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BUSINESS, TECHNOLOGY, AND MARKETING TRENDS INFLUENCING THE FINANCIAL PERFORMANCE OF THE HOTEL INDUSTRY

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ABSTRACT. In today's world, hotel organizations contend with a highly competitive environment—an environment that is saturated with new technologies, customers who expect superior service, a drive toward innovation, and the challenge of ever-increasing costs. The survival of these organizations often depends on their overall financial performance, their ability to adapt to the changing environment, and the way in which they transform and expand their services to meet their customers' needs. Remaining abreast of the newest trends in the hotel industry can be costly to hotels and may influence their overall financial performance. In this article, the director of finance of a resort hotel in Orlando, Florida, USA, shares some thoughts with the author on the newest business, technology, and hotel marketing trends that are believed to influence the financial performance of the hotel industry in the next few years.

BUSINESS TRENDS

For hotel organizations to be competitive, it is important for them to remain abreast of the latest business trends and to determine how these can be adopted for hotel operations. A number of current business trends that are evident in the hotel industry are subsequently presented; these are discussed in further detail in the sections that follow. Hotels trends include a strong focus on Millennials and their traveling behavior, as well as acknowledging the importance of business intelligence and how this can give the organization a competitive advantage. Furthermore, customers are more health and wellness orientated and are also influenced by political uncertainty, terrorism, and legislation. The sharing economy is another facet that has a bearing on hotel bookings, and hotels are investigating options to make their businesses more profitable in this climate. In the last instance, customer service and customers' expectations will always enjoy high priority in the hospitality industry.

Millennials

As the fastest growing customer segment, Millennials tend to focus on interaction, exploration, and experience; and they are willing to pay for a more satisfying experience (McGuire, 2015). Many hotels, therefore, currently design their offerings to influence the younger generation; for example, most public areas, bars, and food outlets offer communal tables that promote engagement and communication. However, an upbeat design that helps to create an attractive atmosphere comes at a cost for the hotel owners because changes in the structural and interior design of the hotel and hotel rooms are very expensive. Hotels are limited in their choices in this regard if they want to continue to be competitive. For example, renovations and improvements at some of the hotels in Orlando, Florida, are one of the reasons that the hotels are moving up in their TripAdvisor ranking, and the director of finance believes that this upward trend will continue and will help these hotels to increase their revenue.

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Business Intelligence

Business intelligence is a strategic asset that drives decision making at the hotel. This type of intelligence is needed with a view to improve the company's probability of surviving and prospering in difficult times. In a world where everything is traceable and trackable, the revenue manager should use business data to interpret RevPAR, occupancy, and compression in the city. Hotels use travel reports on a weekly basis to compare prices and ensure that their rates are set at the right price for the right market segment. Market segments can be very diverse in a hotel resort, and ranges from leisure travelers specifically in the summer months to transient travelers and groups throughout the year. It is much easier for the hotel organizations to obtain data and trends from established groups such as Smith Travel, Skift, and Travelclick than to invest money in another platform to obtain their own information. Social media (e.g., TripAdvisor, Facebook, Snapchat, Instagram) can also be used to gather business intelligence; now more than ever, hotels need to respond to their customers' comments, needs, and wants through social media.

Health and Wellness Trends

Hotels have had to adapt to their customers' increased insistence on health and wellness by providing healthier options on their menus as well as health facilities and services (McGuire, 2015). In this regard, hotels are compelled to buy more organic and locally produced food, which many times is costly for the hotel. Furthermore, bottled water has become standard in many hotel rooms, but this luxury has also increased the expenditures of hotels. Some hotels have recorded a $250,000 increase in their annual budget to provide two bottles of water per room per night for their customers. These expenses need to be recovered from somewhere else in the hotel, or it will have an influence on the financial performance of the hotel.

Safety, Security, and Legislation

The threat of terrorism is, unfortunately, very real for the hotel industry because tourist attractions and accommodations are seen as soft and easy targets for terrorists (McGuire, 2015). The recent terrorist attacks in Paris, France, had a devastating effect on the hotel industry where hotel occupancy rates and REVPar dropped by as much as 25% (Anonymous, 2015). If a hotel were to fall victim to a terrorist attack, the immediate consequences are material, and in addition they may face the destruction of infrastructure and even the loss of lives. In the short term, such an event will affect the revenue-generating capacity of the hotel. Other indirect and other unplanned costs will include the rising cost of security (mobilization, more security, vigilance, prevention, and protection) to protect guests at the hotel. Nonetheless, although the hotel industry has been affected by terrorist attacks, the industry has always proven to be resilient and has adopted strategies to adapt to turbulent times (Sampson, 2016). Many hotels have improved their internal security systems to provide better security to their customers. Other political uncertainties that can influence the financial performance of hotels include changes in the minimum wage structures. In San Diego, California, the city council recently passed legislation to increase minimum wages beyond the original scheduled increase (Porter, 2015). This legislation creates major uncertainty in the business sector because organizations cannot budget and forecast accurately.

Sharing Economy

The past few months have brought an exciting and challenging change in the traditional hospitality industry as Airbnb, Uber, and Lyft have become part of the hospitality industry (McGuire, 2015). Many cities and countries are looking at the possibility of regulating this reality but still find themselves in uncharted legal territory, which will most likely take a few years to legislate and regulate. City officials feel that Airbnb rentals should be

regulated and subject to hotel occupancy taxes, whereas Airbnb advocates argue that their business model merely connects the customer with the host. Although some of the larger hotel chains such as Hilton Worldwide, Four Seasons, and Marriott have indicated that Airbnb's guests have not affected the revenues of their hotels, many other smaller low-end hotels and motels have experiences losses as a result of Airbnb. Many transportation service companies that offer services to hotel guests have also been influenced by Uber and Lyft and have indicated a loss in revenue. Ultimately, the sharing economy will have an effect on the financial performance of some of the hotels and the hospitality industry should come up with clear regulations and legislation.

Booking More Profitable Business

It is critical to improve the revenue of an hotel and its revenue results from an increase in the occupancy levels of the hotel, better average rates, and revenue that can be created by available rooms and services. Although all of these can increase the revenue of the hotel's operating cost, increases such as minimum wage and health care can stunt the profit growth. Revenue mostly comes from RevPAR growth, but there are more ways to increase revenue and income. Upselling of services is a case in point. A change in strategy may entail being less reliant on the bookings from online travel agencies. Hotels must also try to negotiate better commission with their online travel agencies. If customers can book directly on the hotel's website and call centers, the savings will be significant. Hotels need then to ensure that as many customers as possible will return and book directly the next time they visit the area.

Customer Service

Customer service will always remain a salient important aspect that needs to be considered. Providing "WOW" service is the only way to ensure that customers will come back and, as previously mentioned, Millennials are the customers of tomorrow. The younger generation is, however, not very loyal to hotel brands anymore and instead driven by price and community. Millennials will look at the ethics of the hotel and will want to know whether and where the hotel is giving back to its surrounding community. They also want service that provides them with the ability to be self-sufficient. Hotels, however, need to balance personalized services with independencies. Furthermore, customers want information on their smart phones and hotels need to invest in the newest technology to make this possible.

Environmental Issues

Industrywide, the hotel industry has seen an increase in being environmentally proactive when it comes to recycling. Hotels, for example, have implemented recycling through local waste management companies and have added pickup for recycling materials. Although this practice increases the hotel's expenditure, the benefit has an intrinsic value; simply put, a goodwill gesture that benefits all. Hotels are tracking utility consumption for efficiency purposes as well as environmental concerns. Other changes include replacing faucets and toilets to a modernized flow as opposed to the old models that had higher gallon capacity, hotels' chillers are being monitored to check whether they are working at the appropriate capacity, and utilities are being installed to lower the amount of carbon emissions. Again, all of these come at a cost to the hotels, but in the long term can save the hotel some money.

TECHNOLOGY TRENDS

Technology trends will have a major effect on providing personalized guest services (McGuire, 2015). More than three out of four travelers now agree that their smart phones are critical to them, and one in three admits using technology more frequently when traveling than at home. With the rise of the Millennial traveler as being the dominant consumer group by 2017, there is definitely and increased

interest in the use of mobile apps and devices that will ensure a more personalized hotel guest experience. The Millennial generation in particular craves ultrapersonalized services that technology can provide, and any hotel with a mobile app (e.g., check-in, e-menu) will definitely draw these customers when deciding where to stay.

Innovate Technology

As a result of the aforementioned changes, many hotels are forced to upgrade their technology across the facility, which results in significant costs. Software as a service (SaaS) is a new concept in the hotel industry but will become essential for all hotels to use. SaaS will expedite internal guest service and response to service complaints. Upfront investment in SaaS might be less expensive in the long run because there are no initial hardware costs and there is no need for full-time IT staff to maintain the system. The software investment, however, is significant in the beginning. Another consideration is the removal of telephones in the rooms. Hotels spend a great deal of money on the maintenance of telephones, and given that the Millennial generation is so accustomed to technology, hotels might consider removing telephones in the rooms and replacing them with another form of technology. This initiative might be difficult to implement because telephones are seen as a safety measure in many hotels and removing them might increase the liability of hotels if guests do not have a mobile phone. Most hotel guests also request larger TV screens in hotel rooms, which is also a major expense.

Hyatt Hotels have announced plans in the next few months for new enhancements to their app and members will be able to check in online, do express checkouts, communicate with customer services through social media channels, and manage their reservations on their mobile devices (Ting & Clampet, 2016). This app might also address the needs of the meeting planner that is in house, where they will be able to send a text message in the app. All of this will require hotels to purchase devices (iPhone, iPad, or iTouch/Android devices). Hotels might also need to start providing for technology that can be integrated with wearable devices (Business Insider, 2016); again, these types of upgrades cost hotels a substantial amount of money.

MARKETING TRENDS

Dynamic rate marketing is common for hotel bookings and display real-time pricing and room availability across a mix of online marketing channels. Expedia purchased Travelocity in January 2015 and Orbitz in September 2015 and again added HomeAway in November 2015 to make it the world's largest lodging seller with 1.3 million properties in terms of number of apartments, vacation rentals and hotels (Schaal, 2015). Booking.com is the second largest lodging seller, with 821,400 properties (Schaal, 2015). With more than 50% of hotel bookings taking place online, hotels are starting to compete with online travel agencies to gain back some of the markets that they have lost.

Real-Time Marketing

Rate parity outlawed in France and pending in many other European countries will have a significant effect on the hotel industry. Hotels will be able to undercut the price they have provided to online travel agencies and give their customers who are looking for direct bookings a better rate. For example, Hyatt Hotels & Resorts is placing great emphasis on their overall guest experience and has therefore also entered the direct booking war with Hilton Worldwide and Marriott to gain back some of the market share from third-party distributors (Ting & Clampet, 2016). Hyatt's loyalty-member program hopes to build long-term relationships and drive loyalty of their customers (Ting & Clampet, 2016). Hotels have launched major campaigns to bring customers back to their own websites and so avoid third-party websites. However, hotels would need to come up with very strong incentive programs to drive customers back to book directly. To this

end, hotels need to invest a substantial amount of money now in marketing again to deter their customers from third-party booking agencies and back to the hotels' websites. They also need to invest money to chase customers through online channels.

Reputation Management

More than 50% of consumers worldwide will make their purchasing decision on the basis of a recommendation from someone made online. Social media platforms are, in this sense, the main battleground for hoteliers to strategically engage with their customers if they want to increase their room occupancy. It is also important to track social media and maximize the social networking platforms as an integral part of revenue management. A recent study has found that positive online reputation not only provides higher pricing power for online sales, but also correlates with higher group booking rates. This ultimately influences the financial performance of the hotel. Hyatt became the first travel company to use the Facebook's Businesses on Messenger application to directly communicate with guests and address all customer service issues (Ting & Clampet, 2016). Hyatt has seen that many of their customers have started using this app.

The aforementioned business, technology, and marketing trends will influence all hotels to various degrees. To ensure the financial sustainability of the hotel, hotel management should therefore understand the newest trends and determine how best to adapt to this very dynamic and changing environment.

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