

RUNNING HEAD: Tomorrow Trends

Hospitality Tomorrow

A Study on Communication Trends

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Abstract

The following is a study on communication trends in the hospitality industry. In our analysis we breakdown the implications of these trends and how department managers can adapt to such changes. Our objective in this study is to provide analysis (both positive and negative) to relay our findings to managers in an outline to guide their own operational blueprints. Hotel operations will be the primary model of analysis however restaurants, online platforms, and other branches of the industry are discussed and those managers are encouraged to utilize this blueprint as well. We found that cloud technology, AI, tech real estate, and social listening have their respective shortcomings, yet, they are undeniably the future of the hospitality industry. These new tools must be understood to continuously adapt to the changing market and consumer preferences.

Introduction

Forecasting the hospitality industry presents numerous avenues for analysis. In our study, we focus on trends that relate to the way hospitality companies communicate with their guests and vice versa. With the advent of cloud computing and artificial intelligence, hardware computing platforms are increasingly in a position to develop new software tools to assist employees. Executives in the industry are putting more emphasis on the way guests can connect with hotels, restaurants, and event venues, so having the necessary platform to connect guests is crucial as the industry expands its consumer reach.

The most observable trend in direction for hotels specifically, is the merging of business and leisure travel. “The mix of business and leisure will be stronger than ever. Accommodation for younger guests (ages 20 to 30 years old) will grow, as will resort types of accommodation for the elderly, who want to mix business and leisure in attractive places. There are so many different segments that developers and hoteliers can go after, making the hotel industry’s future so bright” (Yariv 2021).

Restaurants may see similar trends in the merging of business and leisure. Free wifi is only the beginning of what restaurants and event venues will eventually be able to offer once all operational advancements persist. “Tech-savvy consumers demand digital engagement from restaurants and want cutting-edge restaurant technology options that recognize them and know their preferences” (Chick 2021).

In a later section of this report we discuss profiles built through predictive analytics. These traveller profiles will follow visitors into hotels, restaurants, venues, and airports providing managers with real time insight into traveler preferences to better serve their guests. All the information saved into the cloud can be stored indefinitely and becomes more accurate over time. Mass customization becomes possible once artificial intelligence becomes a staple in the industry. Marketing strategies will be overhauled with the massive amounts of information mined from ‘big data’ platforms.

The objective of our report is to observe these future trends and outline the immediate actions managers can take to adapt to the changes in the market. Before we paint a picture of tomorrow, we must recognize what factors influenced the industry to shift its position into a more consumer-centric model.

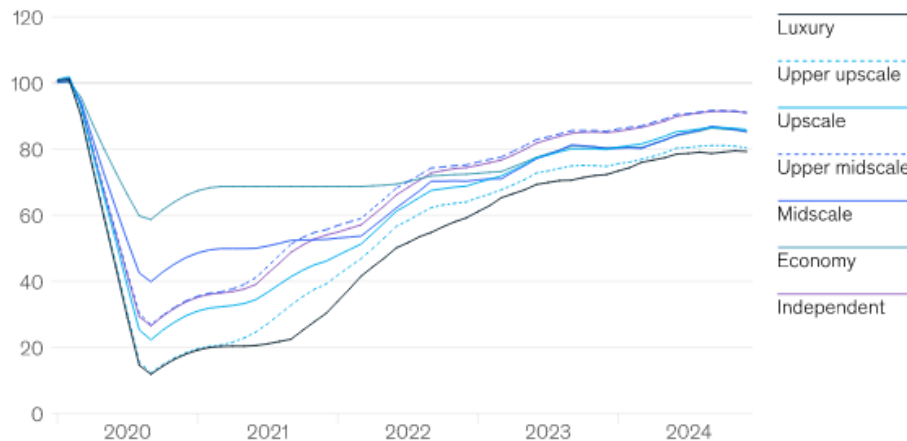
Literature Review

For almost a century, guest preferences for hospitality industry leaders have not changed drastically. Normal communication streams were presented two dimensionally and were easy to understand, yet monotonous and time consuming. Time spent communicating with guests is time well spent for operators today but managers must allocate company resources to service such tasks to be more time efficient. This can create repetitive strategies that could be performed with technology advancements in the near future.

In 2020, this trend towards communication automation was severely expedited. Emails, online profiles, phone calls, and face to face communication were uprooted when the industry succumbed to COVID 19. Once the virus spread worldwide, the travel industry all but shut down completely only to be faced with countless questions. But one question stands out against all others: “What do we do now?”

With financial resources in short supply, labor market stagnation, and industry uncertainty, we must decipher between which hotels need to alter communication platforms in the short term and those of which are in a position to recover using existing resources for a long term recovery. The following chart (Exhibit 1) reflects future projections of hotel RevPar (Revenue per available room) from McKinsey & Co.

Exhibit 1-



McKinsey & Company

What we derive from the above trend is common across industries. Recovery from such a crisis will continue through 2023 and will have permanent effects that have already begun to change the way hotels operate and communicate these changes. Guests expectations have shifted dramatically with an emphasis on hygiene and safety. It is imperative that hospitality companies translate their adaptations to such shifts into a visible and sustainable strategy. In the meantime, experts predict consistent lulls in occupancy until consumer confidence returns.

Recovery will be perceived as faster for economy hotel chains. “Better demand and lower operating costs suggest that economy hotels will recover faster. That would be consistent with what we’ve seen in past crises. But there will likely be pockets of resilience and recovery across

the market. We are already hearing stories about hotels that are sold out for Labor Day weekend” (Krishnan 2020).

On the other hand, hotel chains servicing business travel will see lower occupancy rates for the foreseeable future. “Hotels reliant on meetings, incentives, conferences, and events (MICE) revenue could face deep shortfalls. Owners will need to monitor bookings carefully, to distinguish between one-off blips in growth and a sustained recovery” (Krishnan 2020). The virtual meeting platform has taken center stage in the current COVID climate. Safety has become top priority in the industry and changes in cleaning protocol must be reflected in manager’s marketing schemes. As the spread of the virus subsides, we are left wondering what measures will be taken to communicate such changes to guests.

China, the first country affected by and to recover from COVID 19, has taken specific measures to communicate their adaptations to guests. “Some Chinese hotels are fine-tuning their booking tools to remind customers about the restrictions in place, and hotels follow up with guests about those before they arrive. Upon check-in, some hotels require guests to provide proof (via a QR code) that they have not been in contact with infected people. Some also measure guests’ body temperature several times: at check-in, anytime they enter and exit the hotel during their stay, as well as upon their checkout” (Krishnan 2020).

US hotels must take similar measures to mitigate risk, however, some are in a stronger financial position to make such changes. Economy hotels who saw a stronger pandemic performance and recovery will be better suited to shift communication sooner into automation. This will lower labor costs and bring consumer preferences to light in a market reliant on communication. Hotels accommodating MICE travelers will experience a difficult recovery due to larger overhead costs and declines in their labor force. This could delay recovery until business travel returns to pre-pandemic norms. “There is no one right response for everyone, but some guidelines apply universally. Hotels must care for their employees, staying engaged with them through the pandemic and keeping them safe when they return. They must manage customer expectations, recognize that these will continue to evolve, and prepare to act agilely to address health and safety concerns” (Krishnan2020).

We now shift our analysis to answer our previous prompt question. The next steps taken by hospitality managers will be crucial to navigating the current economic climate. The following section takes a look into what adaptations made today will become commonplace in the future. Forecasting the long term position of the industry is essential, but we must be weary of over confidence and adverse effects, which can cripple expectations if not appropriately considered.

Future Forecast

From the ashes of 2020, the global economy is looking to rise into prominence yet again and hospitality is an industry that will see this resurgence first hand. Already, virtual meetings and events have limited business travel in the short term but increased participation of these events. Yes, to avoid the spread of the virus, occupancy took a substantial blow. However, business travel has transformed into a hybrid model that will only bolster the participation rate of events in the future.

Many hotels have already adopted safety measures that put the guest needs first thrusting consumer preferences to the forefront of marketing strategies. Hotels will be presented with a

special task. Aligning the trends of consumer needs with technology rollouts without overwhelming guests who are unfamiliar with advanced integration. In order to build the communication infrastructure of hospitality, managers must focus on certain decisions that could make or break their long term success and competitive advantage. In regard to the advancement of the industry and our hypotheses, it is not a matter of if, but a matter of when.

- H1: If managers implement an appropriately sized cloud platform, then they can efficiently store POS/PMS systems and an ever increasing database of traveler profiles.
- H2: If Artificial Intelligence (AI) and predictive analytics are adopted by managers, then they can actively learn the needs of guests in real time, maximizing customization.
- H3: If developers design tech savvy properties, then managers can construct new and more efficient organizational hierarchies realigning workplace activities.
- H4: If managers can consistently practice social listening, then hospitality companies can avoid negative online content created after a guest leaves the property.

Cloud Computing

Across the spectrum of hospitality chains, cloud computing has become the next necessary step to keep pace with the changing operational environment. “Cloud computing is essentially a model for creating a convenient, ubiquitous, on-demand network, which is accessible to a shared pool of configurable computing resources and applications that can be swiftly provisioned and acted upon with a minimal amount of management effort or cloud provider interactions” (Schneider 2012).

At first, only chains higher in scale were able to afford such amenities. Now, private independently run hotels are able to adopt such platforms to upgrade their overall operational status. The balance between implementation timing and cost are crucial for companies that are more financially restricted. Currently, hotels are operating with substantial vacancies in their normal operating budgets. In the near future, managers have to decide whether to initiate the transition into a more tech-reliant model. These upgrades for many managers are to be realized now, or possibly, never.

With cloud computing comes varied levels of integration. Each of these variations have their own respective costs and benefits that will cater to different companies with different needs. “The current cloud model is composed of three service models, cloud infrastructure as a service (IaaS), cloud platform as a service (PaaS), and cloud software as a service (SaaS)” (Schneider 2012). IaaS provides managers the ability to manipulate the operating systems and software applications but it does not grant them powers to control the actual infrastructure of the cloud. PaaS gives managers the ability to install their own applications onto the infrastructure of the cloud, but still does not have complete control of the cloud blueprint. SaaS is the most limited operational tool, but presents a more affordable option. Implementation in this case can take different forms and in a gradual fashion.

“These uses must be examined from a wide range of perspectives, such as from a legal, regulatory, technological, and business strategy viewpoint to determine if cost savings justify making a full move to the cloud or if making a smaller move such as by using PaaS, SaaS, or IaaS service models make more sense” (Schneider 2012). If a company is not in a position to make a full commitment to the transition, they can opt to ease their operational model into a graduated integration. Independent hotels have the capability to begin this transition given they have multiple options in regard to cost. For example, a bed and breakfast would be in a better position to implement the cloud service that best suits their budget with say, the SaaS platform. As revenue increases, evolution and upgrades of the cloud platform will grow alongside.

“The ideal suite of cloud-based services for most hotels would have the following software applications bundled and distributed together – central reservation system (CRS), property management systems (PMS), and revenue management systems (RMS) distributed via a SaaS model” (Schneider 2012). When a hotel relieves its staff of day to day tasks that can be automatically updated, it gives managers back their most valuable resource--time.

Managers must work with their staff to reorganize their business structure to maximize customer service after these tools are introduced. Hotel staff will be better equipped with schedule flexibility to address the needs of their guests rather than juggling customer service and company service. Cloud computing is only the foundation of what is to come. Full integration into the online realm and the ‘internet of things’ will take shape when the cloud is paired with AI and predictive analytics.

Artificial Intelligence

Data mining is a new way companies observe big data samples to extract consumer trends unknown in surface-level analysis. Currently, ‘big data’ is too big to observe at a human eye level because of the constant stream of information being uploaded to a database. Soon, excavating these trends will become seamless with the implementation of artificial intelligence. If the cloud platform is the horse, AI is the jockey.

“Artificial intelligence is used in the hotel industry for revenue management, guest experience, and the automation of daily operations. To use AI in hotels, managers must consider where their investment will make the greatest impact based on their available budget, guest feedback, and plans for future growth as new technologies are coming to the market almost every day” (Cvent 2020).

Within the next five years, executives in the industry believe that the AI systems being implemented now will transform the industry forever. For the guest, communication begins early online, but is not realized until they walk onto the property. In the near future, AI will have taken over normal tasks that were commonly performed by staff. “Hotels such as the Radisson Blu Edwardian in London and Manchester use artificial intelligence concierges to check guests in or out, order room service, and answer questions 24/7. The best part? Guests can text Edward (their concierge) right from their phones. Consider chatbots for your hotel if you’d like to create consistent guest experiences and free up time for front desk staff to provide the best possible service for guests who are physically present” (Cvent 2020).

Online review profiles will be monitored in real time, injecting communication pipelines to the guests staying at the hotel now and in the future. We will discuss this in more detail in a later section but “systems that can decipher so-called ‘unstructured data’ that include scanning

hotel reviews for consumer sentiment or pinpointing seat assignments or particular hotel rooms based upon Instagram photos” are on the horizon (Cvent 2020).

With AI, language barriers that limit the capabilities of the international traveler will be all but erased. Other online providers offer a base level translator application, but with AI, this could be a massive boost to guest communication by removing the possibility of conversation being lost in translation. In-person interaction will eventually have these tools, but ‘chatbots’ are the first measure taken in this direction. “Chatbot translators can quickly identify languages used by website visitors based on their location. They can also translate scripts on the fly and manage simultaneous guest inquiries from all over the world. Tools such as Bebot go a step further and enhance guest experience through automated guest review collection, onsite restaurant renovations, and booking confirmations” (Cvent2020).

Predictive Analytics

Once managers have the cloud capacity and the AI tools in place, how do they use them? Introducing predictive analytics, a strategy used to forecast the needs of the guests and the business as a whole. “Once integrated, the intuitive technology provides actionable insights to hotels and restaurants by collecting, processing, analyzing and interpreting large amounts of varied data to better understand the past, make the necessary adjustments to the present and predict the future” (Shipley 2019). Imagine the ability to predict the needs of the guest using data maps and consumer profiles to service their needs before they make a request. Indicators like length of stay, accommodation preferences, eating habits, housekeeping requests, and rewards programs can all be tracked by AI, stored on the cloud, and used to predict the consumer’s next actionable requests.

With competition on the rise, managers will eventually be required to adopt this technology, so it is crucial they initiate this installation as soon as possible. “The transformation to predictive analytics could be the differentiating factor for many hotels and restaurants in a congested and competitive market. Overall, predictive analytics is the catalyst that empowers owners and operators to optimize profits, enhance guest satisfaction, improve employee engagement and scale profitably” (Shipley 2019). We recommend managers begin to work these changes into their operational budget. Until this tool is well established, managers will be left without the proper capability to forecast business needs efficiently compared to their competitors.

Tech Real Estate

After COVID 19, hotels and other hospitality companies had to shift much communication to online virtual platforms to avoid close contact. We do not know when the true ‘new normal’ will be in place, but managers are already in a position to create a more work friendly environment. MICE travelers are going to have specific needs, so hotel real estate must change in order to service those needs.

The ‘internet of things’ where all amenities of the hotel down to the thermostat are connected, will create a new kind of real estate that business and leisure guests alike will enjoy. “Today, business travelers need flexibility regarding when and where they can work with and

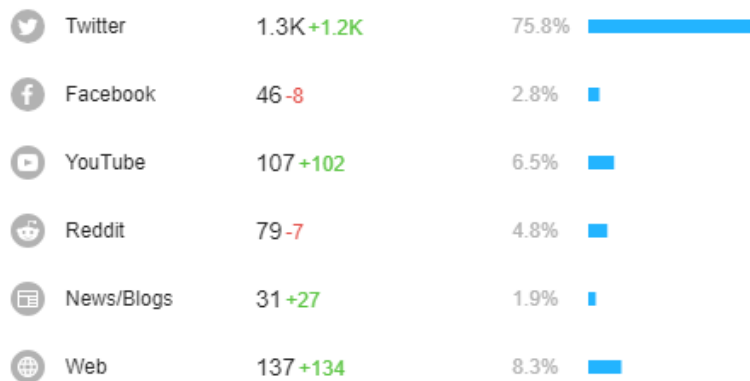
without their teams. The hotel is often the most convenient place to work, yet doesn't offer flexible spaces to do so. We heard especially from teams that it was awkward to work at the hotel but a nightmare to find anywhere else to work" (Doblin 2016). Hotels are already having to compete with firms like AirBnB which offer the privacy and the connection required by many business travelers. Some hotels have experimented with room flexibility to offer unique options to business travelers. Combining two suites to create a private research hub for guests is a prime example of utilizing current assets to enhance guest communication abilities. "We know business travelers are in need of spaces to work individually and to collaborate with teams. To address this, hotels need to plan to better support the working needs of a growing population of business travelers and remote workers" (Doblin 2016).

On the horizon is the full integration of technology into real estate itself. A prime example is Yotel, a fully automated hotel designed to erase labor costs by providing a fully automated staff. There are a few employees on the property to ensure seamless interaction, but hotels will have to navigate the complications of full automation. Many hoteliers and guests alike enjoy human connection, so managers must be constantly aware of the level of interaction guests need in their respective markets. Business travelers may need less, leisure travelers may need more, but it will all come down to the developer themselves. Managers of current properties must work with future developers on their proposed projects to inject the prerequisites of a tech savvy hotel. If managers can use current assets to replicate such accommodations, then developers will be more inclined to see the benefit and capitalize by building tech-based real estate.

Social Listening

Social media is already an integral part of our day to day lives. Individuals, organizations, and even ideas themselves have online profiles that display valuable information. Hotels can capitalize on these information mines to help communicate with guests. Twitter, Facebook, LinkedIn and other platforms provide the ability to listen in on the needs of guests before they arrive, during their stay, and after they leave. Hilton is a company already adopting such social listening techniques to better serve their guests. In exhibit 2, these platforms were studied and ranked in terms of guest participation in 2018.

Exhibit 2-



Interaction with guests also plays a role in implementation. Active listening is always necessary, so interacting with guests on social media and other online platforms will add a sense of comfort for the guests knowing their needs are top priority. A prime example of Hilton using Twitter to interact is displayed in exhibit 3 below.

Exhibit 3-



Of course, not all experiences are the same. Negative content can make its way into the mainframe and can be extremely detrimental to a company’s reputation. For example, Sheraton in Atlanta had a legionnaires outbreak in their AC systems and had to manage the backlash online to save their reputation. When responding to negative reviews or comments, timing is everything. “That’s why it’s extremely important to respond to them as soon as possible. The disappointed guests need an immediate answer — and if they don’t get one, they will be even harsher with their critique. The average response time for a brand to reply on social media is 10 hours, while the average user will only wait 4 hours” (Bredava 2018).

Marketing strategies will change forever. Communicating with guests is the first step, but selling and actualizing suggestions will be the next. A company like Hilton will be able to use keywords to monitor conversations online. This will give managers the ability to accommodate certain needs discussed on these platforms between travelers.

Hilton Suggest is a new service that Hilton has installed to predict the needs of travelers using guest-generated content. “Hilton Suggest campaign goes beyond reacting to someone else’s social posts and takes initiative. The main idea behind the campaign is to aid people without any ulterior motives to make a sale” (Bredava 2018).

We recommend managers adopt such strategies to gain access to valuable customer insight. If managers can seamlessly listen to the needs of their guests in real time, they can better manage their reputation and communication with their guests.

Conclusion

The previous year has shocked the hospitality industry. Most operations were halted or turned upside down to cater to the needs of consumers and guests themselves have noticed. If hotels and other hospitality companies are able to turn on a dime for the sake of health and safety, why not use the same mentality catering to consumer preferences?

To conclude, we recommend managers adopt all tools outlined in this report. Cloud technology, AI, predictive analytics, tech real estate, and social listening are not just ideas, they are actionable decisions to be made in the present to keep pace with the progression of the industry. The hospitality market has encountered a steep shift in consumer preferences, so outsourcing these daily tasks to automation will reallocate time in the favor of the manager's staff. When department heads eventually make the transition toward these tools, they will not only be liable for communication with guests, but also employees. Training staff on these new tools presents a simple equation for managers: Seamless Integration = Seamless Interaction.

The goal of this study was to show the flexibility of these tools to present to managers to fit their own operational needs. Some hotels will be fully integrated sooner than others, but eventually the entire marketplace will be cohesive with these tools of the future. We pulled information from academic journals, industry bulletins, and executive articles to measure these trends. Future studies on the matter must strive to create hard data on the effects of these tools being implemented. Forecasting the next phase of integration will become more clear once financial reports are compiled to show their true effect. Rollout of these tools is crucial now. Managers must work with property owners and executives to find the right balance of integration for their respective organizations. The tools of the future are at their doorstep and it is time for operational leaders to welcome these tools as they enter into the marketplace.

Limitations on Sustainability

Our study presents certain limitations on sustainability. First, integration becomes more costly if existing infrastructure is outdated. We did not analyze the effects of implementation on older properties. Future studies must observe these techniques on properties with lagging technology. Utility cost is the indicator to measure as these tools are introduced. As tools are implemented, do the costs rise in a correlative fashion?

A second limitation from our study was failing to look into the international market. Do hotels abroad have the same capabilities as major organizations like Hilton in the US? Are these technologies feasible in countries with poor connection? Future studies must recognize the same balancing act of cost vs timing for integration across international borders.

Our final limitation is the lack of observation of failed systems. Power outages, communication breakdowns and other uncertain situations must be analyzed to fully understand the true capabilities of these systems under stress. If future analysis remains focused on what can

go wrong on a larger scale, managers will be better suited to address such issues when they arise in the future.

To conclude, we are extremely optimistic that once these tools are at the forefront of operations, managers are going to be more flexible in their capabilities. Hotels will be the primary source of analysis in regard to successful integration. However, we believe restaurants, event venues, and other hospitality based organizations will all be able to adopt these new practices.

The outbreak of COVID-19 may have thrown a wrench in the machine of travel, but we are certain the remedy to this virus and the answers to a questionable future reside in this report. Overall, technology in the industry will encompass a broad range of tools, but only to bolster human communication. Fears of automation are valid, but with the appropriate level of implementation, companies can reduce the outflow of labor and provide a much more comfortable work environment for their staff. Simply stated, the future of hospitality is now.



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