovations has more to do with the need to come up with new answers to the needs of contemporary travelers. Our interest in making a quantum leap was shared by many partners, and together we are getting ready to change the hospitality industry. By doing so jointly, the newly launched products are actually better priced than the old ones, especially taking maintenance and support into consideration. Wise investments have a good payback – that's our philosophy. ■

This helps reduce staff costs. In fact, citizenM Glasgow employs one full-time employee for every five rooms, compared to the industry average of one full-time employee for every two rooms. In particular, for its 192 bedrooms, the hotel does not employ any onsite IT staff, whereas an operation of that size would normally employ two or three IT specialists.

«As more and more hotel applications are becoming available in this common networking standard, I am convinced that IP convergence is the way forward for hotels,» says Levie. «However, the design and the management of a property-wide hotel network is obviously a matter of specialization. It's certainly not one of our core competencies. This is why we rely so heavily on partners like Swisscom in this area.» ■

# SCENARIO PLANNING

## The future is embedded in the present

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« Trying to predict the future is like trying to drive down a country road at night with no lights, while looking out the back window. »

- Peter Drucker

If one of your tasks as a CEO is to ensure that your organization remains competitive 5 or even 10 years from today, then visualizing how the future may develop is not a meaningless parlor game; it's a vital necessity. You need to understand today how your company is likely to be challenged when tomorrow, the competitive landscape around you changes. And change it will.

### THE FUTURE IS NOT A STRAIGHT LINE

Many organizations base their plans on linear thinking. This approach may produce acceptable results for the near-term future, but beyond two or three years, the future is not likely to proceed in a nice, straight, predictable line. The road ahead is curved, forked – anything but straight.

This means that your strategic plan is only as relevant as your ability to foresee how the future could unfold a few years down the line. And not just in one direction but in three or four possible directions, because at any moment, several different futures are possible.

Luckily, as John Naisbitt wrote, « the future is embedded in the present. » With skillful observation and analytical thinking – plus a little creativity and imagination – it is possible to identify the trends and events that are likely to change tomorrow's playing field, and then to take this a step further and develop plausible story lines to explain how the future could logically unfold if various trends play out. This process is called *scenario planning*.

### OPENING YOUR EYES TO ALTERNATIVE FUTURES

Scenario planning is a structured approach to visualizing how alternative futures might emerge. Depending on which trends prevail and what kind of events occur, three or four (or more) quite different futures could evolve – and your company has to be ready for any one of them. By developing for you a set of realistic alternative scenarios for the mid-term future, this fascinating process helps you:

- improve the flexibility of your strategic plan
- spot likely new investment and market opportunities (and threats!)
- identify signposts that may tell you which future is going to develop
- foster unconventional thinking in your management team

### DIFFERENT FUTURES CONTAIN DIFFERENT OPPORTUNITIES

Interested in knowing more about the futures you will have to face? Call or e-mail Woody Wade to explore the possibility of introducing this process to your organization.

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