

HOTEL yearbook 2009

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Is a recession the right time to make tech investments ?

Yes, says **LEO BRAND**, CEO of Geneva-based **SWISSCOM HOSPITALITY SERVICES**. With global recession looming in 2009, hotels can improve their chances of defying an economic downturn through acyclical investments in IP convergence. Not only will business guests be particularly better served, but the timing makes sense for those who have the means: they'll get better prices, disturb fewer guests and make a giant leap forward, while their competitors are licking their wounds.

The world financial situation will soon weigh heavily on hospitality investment and revenues in the coming year. Lodging demand will invariably decline in 2009, a phenomenon aggravated by the continuing rise in lodging supply. How can you defy the economic downturn? Volumes of literature are being produced on how to reduce your operational cost, slash your advertising expenses, sharpen your sales skills, and target the industries least affected by the crisis. But a sober analysis of your competitive market situation vis-à-vis the main evolving demand patterns during and after a recessionary period may be just as good a recipe.

IP technology can help you reduce operating expense! In the last edition of The Hotel Yearbook, I looked at the digital transition of the hospitality industry. While the prospects for this transition are certainly affected by the economy's overall situation, IP convergence is going to happen, in hospitality as much as in many other industries against which hospitality is still lagging behind.

To quickly review, IP convergence is the merging of applications to allow them to share resources as well as information to allow for automated guest personalization. While the long-term goal ►



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Is a recession the right time to make tech investments? cont.

of a « smart property » – where everything from entertainment to lighting and climate control is integrated into your guest CRM system – may seem futuristic, don't be too quick to allow the recession to delay your move in this direction. There are immediate financial benefits of going convergent.

Convergence will allow you to add applications to your network without additional installation costs for each one. Also, by using the same IP-based network for multiple applications, they can all be monitored and managed from a single remote point. This can consolidate problem escalation and resolution to save time and staff on property.

Today an average hotel, independent of its size, works with 60-80 communication and technology vendors for their PBX, PMS, music in the lobby, mini-bar, Pay-TV, door locks, digital signage, HSIA, RFID tagging against theft, to name just a few. These vendors all sell their own applications only; the business case is often negative from the beginning. Hotels could realize substantial savings in Capex and Opex were they in a position to integrate their vendors into a shared hotel infrastructure, a network that is used for public services and accessible via wired and wireless. Amazingly, however, the cost for maintaining a hugely heterogeneous application environment is almost universally taken for granted. One of the reasons may have been the absence of qualified system integrators with sufficient background in hospitality. Henceforth, the picture will change with the advent of dedicated IP network providers like Swisscom that have a strong background in hospitality.

Guest demands and reduced budgets in 2009

This is your real challenge: how can you exceed guest expectations during a recessionary period? In fact, the guest value of integrated applications is another major incentive.

Concrete service improvements most notably include the digital delivery of audiovisual data all the way to the guest room: Taking advantage of new TV hardware and a new generation of IPTV services on the market, hotels can propose television in high definition, a greater and personalized choice of TV

programs responding to language preferences, interests, the guest's duration and purpose of stay. Considering that some 88 percent of guests turn on, or are exposed to, the TV set during their hotel stay, digital entertainment is likely to contribute to their service experience – and their customer loyalty.

Even at a simple level, the benefits can be seen and appreciated by your guests. Converging your guest room and public area HSIA offerings with your business center can allow guests to print their documents anytime and from anywhere on property, without disturbing your staff.

Or, take the example of your meeting room business: overall, business travel currently represents some 43% of occupancy, but as travel expenditures are getting tighter, this kind of travel will be cut back. This will mean that meeting attendees will only make the trip if there is a direct impact on revenue or critical projects. Companies will scrutinize all travel and apply price pressure on the industry, further reducing revenues. Experience tells us that a recession does not result in a business standstill: During the years that followed the dotcom bust and 9/11, business meetings and travel still continued, albeit at a reduced rate. The same will hold true for 2009: Meeting participants will be fewer but they will be expected to maintain high productivity levels even while on trips – increasing their need for connectivity. New technology will be used to create greater meeting effectiveness to offset the reduced meeting attendance. There will be greater demand for communications methods such as video conference attendance, Webinars, live publishing of meetings and press announcements, to reach out to those unable to attend in person.

This means connectivity in all places at all times, without exception. Quality and capacity thus will be more critical than ever for business and conference hotels. The inability to smoothly continue to do business from your facility will have an impact like failing to provide hot water. However, what IT infrastructure do you have in place to satisfy your guests? How quickly can you deploy, and how fast can you scale bandwidth for your meeting attendees?

Investing the smart way

In this context, acyclical investment behavior certainly makes sense for those who have the means: they'll get better prices, disturb fewer guests and make a giant leap ahead while others scramble to survive. For all others that need to come to terms with squeezed budgets, the best advice is to be tough on suppliers and smart on their expenses.

For instance: look at your current expenses, establish a cost/benefit ratio for every service offered, and evaluate options for greater operational efficiency. As far as technology goes, scrutinize IT staff utilization, circuit utilization, planned upgrades to terminal devices to ensure value. Revisit previous expenses in your IT budget and try to establish – possibly with external assistance – a benchmark for ROI in your IT budget.

Once you understand your costs and how you plan to respond to the demand, look at your operating expense (Opex). Your IT specialists are probably some of your most expensive employees, thanks to the investment in salaries, benefits, and the required ongoing training that are needed to make sure you have a competent staff. But are they contributing to your revenue stream on a daily basis? Look closely at your vendors. How many can offer additional financing options? Are there opportunities to share revenue and risk? Technology vendors like Swisscom can get better personnel utilization per employee, and they can bring a great deal of service experience to your property!

Ideally, your IT partner will help you define a service roadmap for the future, which guest services will be ready for renovations and which new ones will help you now and after the recession, so that you better understand the trade-offs. You will want to protect past investments by running some existing assets to full depreciation, but not at the cost of limiting service. Meet the guest demand with the most efficient solutions. Work with your vendors on new business models. Remember: revenue per event may drop, but the attendant cost reductions can net an overall benefit!

The risk of waiting

My message is clear: do not discount the financial viability of convergence at this time, as it will have significant impact. There is a heightened risk for those who don't move forward: They will start losing customers now, and won't see any economic benefits until long after the market begins to turn back up. You will need a trusted IT partner to guide you through the analysis and help you plan your improvements.



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While technology demands may seem mundane, during this period of recession, poor or outdated service can have a severe effect on guest satisfaction. Moreover, your IT assets will set the stage for your future. In the meantime, a fresh look at vendor relations, business models and labor options will help you save cost e.g. by delegating some risk to your vendors. This will lead to new and stronger relationships that may in fact benefit the entire industry, as outdated approaches are reviewed in light of the new capabilities of technology, more intense competition and rising guest expectations. ■