

Hospitality Review

Volume 18

Issue 2 *Hospitality Review* Volume 18/Issue 2

Article 3

1-1-2000

Hospitality IT: What Does the Future Hold?

Daniel J. Connolly

Michigan State University, shbsirc@msu.edu

Michael D. Olsen

Virginia Polytechnic Institute and State University, null@vt.edu

Follow this and additional works at: <http://digitalcommons.fiu.edu/hospitalityreview>

Recommended Citation

Connolly, Daniel J. and Olsen, Michael D. (2000) "Hospitality IT: What Does the Future Hold?," *Hospitality Review*: Vol. 18: Iss. 2, Article 3.

Available at: <http://digitalcommons.fiu.edu/hospitalityreview/vol18/iss2/3>

This work is brought to you for free and open access by FIU Digital Commons. It has been accepted for inclusion in Hospitality Review by an authorized administrator of FIU Digital Commons. For more information, please contact dcc@fiu.edu.

Hospitality IT: What Does the Future Hold?

Abstract

The impact of information technology (IT) is far-reaching and driving dramatic shifts in business paradigms. Trends suggest greater adoption of IT will continue and develop at accelerating rates. Hence, hotel operators and executives must learn how to embrace IT and capitalize on the many capabilities it has to offer while minimizing the threats. The authors attempt to provide a sense of focus and a roadmap to help hoteliers understand the issues, see the future, and find an appropriate on ramp to the information superhighway.

Hospitality IT: What does the future hold?

by Daniel J. Connolly
and Michael D. Olsen

The impact of information technology (IT) is far-reaching and driving dramatic shifts in business paradigms. Trends suggest greater adoption of IT will continue and develop at accelerating rates. Hence, hotel operators and executives must learn how to embrace IT and capitalize on the many capabilities it has to offer while minimizing the threats. The authors attempt to provide a sense of focus and a roadmap to help hoteliers understand the issues, see the future, and find an appropriate on ramp to the information superhighway.

Leading strategists suggest that the key to winning the future is to develop industry foresight and to stake one's territorial claim before anyone else.¹ Following this advice, however, is not as easy as it may sound, especially when one takes into account how quickly things change in the era of high-tech and the difficulties associated with trying to escape from the "tyranny of the recent past."² Each day, the seeds of change are sown. By using disciplined approaches, these seeds

can be spotted early on as they germinate, sprout, and grow into something big.

To help the hospitality industry develop foresight, identify the antecedents of change, and prepare for the future, the International Hotel and Restaurant Association (IH&RA), in a disciplined approach, called together over 200 people worldwide representing various organizations, industries, and individuals with subject-matter expertise to participate in a series of Visioning Workshops and Technology Think Tank Sessions. Venues to date include Singapore (1997); Nice, France (1998); Vienna, Austria (1999); and Lausanne, Switzerland (2000). Collectively, these sessions worked to define the forces shaping change and identify what is in store for the industry as the future draws near.

Sessions discuss change

The underlying premise of each Think Tank session was to

develop foresight about the major technological forces driving change in the hospitality industry as a result of the digital convergence described by leading authors such as Negroponte³ and Tapscott.⁴ The objectives of each workshop were fourfold:

- to identify the major forces driving change in today's business environment of the hospitality industry
- to estimate the timing and evolution of these forces
- to determine their impact upon the industry at large
- to generate a series of research questions that could consummate a research agenda for helping industry better prepare for and take advantage of these technologically-induced changes

To achieve these objectives, more than 200 leading thinkers on technology gathered for a two-day program at a major hotel in each venue to explore the changing role of technology throughout the industry value chain. Participants were drawn both from within and outside the hospitality industry and included representatives from high-tech companies, suppliers, consultants, academia, government, and the spectrum of the hospitality and travel industries to provide opportunities for cross-pollination of ideas and to stimulate creative (i.e., out-of-the-box) thinking. Targeted participants

were selected based upon their qualifications defining them as notable leading thinkers or experts in their respective fields.

At each Think Tank, the participants were divided into smaller sub-groups to address a series of open-ended questions regarding future trends and technology developments. The groups were led by professional facilitators and conducted using a modified focus-group format. Nominal group techniques were then used to build consensus and prioritize the findings, which were later reported to the entire body of participants in a concluding plenary session. Finally, a modified Delphi process was used to identify and rank order the top issues that will have the most immediate impact on the hospitality industry.

IT is force

Findings to date suggest that information technology is the single greatest force affecting change in the hospitality industry. Everywhere one looks, one can find evidence of how technology is reshaping the industry and changing the very dynamics of competition and customer/employee interaction. Going forward, technology will be the most important competitive weapon for any hospitality company. If hospitality organizations want to compete successfully, they must do so by using technology to drive value to both the customer and to the firm.

Forces, which ultimately drive change, have an impact on people,

industries, and firms within those industries. The challenge is to anticipate these forces and estimate their impact along with their timing. This is no small task, even for those with the best levels of foresight. To provide some idea of the potential impact of the drivers of change, Think Tank participants explored several important patterns that are developing and will likely result in opportunities and threats in the future. Specifically the patterns are referred to as the tribal traveler, the hospitality firm as a gateway to experiences, and the value-creating stakeholder.⁵

- **Tribal travelers:** Travelers of the future will look for a sense of belonging in various communities, partnerships, etc., when selecting travel services and accommodations. However, their sense of commitment and belonging will increasingly become more irreverent and fleeting. They are willing to change providers at a whim based on their needs of the moment and whoever provides the best-perceived value at the time. One must remember that consumers of today, as well as those in the future, are willing to accept beepers, telephone service, and personal computers at relatively low or no cost to them despite the fact that they must subject themselves to a barrage of advertisements. These con-

sumers are quickly becoming desensitized to ads and brand identity, especially as the industry heads more toward commoditization and oversaturation. The value of the “brand” continues to erode. No longer do brand appreciation and value pass on in families from one generation to the next, as was traditional. Thus, these tribal travelers will be more difficult to capture in the future using current business models of today.

- **Gateways to experiences:** Travel providers should begin to look at themselves as the gateways or on-ramps to consumers seeking unique experiences. Pine and Gilmore suggest that society has now entered the “experience economy.”⁶ If hotels do not create a unique, magical experience and demonstrate a high price-value relationship, they are likely to lose out to those who do. Conversely, consumers, concerned with their rights to privacy, will continue to be “gated.” They will put up a fence or wall around themselves and only admit offers and advertisements from those who fit certain profiles and who have demonstrated an ability to meet the desired expectations and needs of these consumers.

- **Value-creating stakeholders:** In an ever-increasing hyper-competitive marketplace, industry stakeholders and investors are placing greater emphasis on value and return on investment (ROI). If hotel companies cannot demonstrate high returns for their investors, the investment capital will be channeled to other projects such as office parks, shopping malls, and recreational facilities. Managers and employees, both today and tomorrow, will need to demonstrate increased proficiency and fluency in reading and managing financial statements. Bottom-line performance will be more closely scrutinized, with little to no tolerance for disappointing results. Thus, the rules of the game are definitely changing. Financially savvy managers and employees are in vogue; craft management is out.

Forces are complex

In developing industry foresight and an understanding of the patterns occurring in an industry environment, it is essential to first identify the underlying forces or drivers of change. In many cases, these forces are remote to the firm, as well as complex in nature. Consequently, they do not appear as recognizable patterns that are easily distinguishable by an untrained analyst. Moreover,

change often begins many times outside of the narrow perceptual window often used by industry observers and practitioners. These changes begin simply as reports of some new innovation or activity and then grow into drivers of change that will impact an entire industry.

The role of the personal computer in everyday life, the growth of the Internet, and electronic commerce are examples of changes that emerged from the thoughts and ideas of many across a wide range of disciplines and industries and gradually merged together over time. Thus, the task of the Think Tanks was to work to identify those drivers which are emerging and will have timely impact upon the industry. The drivers are briefly described below.

- **Real-time:** In today's high-paced society, consumers want immediate gratification and access to everything at their fingertips. This implies that consumers must be able to access accurate, up-to-the-minute rates and information concerning hotel availability at any time and from anywhere convenient to them. The economy of today and certainly of tomorrow can be characterized as 24/7, that is, 24 hours a day, seven days a week. It never sleeps or takes a break. In this economy, the emphasis is on convenience, ease of use, hassle-free service, and access to accurate information.

- **Internet:** Without question, the Internet is forcing the greatest technological change of modern time. Its growth rate and use is astounding, with no indication that either of these will let up anytime soon. What this means is that the Internet will be here for some time to come. It offers hospitality organizations and travel providers opportunities and challenges alike. The successful organizations will be those that look to exploit its capabilities while managing the threat of further commoditizing the industry. Additionally, it will be necessary to introduce new channels that seek to control both the industry's supply of inventory and its customers. The industry cannot afford to have either fall into the hands of third parties.
- **Cyber regulation:** Regulating the information superhighway is still an unknown. The U.S. Congress and the Clinton administration have expressed favoritism toward the Internet and electronic commerce by invoking a moratorium on Internet taxation. However, this may be short-lived and will continue to be the subject of debate for the next few years. Meanwhile, other countries such as Singapore, China, Germany, and India, among oth-

ers, are looking for ways to regulate Internet content. The overriding fear in the consumers' eyes is their right to privacy and how their personal data will be tracked, used, and shared with others. While organizations have been formed to address these issues, there are no clear-cut answers at this time.

- **Data warehousing:** Companies are increasingly amassing large quantities of customer information. Hotels have long collected volumes of personalized guest data but have only recently begun to realize the importance of this data and how it can be used to gain insights about their guests, create targeted promotions, and devise new services and amenities. Companies in all sectors are seeking new ways to learn more about their customers. A great deal of focus has been placed on data warehousing and data mining, the ability to extract trends, patterns, and meaning from all the data that has been collected. Financial institutions and banks followed by retail organizations have been leading the way in this area. Hospitality organizations are just now following their lead and beginning to experiment with this ever-popular topic.

- **Segment of one:** Consumers expect to be treated as unique individuals who are not lumped with the masses of some market segment. They increasingly demand personalization and the addressing of their unique needs. The challenge for every hospitality organization is trying to find a balance between customization and standardization; in other words, how can an organization realize economies of scale while catering to individualized needs and expectations so as to create unique experiences? The buzzword for this is mass-customization.⁷

- **IT architecture:** Moving forward, hospitality organizations need to address their underlying technology infrastructure to ensure that it will support their organizational and customer needs of the future. The importance of a solid IT architecture cannot be stressed enough in terms of how it supports and enables the organization or how it creates what Bill Gates calls the firm's "digital nervous system."⁸ Exactly what the ideal IT architecture should be is yet to be determined and will, no doubt, be specific to each hospitality organization. However, what is clear is that the industry is plagued by legacy systems, systems that were

developed years ago with a specific purpose in mind. Over the years, the business needs, functional requirements, and technology have changed, making these systems outdated. Modifications are cumbersome, time-consuming, and costly.

- **Elevating IT:** An important trend is that business executives are frequently involved in making IT-related decisions. In order to be effective, these executives must become "IT-enlightened." With the cost of IT on the rise and its impact on the organization so important and far-reaching, executives today can no longer delegate IT responsibilities, planning, and strategic management. IT must enjoy a seat at the executive table, and IT literacy must be a prerequisite to gaining admission to an organization's executive suite. IT frequently ranks as one of the largest consumers of an organization's budget, and given the cost of many systems projects today, executive-level approval and commitment is a must. These all suggest that IT should be in the purview of the executive ranks. Many large hospitality organizations now have a chief information officer who often, but not always, reports to the chief executive officer or chief operating offi-

cer of the organization. This is progress in and of itself, but it is not enough. In organizations outside the hospitality industry, new positions are being created such as chief knowledge officer, chief technology officer, and chief web officer. It is possible that these positions may soon find their way to hospitality organizations as well.

- **Value adding:** The fundamental mission of all businesses is to maximize value for shareholders. The hospitality industry is no different in this regard. Shareholders expect high returns on their invested capital and are demanding that management focus on driving value. Customers, too, have greater expectations and demand the utmost in value. If one organization cannot or will not provide this value, customers will take their business elsewhere, as will capital investors. The challenge will be to find ways to provide value-adding services and amenities for which the customers are willing to pay. Hospitality organizations have fallen victim to scope and amenity creep as a result of intense competition in attempts to differentiate themselves and increase the value they provide. However, these additional services and amenities are proving costly

and are not always contributing to a hotel's bottom line. Thus, hospitality organizations need to readdress this situation and find ways to add value for profit.

The participants of this Think Tank session quickly realized how difficult a challenge predicting the future can be. It is often hard to abandon traditional thinking and paradigms in favor of what could be. One of the major findings, however, from these Think Tanks was a consensus as to the current state. Arriving at this consensus was seen as a victory in itself, for having agreement that a problem does, in fact, exist and what it is are often the first steps in the change process. Analysis of the current situation is divided into two components: business drivers and technology drivers. Increasingly, business and technology issues cannot be separated and treated individually because of their growing interdependence. Nonetheless, it is helpful to distinguish between these two areas so that there is a better understanding of and appreciation for the present state and so that these issues can be put in proper context and addressed accordingly to advance the overall technological sophistication of the industry.

Industry has tradition

From a business perspective, the hospitality industry is steeped in tradition. The mindset of many of today's managers, formed as the result of experience and schooling,

is based on traditional paradigms and business models which are no longer seen as valid or applicable in the present-day industry context. Much of the industry's history is based on craft: quaint hotels, individual charm, and personal servitude. Individual hotels were much like boutiques. Traditionally, success has been based on meeting or exceeding every guest's expectations, regardless of the cost to the hotel organization.

Today, the business model is changing as a result of more demanding stakeholders. Investors expect greater financial returns, while customers expect more value for less money. Trying to find the balance is the challenge. Technology offers one possible solution to helping bridge the gap, but the industry can only be successful if it rethinks how it uses technology to deliver and achieve cost-effective guest service.

Industry is reactive

Steeped in tradition, the industry can be classified as highly conservative and one that operates based on reactive tendencies rather than on proactive or preemptive moves to innovate and solve consumer problems before the consumer has had a chance to articulate these needs or wants. With respect to technology, this reactive nature is quite evident in the industry's conventional attitudes toward the use of technology. The industry often waits until consumers demand technology before actually providing it. In

essence, the industry's adoption of technology can best be described as a pull factor by the marketplace and its consumer base.

As such, hospitality organizations are slow to adopt new, innovative technologies and software applications, and when they do, they tend to replicate the existing methods of doing business rather than take full advantage of the benefits these technologies have to offer. Consequently, the industry loses opportunities and credibility. Moreover, it spends a great deal of time, effort, and money playing catch up versus positioning itself for the future. In the end, the concern is that the industry will not be prepared or well positioned to meet the future needs of its customers. If this proves to be true, others will step up to the plate to fulfill this need, permanently altering the industry structure.

The reliance on tradition and convention has caused the industry to become somewhat stagnant and to lose some of its competitiveness with other industries, particularly in terms of its financial performance. A stigma attached to the hospitality industry is its relatively low industry-wide return on investment rate, with few notable exceptions. This makes the industry unattractive to the high stakes players in the capital markets. Without their interest, it is difficult to obtain the financial capital necessary to grow, modernize, and implement the technologies of the 21st century. In effect, the industry is caught

in a seemingly endless trap or "Catch-22." This could lead to a downward spiral unless the industry can regain the confidence of the investment community. It can only achieve this by demonstrating solid financial performance.

Brand equity erodes

Hotel product segmentation was a leading strategy for growth and differentiation throughout most of the 1980s and early 1990s. A proliferation of new brands and aggressive growth, however, have led to saturated markets, blurred segmentation, erosion of brand equity, and confusion among hotel travelers as to what delineates one hotel product from another—not just across company portfolios but within company portfolios as well. Many products are now considered interchangeable, driving the industry toward a commodity-like structure. As the importance of brand name continues to erode and brand loyalty starts to fade, one must ask the question, "What is the significance of a name?"

There is an on-going struggle by many lodging companies to reinvent and rebuild the value of their brands. Many hotel companies are spending millions of dollars on quality improvements, brand imaging, marketing campaigns, and enhancements to guest loyalty programs in hopes that they can create a new sense of meaning and value to their brand identities. Yet, a force working against this trend is the Internet, which provides consumers

with better tools to shop and compare products and services. With little effort, guests can quickly learn about the range of lodging accommodations within a given market that are suitable to their needs and fall within desired price ranges and quality thresholds.

New shopping models and software agents are developing to expedite the search and procurement of hotel accommodations and shift the balance of power away from the hotel provider in favor of the consumer. Under these new methods, guests are armed with the tools to quickly and easily comparison-shop, and using these tools, guests focus almost entirely on tangible factors rather than on intangible or emotional qualities, which are often emphasized in marketing programs. A good example is an upstart like priceline.com (www.priceline.com), which is shifting the decision-making away from brand and amenities in favor of price and location (i.e., city). Also contributing to this effect are the many auction web sites and new intermediary services such as Etravnet's HagggleWithUs.com, which allows customers to negotiate prices in real time.

Consequently, the industry is losing control over pricing and moving toward a dynamic or real-time pricing model. With these new tools and under new pricing models, consumers see hotel products as interchangeable. They place little to no value on brand, and when they do consider brand,

they are not necessarily considering any particular brand, only a known entity so that there will be no surprises upon arrival. Thus, as the industry becomes more commodity-like, the primary deciding factor favors price over brand in a given location. Moreover, customers are in control of the transaction, demanding what they want—when, where, and how they want it—and demonstrate little to no patience/tolerance for inadequate service or for hotel companies that fail to meet their expectations.

Brand loyalty declines

Another contributing factor to the erosion of brand value is a rise in the concept of e-branding of Internet-based travel channels. Recent moves by Expedia Travel (www.expedia.com) and TheTrip.com (www.thetrip.com) to offer their own forms of frequent travel programs threaten the stability of well-established frequent travel programs offered by leading travel providers by giving consumers more flexibility and options to accumulate and cash in free travel awards. Since these new programs are not tied to any program, consumers can select any product or service offered by these mega, one-stop shopping services. The net effect is further erosion of customer allegiance to any particular airline, hotel company, or rental car provider. Instead, the loyalty is tied to the online travel agent. This event is just another indication that the

rules of the game are changing and that the industry continues to operate in a hyper-competitive environment, where an allied partner can soon become a primary competitor.

A corollary to brand erosion is a decline in brand loyalty. Today's consumers are fleeting in their choices and irreverent in their behavior. In their quest for value, they act much like mercenaries, willing to trade in brand loyalty for the latest gimmick or incentive. One must remember that today's Generation X and Generation Y consumers have little allegiance to any established institution or brand. They listen to advertisements and are willing to be bombarded by propaganda just to receive free products or services. Over time, it appears that they are building up a tolerance for or becoming insensitive to traditional advertisements or marketing promotions. As a result, reaching these consumers will become a lot more difficult, require a lot more effort, and be a lot more costly than the industry has ever experienced in the past.

It is incumbent upon hospitality organizations to rethink the purpose and value of brands and market segmentation. These concepts were useful and successful strategies a decade ago, but due to changing times, they are losing their effectiveness due to excessive segmentation and an expanding non-loyal consumer base. Hotel companies are spending millions of dollars trying to re-

image and refocus their brands in hopes that they can revive and distinguish their brands. While it remains to be seen whether or not these companies will be successful in their quest to build brand equity, it is certain—given the behavior of today's consumers and the projections for tomorrow's consumers—that these companies face an uphill battle.

Labor poses problems

Labor problems continue to plague the industry. Low salaries and an undereducated, low-skilled workforce haunt the industry and create a poor self-image for jobs in the industry. The labor supply continues to shrink as the hospitality and tourism industry grows, making the labor shortage problems more pronounced. Moreover, the competition for labor is greater than ever before. The profile of a typical hospitality or service employee is shared by so many other industries, including retail, financial services, banks, telemarketing, and more. Thus, it is harder to find, attract, and retain a skilled labor force, not to mention more costly due to higher salaries and better benefits in hopes of wooing new employees. Furthermore, as the use of technology grows in the industry and as owners place greater emphasis on bottom-line performance, a skills gap becomes readily apparent between what is needed and what is available in today's workforce.

Clearly, the ability to find and retain a capable, well-trained

labor force is an age-old problem that continues to go unresolved. The industry is dominated by unattractive jobs requiring minimal skills and offering limited room for advancement. While there is a high demand for custodial staff, housekeepers, and dishwashers, there is little interest by potential employees to fill these jobs. To overcome this problem, the industry must think radically differently than in the past to try to eliminate these less desirable jobs through process reengineering and innovative uses of technology. Unfortunately, the problem is a very difficult one to resolve, and there are no readily apparent answers. More work in this area is necessary to explore this issue further.

Hotel systems are outmoded

One of the most significant issues related to hospitality technology today is that it is outdated. It can best be characterized as a series of "legacy" systems. Many of these systems were designed several decades ago based on the technologies and paradigms prevalent at the time to meet the functionality deemed necessary at the time. After many years of change, these systems have become outmoded in their ability to meet present-day industry needs and in their ability to comply with current technological standards. Moreover, they are often viewed as slow, unstable, and operating at capacity. Consequently, the industry must live

with many disparate systems incapable of fully satisfying industry needs and exchanging data with one another in a real-time environment.

While it may be obvious that the industry must play a game of catch up to modernize its technology to meet the level of sophistication of other industries, this is much easier said than done. The systems prevalent today create many challenges and frustrations in trying to meet the needs of present-day guests and today's high-tech times, not to mention difficulties they pose in preparing for tomorrow. The systems are costly to modify and update, and they require many months of programming. Migration of some of these systems to newer hardware platforms has provided some relief and increased benefits, but these moves are only temporary.

In most cases, today's hotel technology (i.e., architecture and infrastructure) is grossly inadequate. Many of the core systems used by hotel companies require significant enhancements and, possibly, complete rewrites to take full advantage of today's technologies. This is an enormous and costly undertaking, and, in some cases, not feasible due to all of the knowledge and expertise that went into designing these systems in the first place.

Without question, hotel technology is extremely complicated due to the many unique factors and variables involved, not to mention the industry's fragmented owner-

ship structure. To rewrite these systems is a significant undertaking requiring years of programming, large sums of investment capital, and commitment from industry vendors and hospitality companies alike. Unfortunately, investment capital is in limited supply and is often redirected to other needs deemed higher in importance. Additionally, the returns from this sort of investment can be difficult to calculate. Many would consider it a dubious exercise, thus reinforcing investment in other, less risky areas with more promising and tangible payback. Nevertheless, to get to the future, hotel companies must make infrastructural investments to build stable yet flexible foundations for building IT applications suitable for web access, portable computing, and whatever else might be required in the future.

Costs escalate

The costs of doing business under the present industry structure are escalating at a brisk pace. This impact is being felt on two fronts. First, due to the age of existing technology, the costs of operation, maintenance, and support are on the rise. As industry dependence on these systems grow, the cost of down time becomes more significant as well. Second, to run a hospitality organization today requires more technology than in the past. The entry-level costs for competing or playing in this game continue to rise. At one time, property management systems were deemed strategic systems. Today,

they are commonplace in most hotels, regardless of size or brand affiliation.

Guests are also demanding more access to technology and greater technological services and amenities, yet there is little evidence that they are willing to pay for these additional services and amenities. The Internet is a core strategic direction for most companies, but it can be a huge sinkhole as well. Finally, as organizations continue to get bigger, they must use more technology to manage and oversee each individual hotel, report profits and losses, and provide management with key information. All of these systems require money and infrastructure if a hotel company is to be truly wired and integrated in the manner called for in today's high-tech world.

Escalating costs raise the stakes of competition. Leapfrogging the competition is a costly game, but it is necessary to survival. Consequently, it is obligatory to find ways to control costs, build economies of scale, and drive revenue opportunities, while making technological advances that will position the company properly for the future.

Y2K has effect

For the past five years or so, Y2K issues dominated much of the industry's attention with respect to technology and held IT budgets hostage. In some respects, this has had positive implications. First, it brought technology to the forefront and heightened manage-

ment's awareness of technology issues and their ensuing dependence on IT. Second, it has also slowed the development and adoption of newer technologies, giving everyone a chance to catch up and grow comfortable with the technology, functionality, and capabilities that they presently have.

Now that Y2K issues are all but forgotten, resources (both capital and people) are free to address a host of important and strategic IT initiatives that were backlogged due to preoccupation with Y2K. Many of these initiatives will be in hot areas such as electronic commerce, customer relationship management, and portable/wireless computing applications.

Financial models needed

One of the greatest issues plaguing the advancement of technology in the hospitality industry is the difficulty in calculating return on investment. Until recently, most technology investment decisions have been considered using a support or utility mentality. Under such thinking, business cases could be built around an application or technology's ability to reduce costs or create labor savings. However, management's attitudes toward technology have been shifting in recent years. The more technologically savvy hospitality companies are looking to IT to build strategic and competitive advantages. These types of investments yield results over time, but seldom in the short run. This is problematic

for owners and investors who demand more immediate results. Moreover, it is difficult to quantify and calculate the tangible benefits of technology when it is used for strategic purposes.

Today's financial models are inadequate for estimating the financial benefits for most of the technology projects under consideration today. While the hospitality industry has disciplined models and sufficient history to determine the financial gains or success of opening a new property in a given city, it lacks the same rigorous models and historical data for technology, especially since each technology project is unique. Although this problem is not specific to the hospitality industry, it is particularly problematic since the industry tends to be technologically conservative and unwilling to adopt new technology applications based on the promises of its long-term merits if it cannot quantify the results and calculate a defined payback period. When uncertainty surrounds the investment, when the timing of the cash flows is unpredictable, and when the investment is perceived as risky, owners and investors will most likely channel their investment capital to projects with more certain returns and minimal risk. Thus, under this thinking, technology will always take a back seat to other organizational priorities and initiatives. Efforts must be made to change this thinking and to develop financial models that can accurately predict and capture

the financial benefits derived from technology.

Future holds promise

Looking toward the future, one can easily see that the hospitality and tourism industry is headed for some exciting times because of the future capabilities of newer technologies and the ensuing possibilities that await the industry as a result of implementing these newer technologies. Investing in technology is not an expense; it is an investment in future competitiveness. The sooner this is realized, the sooner the industry will begin to make great strides in its quest to become technologically advanced.

Forecasting the future is a daunting challenge because the world is changing at such a brisk rate, often blurring one's vision.⁹ It can be scary and even risky at times, but, nevertheless, it is a requisite to survival in a hyper-competitive world. Most present-day strategists suggest that direct competition is no longer the way to win market share. Instead, they favor carving out new territories and expanding existing markets by rewriting industry rules of competition. These can only be achieved by seeing the future and getting there before anyone else and before anyone else realizes what has happened.

Forecasting the future is not something the hospitality industry has done especially well in the past, since the industry is more reactive than proactive. Develop-

ing competencies in visioning the future are essential today for tomorrow's survival. This is why the IH&RA places so much emphasis on Visioning Workshops and Think Tank Sessions. Perhaps the industry role model for forecasting the future should be the Peninsula Hotel Group which continually uses a 50-year planning horizon. To most, this may seem inconceivable. Anything more than three years is difficult enough to envision, never mind 50 years into the future. For the Peninsula Group, a 50-year window into the future is the norm. Each year, it surveys leading organizations from Boeing, Philips, and Microsoft to American Express, IBM, and Matsushita, among others, to see where and how these companies are positioning themselves for the future and to learn about their visions of what the world and consumers will look like in the future. The company then assimilates these visions and its findings from these interviews to develop successive approximations as to what the world might look like in 50 years. Each year, it revises its assumptions, modifies its projections, and clarifies its views based on new information that is available. The company openly admits that it may not always achieve the right answer, but when the future arrives, there are few surprises since the company has prepared and positioned itself accordingly.

A company's challenge is to be more like the Peninsula Group, to

look beyond the short term and try to assimilate what the future might or could look like in two, five, 10, 20, or even 50 years.

References

¹ Gary Hamel and C.K. Prahalad, *Competing for the Future: Breakthrough Strategies for Seizing Control of Your Industry and Creating the Markets of Tomorrow* (Boston: Harvard Business School Press, 1994).

² Eugene Linden, *The Future in Plain Sight: Nine Clues to the Coming Instability* (New York: Simon & Schuster, 1998).

³ Nicholas Negroponte, *Being Digital* (New York: Vintage Books, 1995).

⁴ Don Tapscott, *The Digital Economy: Promise and Peril in the Age of Networked Intelligence* (New York: McGraw-Hill, 1996).

⁵ Daniel J. Connolly and Michael D. Olsen, *Hospitality Technology in the New Millennium: Findings of the IH&RA Think-Tanks on Technology* (Paris, France: The International Hotel and Restaurant Association, July 1999).

⁶ B. Joseph Pine, II and James H. Gilmore, "Welcome to the Experience Economy," *Harvard Business Review* (July-August 1998): 97-105.

⁷ B. Joseph Pine, II, *Mass Customization: The New Frontier in Business Competition* (Boston: Harvard Business School Press, 1993).

⁸ Bill Gates (with Collins Hemingway), *Business @ the Speed of Thought: Using a Digital Nervous System* (New York: Warner Books, 1999).

⁹ Stan Davis and Christopher Meyer, *Blur: The Speed of Change in the Connected Economy* (New York: Warner Books, 1998).

Daniel J. Connolly is an assistant professor in the School of Hospitality Business at Michigan State University and **Michael D. Olsen** is a professor of hospitality strategy in the Department of Hospitality and Tourism Management at Virginia Tech.