

# KEY PRINCIPLES FOR SUCCESS IN HOTELS AND RESTAURANTS MOVING FORWARD



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*Many of these efforts are being improved and supported by the emergence of artificial intelligence, specifically machine learning. More data, insights and possible customer touchpoints are available to us today than ever before.*



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# Key principles for success in the hotel and restaurant business moving forward

**Creating value for customers and guests sits at the centre of any successful hotel and restaurant business. Hospitality as a service industry has always centred around the guest, the experience and interaction with each guest in the hotel.**

In the last few years marketers in the industry have started to develop customer journeys that map elements for the value creation cycle for off and online engagement, from pre-arrival to on-site experiences, all the way to post stay interactions.

Many of these efforts are being improved and supported by the emergence of artificial intelligence, specifically machine learning. More data, signals, insights, and possible customer touchpoints are available to us today than ever before. We can better understand and reach the right customer, engage with them in their decision-making process, and ultimately serve each guest better than ever before.



As we supported our clients through the pandemic - we were busy closing hotels, opening hotels, repositioning hotels, and rebranding hotels alongside actively reviewing the value proposition for our guests, I found 5 key principles to be absolutely necessary to embrace. The principles are focused on the commercial revenue strategy of the hotel and anchored in the function of revenue management as this was our starting point. However, each one of the principles can be applied to other functions within the hotel – that is why they are principles and not just steps in a process.

In this paper I have outlined the underlying premises for each of the principles, with the intent to provide each reader with the possibility to **take action** in these areas and make some decisions that will help your business to continuously create value for your guests whilst running highly effective teams and delivering outstanding experiences.

# Principle #1 – Know and understand your customers

**R**evenue management has become a key function alongside the marketing department in the value creation chain for the hotel, this started prior to the COVID-19 pandemic.

When the pandemic came to our countries, marketing began to focus the efforts on new and different customer segments (local and domestic customers) and new revenue streams (e.g., Food & Beverage (F&B) delivery and pick up). They had to adapt to different customer behaviours and expectations in order to reach them effectively.



Meanwhile revenue management had to deal with failing forecast accuracy, lack of visibility, mega shifts in demand patterns that made it near impossible to predict performance accurately when it was so needed by the General Manager and owners to manage cost structures, cashflow and in many cases the survival of the business. What became very clear throughout this period is that to better understand and know our guests, a good working relationship of revenue management and marketing has never been more important.

Below are 4 aspects for us to act on that will benefit our hotels and build a deep connection with our guests and as a result create tangible impact as revenue management and marketing collaborate closely with each other.

# Take Action

1. **Customer persona/ journey/ segmentation** - Collaboration of Marketing and Revenue Management is essential in the process of developing and expanding the customer personas for the hotel. Targeting the right customer for the brand or type of hotel, mapping out the customer journey and translating this into an effective customer segmentation that forms attractive and relevant rate offers is critical for conversion. Revenue Management can contribute greatly to this discussion as it is constantly reviewing booking patterns, monitoring price elasticity, and incoming demand. It can assist in the analysis of channel attribution versus customer segmentation within the more generic market segmentation, which is still used in most hotels for future revenue and resource planning.
2. **Process implementation** - The pandemic has changed customer expectations and needs. Our communication with guests, even the language we use has been impacted by the pandemic. These changes need to consistently flow through all distribution platforms. Revenue management is often the main contact for industry partners and the key personnel for systems. It looks after the technical aspects, even the configuration of pricing, distribution, and bookings systems. In some cases, revenue managers also assist with the implementation of reservation processes.
3. **Branding and Positioning** - Pricing is still often the portion of revenue management that increases profits and cost efficiency the fastest. Pricing is also a key indicator of branding and positioning of hotels in the market. The price point represents the brand to the target customer segments on their customer journey. Revenue managers and marketing leaders need to work together closely to communicate the branding and positioning through competitive analysis and the right pricing strategies for the target audience.
4. **Customer Understanding** - The final recommendation here is for revenue management and marketing to work together in validating, continuously improving the understanding of our customers. In many hotels, revenue managers can assist their marketing managers in areas of customer retention, building loyalty, cost of acquisition and many other areas. Revenue Managers have their finger on the daily pulse of the business. Together with marketing they can interpret market sentiments, guest's responses and form profitable strategies and competitive advantage for the hotel.

## Principle #2: Automation - embracing technology & machine learning.



In the last couple of years, the advances of artificial intelligence and machine learning has given opportunity for independent hotels and smaller hotel chains to compete with larger hotel organisations across the industry. With cloud-based system options, the integration of new generation software has become affordable and accessible for independent hotels, saving time, resources, and money, whilst being able to make timely decisions without compromise.

A revenue manager in a hotel today using traditional property management systems, without an analytic tool or RMS, can spend up to 20-25 min daily on completing yesterday's pick-up report (depending on the level of details/ automation that is applied).

The value and contribution of a revenue manager is still often defined by the reports they produce, and the system processes they complete daily.

You might remember when revenue management systems (RMS) were first introduced, many hoteliers thought that revenue managers would be replaced by these systems and would no longer be necessary. Today however, rules-based RMS are commonplace in many hotels. Rules based RMS do not adapt to new trends and patterns without human intervention in the form of a programmer.

RMS are managed by skilled and often highly trained revenue managers. They provide analytics and sometimes dynamic visualisation. Many of the manual revenue management reporting process are being streamlined and automated. This moved the industry's capability from making decisions in uncertainty to making informed decisions with increased understanding of risks and opportunities associated.



The challenge we were facing - and still face today at times – is the **processing of large amounts of data from multiple system sources** and synthetising them into an actionable insight to optimise the complete value chain.

## Machine Learning

With the advent of machine learning and cloud-based computing, many of these complexities are being simplified. The technology of machine learning uses historical data as input, studies the data and makes recommendations and decision based on the data it receives daily. The rules it applies change more dynamically according to the market changes it receives without human intervention.



Whilst we have technology available that tracks hourly the performance of the business, is accessible on any smart device, on demand, 24/7/365, and which interprets the data for optimisation in a story telling format that can be understood by everyone in the team, it is ultimately the revenue manager or the revenue team of the hotel to give meaning to data.

The Revenue Manager today spends less time creating reports but instead creates great commercial value by validating the interpreted data, focusing on actionable insights, and translating them to better, relevant, and timely decisions. Young revenue managers are relying on the forecasting capability of the RMS and many never have had to complete a manual forecast or build their own pace report or pick up report.

Communication skills and decision-making capability are becoming more important than technical ability. Providing actionable insights and making relevant and timely decisions is what a revenue manager should do to contribute to the commercial success of a hotel.

Embracing new technologies,  
automation and machine learning will  
empower your team and improve  
efficiencies significantly.

## Principle #3 – Intentional innovation to shape business strategy

COVID-19 has accelerated the emergence of new revenue streams and innovation was forced upon us as ‘business as usual’ shut down rapidly. We saw in many markets the local, independent hotels and F&B operators responding fast to lockdowns and the shift in demand to local and domestic markets. We saw great adoption and integration of new revenue streams like food delivery and self-pick up.

Many hoteliers acted and innovated, working with local ride-sharing partners, utilizing their available kitchen spaces, creating new, or widening existing revenue streams. They now have processes in place and hopefully found a way to make it profitable.

### **1. Innovate intentionally.**



The key principle that we learned here is that hoteliers need to build a framework of innovation that becomes part of the internal process and integrates with the way we approach our hospitality business.

Covid has proven again that there are opportunities for hoteliers to actualize new revenue streams and business models. The experience teaches us is that there is

room to intentionally apply the process of innovation and continuously improve and shape our business model. Hoteliers are familiar with the constant need to enhance, or at least maintain, the hotel’s hardware to stay competitive and it is a short leap to incorporate a structured process of Design Thinking to build sustainable innovation methods.

## **Design Thinking**

Some hoteliers are already familiar with the process of Design Thinking in the development for service delivery and customer experience. To apply the same process in sales, marketing and distribution may not be as common, but it is attainable and doable.

The “Design Thinking” process for innovation has gained a lot of momentum in the last few years across many industries and the result of continuous improvement is paying great dividends in terms of incremental revenue streams, as well as the delivery of exceptional and bespoke guest and customer experiences.

Applying Design Thinking means to intentionally engage in the user experience and their interaction with the hotel across different communication, distribution channels and customer touchpoints. The process requires cross-departmental teams, designing and prototyping solutions with the user/guest in mind. Hotel based teams and corporate teams can incorporate this approach as part of their internal culture. It may require an adjustment to the organisational culture and management style, but it is definitely possible.

## 2. Innovation to drive business strategy.



For many hotels, the planning process for the next year is the right time to evaluate the innovation that was forced upon us by COVID-19 and measure the strategic value of these new revenue streams.

Over and above the immediate revenue that was generated, evaluate if it is a business model worth considering in the longer term. Work with your revenue and marketing team and evaluate:

- **Profitability:** Is the revenue stream a sustainable business model that can be profitable even if business opens again?
- **Branding/Positioning:** Has the revenue stream enhanced the brand perception of the hotel in the local community? Has the hotel developed some loyal/repeat customers that will still stay engaged when travel opens up again?
- **Capital investment:** Is it worth investing more resources to make this a sustainable service offering? What would it take to build a viable strategy going forward?

Whilst many countries are still ramping up their vaccination efforts, food delivery, take-away and other revenue streams could be a relevant revenue stream for the next 18-24 months. Reviewing the approach at this point is advisable, particularly in the preparation of the business cycle for 2022.

## Principle #4: Adapting Leadership and organisational engagement.

These changes outlined in this guide have an enormous impact on the organisational structure of a hotel and senior executives across the countries might identify with at least one, or even all the pressure points mentioned below. We have identified this pressure point with our clients and hear them echoed from other industry leaders, including the HSMAI Revenue Advisory Board members:



### ***1. Leading teams remotely***

Most of us would have experienced a form of video conferencing fatigue on some levels. Interaction with colleagues at work, onboarding and integrating new team members, often without meeting them in person, is difficult. Performance measurement and appraisal processes require adaptation. Team member across Gen Z, Gen X and Millennials are all responding very differently to working remotely.

According to a survey from [Deloitte](#), 70% of business professional expect the use of online collaboration platforms to increase in the future. That means, less face-to-face interaction, less time spent in an environment as a team. The [same report](#) also acknowledges that virtual distance can lower your team member's trust by 83%, inhibit their ability to innovate by 93% and reduce their engagement by 80%.

It is important for executives to take action and to adapt our leadership style and to learn new skills. The report outlines some recommendations such as: learning how to be available to your team remotely, how to strategically over-communicate; empowering and promoting self-leadership being critical and simply ensuring the wellbeing of our teams as keys we need to consider as leaders.

## ***2. Revenue Management function specific changes***

We have generally seen one of two changes:

1. Revenue Managers having to scale up and take on more hotels.
2. Revenue Managers taking on responsibilities of other hotel functions - covering front office, reservations, or sales and marketing.

Hoteliers are often weighed down with an overly complex revenue management function and systems that require weeks of training. These changes tie back to the point on embracing automation and technology to help increase productivity and efficiency. Machine learning can support revenue management tasks to build scale, without compromising on quality insights and good decision making.

Responsibilities, reporting lines and operational expectations need to be adjusted to support these changes. Leadership of the function will need to be adapted.



### **3. Talent related Issues**

- Many hoteliers will be able to relate to the issues of finding, training, and retaining the right talent. Hospitality has been affected like very few other industries and we see that many young people, who have only been in the industry for a few years, are struggling to see a future for their career.
- Hotels have had to make tough choices this last year and had to let people go. Many of these individuals they are leaving the industry and may not return when things get better.
- Losing specialised revenue management experts is difficult and costly. Attracting the right kind of talent back into the industry will require much focus and innovation. This a perfect environment for innovating new solutions and there are some good initiatives already in play.

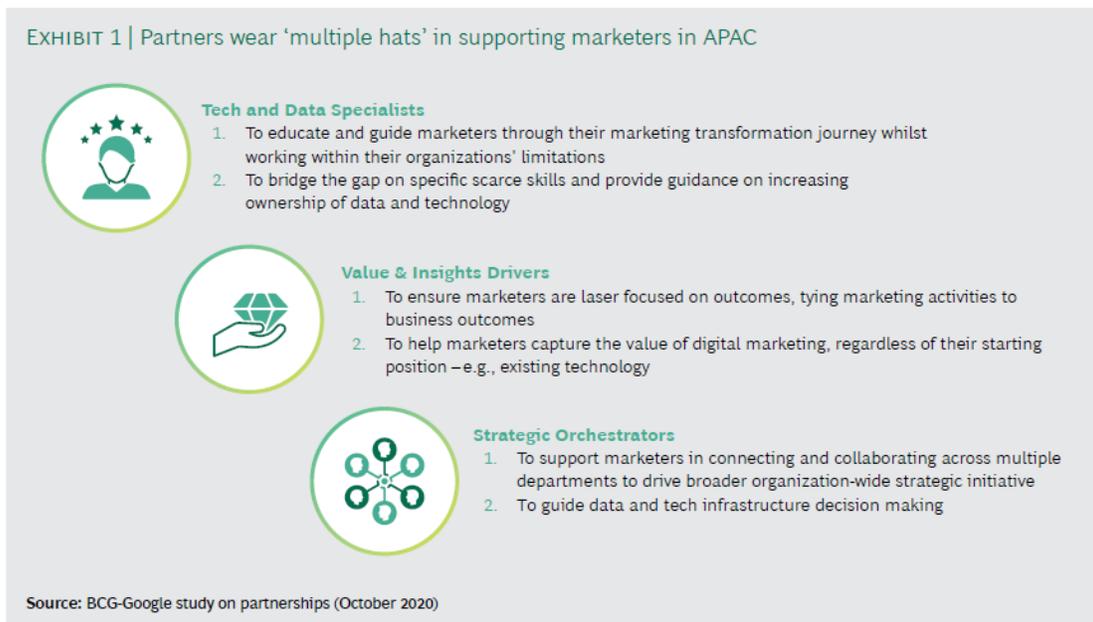
The crisis has exposed flaws and the weakest links in the traditional organizational structures and the leadership approach. We need to rethink the way we attract, lead and build our teams as we come out of the pandemic. Working and leading remotely, building trust and innovation and leading multi-functional/property managers will require different solutions to what has worked well in the past.



## Principle #5: Strategic Partnerships

This guide highlights very deep and far-reaching pressure points that need addressing going forward. The principles mentioned will help leaders think of and find solutions for all of them. All mentioned solutions can be implemented and supported by the business leader if he or she spends time researching, reading, and practicing the principles.

However, the best results we have seen in the last 10 years of working with hoteliers is to find the right strategic partners and advisors in some of these specialist areas, who will work with the leadership team to implement and practice new approaches and take the business back to sustainable profits.



Source: [1https://www.bcg.com/en-sea/the-power-of-partnership](https://www.bcg.com/en-sea/the-power-of-partnership)

Many General Managers of independent hotels or franchise owners would greatly benefit from having access to senior advisors to help them navigate the choppy waters of Covid-19. However, a full-time person may not be necessary and may be beyond their salary structure. This is where partnering with an external expert may be ideal for many of them. They can provide the needed depth of experience and expertise whilst still within budget constraints. Working with an external expert is a great option and can be a game changer for many hotels. Finding the right partner is key in this process, but once that hurdle is taken, the specialists can improve hotel profits and provide strategic insight.

## Insights from hoteliers

Many of my conversations with hoteliers that become clients starts with the issue of complexity, not being able to find the right people and then being able to retain them.

Many of the business leaders and owners in smaller hotel companies or independent hotels are fully engaged with their daily activities. They are aware of the gaps they may be having in their value creation process, but incorporating new management process, initiating cultural changes, or exploring new technologies often does not fit into their current scope.



Source: 2Source: 1<https://www.bcg.com/en-sea/the-power-of-partnership>

For hoteliers that find themselves in this situation, I would recommend making a decision and starting a conversation in a discovery call with an expert to discuss their situation and find out the options available to them. We usually start with a short strategy conversation that leads to an audit, followed by detailed road map including specific recommendations.

Many hotels have turned a corner by partnering with external experts, seeing sustained growth and success in the process.

## Summary

In summary, after 10 years of working as an advisor and business specialist in the industry, I am convinced that to the degree we will engage in these 5 principles in the next few years, we will see success and growth in hotel and restaurant businesses.

The environment will continue to challenge our industry in its strategic intent, and our focus must be on the future, centred on moving from buying a hotel stay to buying a meaningful experience. The earlier we **take action** and address these issues, the better we will be navigating through these unprecedented times.

### Need help?

*If you require any more information or if you would like to schedule a free 30-minute strategy session with Heidi about your specific situation, please contact her at [heidi@hqe-international.com](mailto:heidi@hqe-international.com). To find out more about the service she provides, please visit [www.hqe-international.com](http://www.hqe-international.com).*

### About HSMAI

*[The Hospitality Sales & Marketing Association International \(HSMAI\)](#) is a 90-year old, non-profit association and is the industry's leading advocate for intelligent, sustainable hotel revenue growth. HSMAI is an individual membership organisation comprising more than 7,000 members globally with a presence in the Americas, Asia Pacific, Europe, Brasil and the Middle East.*

*[HSMAI Asia Pacific's](#) mission is to be the leading source of information, tools, insights, business development, and Education for professionals in the hospitality industry. With a strong focus on education, HSMAI has become the industry champion in identifying and communicating trends in the hospitality industry while operating as a leading voice for hotel sales, marketing and revenue management disciplines. Activities in the region are held in Singapore, Hong Kong and mainland China, Indonesia, India, Thailand and Australia.*

*For additional information, refer to our website at [www.hsmaiasia.org](http://www.hsmaiasia.org) or our HSMAI Academy portal at <https://hsmaiacademy.org>. Follow us on Twitter [@hsmaiasia](https://twitter.com/hsmaiasia) or join our [LinkedIn group at HSMAI Asia Pacific](#).*