



THE FUTURE OF HOSPITALITY

HOW PERSONALIZED CONSUMER EXPERIENCES
ARE TRANSFORMING THE INDUSTRY



WINNING IN THE WEEDS


There are few industries larger or more complex than the hospitality sector—it accounts for more than one-tenth of the global GDP, according to a recent report—and fewer still that are undergoing greater change. However, of the many variables affecting how hotels, airlines, cruise lines and restaurants must now do business, none is more consequential than consumer demand for personalized experiences.

Described by Oracle as the Age of the Individual, today's technology-centric society has resulted in a "modern consumerism" in which tailored experiences are becoming a prerequisite for brand loyalty. This is fueled by the increasing purchasing power of technology-savvy Millennials, as well as the experiences to which they have grown accustomed. Companies ranging from Amazon to Apple have long used technology not simply to meet consumer expectations, but also to anticipate their individual preferences.

For hospitality companies, this means that a given consumer expects a noticeably personalized experience based on his or her particular preferences—be it a preference for responsibly sourced Arabica coffee beans or the temperature of a hotel room.

It used to be that a successful hospitality company upheld a uniform standard of outstanding service. Excellence looked the same, generally speaking. Today, excellence looks different to each consumer based on his or her particular preferences.

Increasingly, success in the hospitality industry is about winning in the weeds—quite literally achieving brand loyalty one consumer at a time. And the only way a hospitality company can win in the weeds is to have real-time, ground-level visibility of the variables that drive profits for each of the properties in its portfolio, as well as the ability to analyze the data for financial planning and forecasting.



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A woman in a white dress and hat is spinning a child on a beach. The child is wearing a pink dress and is being held up by the woman. The background is a blue sky with white clouds and a turquoise ocean. The text is overlaid on the image in white, bold, uppercase letters.

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44 MEASURING WHAT MATTERS

THE MACRO ANALYSIS OF MICRO DATA

From the moment a customer steps foot onto one of its properties, a hospitality company will have upwards of 35 opportunities within the first 24 hours to make a lasting impression on him or her. These opportunities range from knowing a customer’s choice of coffee or wine to his or her ideal room temperature to a preference for late-morning tee times. These opportunities are key drivers of a hospitality company’s profits, as well as the basis for lasting customer loyalty.

Meeting and profiting from the growing consumer demand for personalized experiences—and modeling that demand via driver-based planning—requires tools that, until recently, didn’t exist for the hospitality industry and other similarly large, complex sectors. After all, cloud-based solutions have only been a widely used business resource for little more than a decade. Amazon introduced its Elastic Compute Cloud in 2006; in 2008, Google released its Google App Engine.

That same year, Gartner asserted that “organizations are switching from company-owned hardware and software assets to per-use service-based models” in managing their operations—an observation that has since proven true for leading businesses.

“Peter Drucker’s management orthodoxy that ‘you can’t manage what you can’t measure’ hasn’t been lost on effective business leaders, but relatively few have had the tools to gain quantitative insight into individual areas of their business,” said Fran Burns, Managing Director of SC&H Group’s BPM practice. “And the bigger and more complex the business, the greater the challenge of gaining a perspective on the micro variables that drive profitability—variables that can vary significantly from property to property within the same portfolio.”

Recent advancements in technology, most notably artificial intelligence and the Internet of Things (IoT), are enabling hospitality businesses to personalize the travel experience and, in so doing, enhancing brand loyalty with their customers.



Artificial intelligence, which uses vast data sets to identify trends and associations in human behavior, is a valuable resource in personalizing a travel experience. The micro data pertaining to wine choices by a given customer in multiple properties through the country, for example, can be analyzed on a macro basis to make purchasing decisions based on that person’s preference and others with similar profiles. What’s more, these same customers can be sent original content alerting them to individual wine selection they are known to like—and others they are expected to like.

IoT, which uses internet-connected computing devices embedded in everyday objects to send and receive data, is another important resource in personalizing a travel experience and enhancing operational efficiencies. Starwood Hotels & Resorts has saved energy and increased indoor lighting consistency by automatically adjusting the energy-efficient LED lighting based on the natural light detected coming into the room—a process described as “daylight harvesting”. Similarly, sensors in a given room can be used to modulate the temperature based on the occupant’s personal preferences.

Equally relevant to the technology, however, is the need for hospitality businesses to revisit their accounting and financial planning functions so they can provide a better, more insightful accounting of their past and future performance. In turn, the technology can be tailored based on their overarching performance goals and key metrics.

“AI and IoT, like any other technology, are tools,” said Burns. “An overarching business model is required to deploy them effectively, while using them to measure and enhance the performance of that business.

THE REDEFINING OF SERVICE

MILLENNIALS' TRANSFORMATION OF THE HOSPITALITY INDUSTRY

While various demographics are helping to recast the hospitality industry, including Generation X, none is proving to be more influential than Millennials—roughly 2 billion people worldwide who entered young adulthood in the early 21st century having grown up with technology like no preceding generation.

In the U.S. alone, Millennials are projected to overtake Baby Boomers in 2019 as America's largest generation, according to Pew Research Center. Globally, they account for 27 percent of the population with concentrations in India, China, the United States, Indonesia, and Brazil.

According to Oracle, Millennials have spurred a “redefinition of service” requiring successful hospitality companies to tailor their offerings “to align with [their] different technology preferences, while striking a balance between mobile technology and personalized service. Finally, Millennials expect to be asked about their experience—and the resultant feedback used to improve future experiences for themselves and others.

These service shifts have resulted in a flurry of activity that is likely to continue for the foreseeable future. According to a recent analysis, travel startups raised a total of \$30 billion in 2016 and 2017—nearly equal to the capital raised over the past 10 years. Also, mid-market companies are penetrating new geographic markets, whereas large hospitality companies are forging partnerships with small and independent hotels in an effort to diversify the experiences they can provide customers.

Many hospitality companies are streamlining their operational processes and facilitating inter-staff communication—often with cloud-based management systems—in order to enhance the guest experience. Many, too, are adopting online marketing techniques that enable hotels to reach the right audiences with specific, tailored content.

“The success of upstarts like Airbnb and VRBO is evidence of a new reality—namely that the world’s travelers want a highly personal experience that is virtually customized,” said Burns.

A romantic dinner table setting with a white tablecloth, red rose petals, a vase of red flowers, a bottle of champagne, and two glasses of champagne.

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Similarly, the restaurant industry is being upended by Uber Eats and other third-party delivery services. The customer's expectations now include convenience, as well as choice and speed, in addition to the longstanding tenets of great food and great service.

In a recent Gallup survey, this disruption was likened to the transition in banking where the primary method of transaction was once in-person transactions, but today is online. According to Burns, many hospitality companies are challenged in keeping pace with that change due to significant limitations of traditional finance and accounting systems in providing data to inform decision making at either a business or customer level. In turn, companies find themselves at a competitive disadvantage:

- The inability to quickly respond to rapidly changing customer preferences and demands.
- Too much time required to manually collect, organize and analyze data.
- Operations managers challenged in assessing the profitability of the parts of the business for which they are responsible.
- Managers struggle to implement cost-effective staffing plans based on updated forecasts—or estimate the financial impact of potential staffing plans.
- The business planning cycle is compromised due to the limited quantity of historical data required to identify key trends and develop forward-looking plans.
- Managers of individual business units are largely incapable of comparing operational data across multiple business units or in different regions.
- A general lack of reporting and data visualization capabilities, making it highly difficult to glean insight from multiple decentralized grids.
- Perhaps most significantly, the lack of a centralized, integrated systems platform connecting IT, finance, accounting and operations.

Given the shifting demands of the hospitality industry, it is not an overstatement to assert that organizations will only be as effective as their systems enable them to be. Many of these businesses realize as much, as evidenced by the dramatic, industry-wide increase in technology spending. Of all these investments, the ones with the greatest returns are those that provide the greatest insight into the consumer-specific preferences.

A TRANSFORMED INDUSTRY REQUIRES A TRANSFORMED APPROACH

THE IMPERATIVE FOR NEXT GENERATION SOLUTIONS

Hospitality companies that are successfully adapting to the industry's transformation are analyzing the data of its various properties based on the desired experiences of its individual customers to quantify their operational performance, while using driver-based planning to forecast where and how they expect to grow. These are critical functions well beyond the functionality of the industry's legacy systems, not to mention many of the accounting and planning processes traditionally employed in the industry.

Organizations believe they owe it to their shareholders, employees and customers to measure their performance and to offer a well-informed perspective of what they can reasonably expect in the future. All of this requires them to cut the cord with legacy systems in favor of a system that provides them with deep insight into their business — yesterday, today and tomorrow.

Consequently, 54 percent of the hospitality industry is increasing its year-over-year investment in technology.

70 percent are implementing a cloud technology solution.

Most of these investments are aimed at analyzing data surrounding the customer experience in an effort to enhance brand loyalty, among other reasons, including a hospitality company's opportunity to readily integrate newly acquired businesses into its operations. This includes differentiating a brand through modern food and drink offerings and exceptional amenities.



The leading global hospitality organizations know they need to optimize the value derived from owning and operating hotels, resorts, and more. First and foremost, this requires them to have the ability to analyze real-time data at both the macro and micro level, while connecting the entirety of their properties — domestic or global — on a single system accessible by their business leaders.

Almost by definition, the leading hospitality companies are taking steps to gain greater insights into the many variables that drive profitability.

Many hospitality organizations are working with their partners to deploy Oracle Planning and Budgeting Cloud Service—a complete planning, budgeting, and forecasting solution that enables organizations of any size to rapidly adopt world-class planning processes, dramatically improve forecast accuracy and proactively stay on top of the business.

“We practice the art of delivering organizational peace of mind by marrying data, systems and processes with proactive business strategy and forecasting,” said Burns. “In so doing, we position our clients to achieve better visibility, respond quicker and maximize profitability.”

In the hospitality industry, this means working with clients to adopt the latest best practices of the hospitality industry and standardizing business processes that provide more timely and consistent results. It also means using key business drivers to perform more accurate forecasts and comparability across multiple operating units and regions.

As a result, training new users is much easier because an organization’s processes are standardized—especially in the event of a large-scale acquisition—in addition to keeping the business process from becoming confusing and unmanageable.

The Oracle PBCS deployment empowers organizations to run through multiple iterations of a forecast, perform thorough what-if analyses and more actively engage with their line of business leaders.

A photograph of a rooftop bar or lounge at dusk. The scene is illuminated by the warm glow of interior lights and the cool tones of the twilight sky. In the foreground, there are several wooden tables with blue-cushioned stools. A bar counter is visible on the left. In the background, a city skyline is visible across a body of water, with buildings lit up and a few boats on the water. The overall atmosphere is relaxed and sophisticated.

FOR AS MUCH
CHANGE AS THE
HOSPITALITY INDUSTRY
HAS SEEN IN RECENT YEARS,
STILL MORE IS
EXPECTED IN 2018
AND BEYOND.

MORE CHANGE WHERE THAT CAME FROM

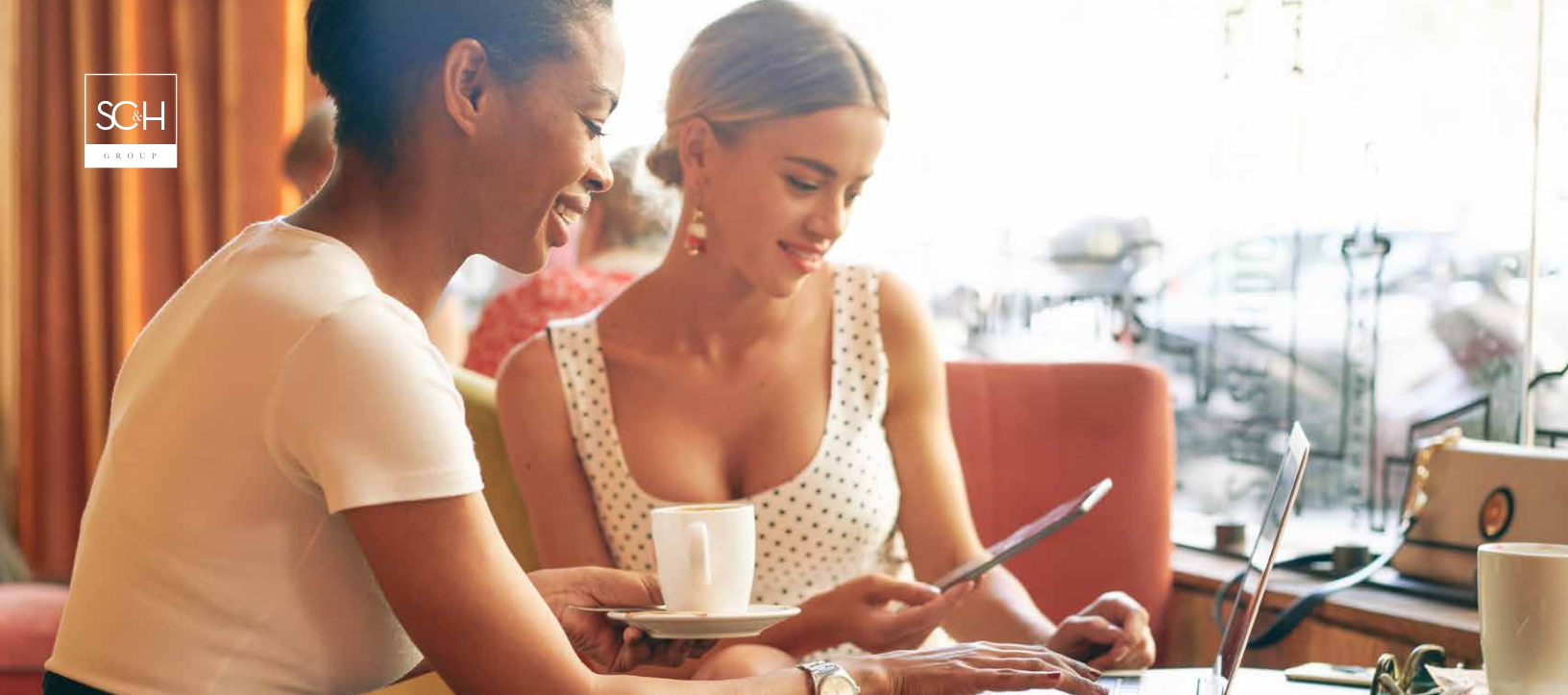
For as much change as the hospitality industry has seen in recent years, still more is expected in 2018 and beyond. The principal driver for the sector's continued transformation, including specific trends reflecting the measure of that transformation, is the consumer demand for personalized experiences.

"Recognizing the need to deliver personalized hospitality experiences is one thing, doing it is another, especially in an industry so large and complex," said Burns. "Moreover, since hospitality's transformation is still in its early stages, there will be plenty more change where that came from."

The key trends of the hospitality industry for the next five to seven years will include:

1 **Continued M&A activity**

As evidenced by Marriott's acquisition of Starwood Resorts & Hotels, as well as AccorHotels' acquisition of Fairmont Raffles Hotels International, hospitality companies are turning to M&A not simply to grow revenue in a hotly competitive industry, but to diversify the experiences they are capable of providing consumers. Their increased heft will also give them more negotiating leverage with online travel sites—increasingly the go-to destination for travelers seeking a personalized experience. This trend will expand to other parts of the hospitality industry, including restaurants, for example. Recently, Panera Bread was acquired by JAB Holdings, the owner of Caribou Coffee and Peet's Coffee & Tea, and Restaurant Brands International purchased Popeye's Louisiana Kitchen.



2 **An emphasis on technology-focused experiences**

Of course, a hospitality company's ability to personalize customer experiences is contingent on the strength of its ability to collect timely data in managing the business. No less importantly, technology is also key to attracting and engaging customers through the use of personal digital content—generally viewed as an initial indicator of a company's ability to customize a hospitality experience. According to the aforementioned recent study, 73 percent of global marketers believe they must deliver a personalized experience to be successful.

3 **The Evolution of technology as a business discipline**

As cloud-based solutions have become more sophisticated, information technology departments in many businesses are looking, and operating, very differently. The CIO is even more business-focused, using various data to help make informed business decisions in tandem with the CFO and other colleagues. Likewise, the significant majority of their budgets have shifted from maintaining legacy systems that were challenged in supporting the business to investing in cloud-based platforms, together with teams of analysts capable of performing detailed operational and financial analyses.

4 **The expansion of U.S.-based hospitality companies abroad**

The increased expansion into the Asia-Pacific region by domestic hospitality companies is evidence of their efforts to grow market share. Marriott, for example, recently announced that it is on track to open scores of new hotels in the region, including “23 desirable brands that will cater to every occasion and traveler; forging ahead and growing its leadership position as a luxury, premium and select service hotel operator.” Ritz-Carlton, Hyatt and Four Seasons have expanded their operations as well.



This period of expansion, as well as the effectiveness of an acquiring company to readily integrate a newly acquired business into its operations, are more ably enabled by cloud-based platforms. The immediate ability to support the simplification, standardization and automation of business processes constitute game changing capabilities.

“The hospitality industry is a microcosm for how companies in a diversity of industries can use data to identify, analyze and manage their profit drivers,” said Burns.

We know first hand that it can be done—and how to do it—in an industry that is among the world’s largest and most complex. With apologies to Sinatra, if you can do it here you can do it anywhere.”

He added: “The advent and continued evolution of cloud-based solutions enables businesses to make data a competitive advantage. Nowhere is that more evident than a hospitality company’s ability to personalize travel experiences like never before, while often recasting its business given the industry’s ongoing transformation.”

For More Information

To learn more about how a comprehensive cloud strategy can help your organization reach its true potential—through applications that enable collaboration, flexibility, and productivity—click [here](#) to contact SC&H Group’s Business Performance Management team.



About SC&H Group

SC&H Group is a management consulting firm and internationally-recognized Oracle Cloud Select Platinum Partner. SC&H Group's Oracle-Hyperion EPM and BI consulting practice advises clients ranging from global Fortune 100 companies to mid-market organizations leveraging the power of Oracle solutions. Featuring the largest Oracle EPM practice on the East Coast, the firm's unique combination of business acumen and Oracle implementation skills is essential to each successful deployment and a key driver behind the firm's achievements – most notably the largest Oracle EPM cloud implementation in history. For more than 18 years, SC&H Group's Oracle EPM practice has demonstrated its commitment to delivering powerful minds, passionate teams, and proven results on each and every engagement.

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