



Riders on the

STORM

A Comprehensive Approach to Survival

There's no denying the impact of the downturn. Tighten your belt, trim the sails, tune the engine for maximum efficiency – whatever metaphor we want to use, we know we have to do something. How can technology help us to ride out the economic storm?

The natural reaction to a fall in customers and revenue is to cut costs to try to maintain some balance, but you can never save yourself into profitability. Blanket, cut-10-percent-everywhere approaches do more harm than good, anyway; you have to examine every aspect of your operation closely and take an informed, targeted approach to increasing your overall effectiveness all across the board. To do that, you need ready access to good data and the tools to analyze it well—and of course, that's where technology comes in.

A comprehensive approach to survival will look at three areas:

Increasing the positives. Focus marketing and sales efforts to improve revenue streams.

Minimizing the negatives. Trim costs as far as possible without hurting core functions, especially guest satisfaction.

Fine-tuning. Improve the efficiency of every area of your operation.

Hotels are complex operations, which is both part of the problem—there are plenty of obstacles to smooth, whole-property operations—and a grand opportunity, as there are equally many ways to improve efficiency. This article takes a look at several, but you will undoubtedly find more in your own operation. Many apply to vendors just as much as to hotels; we can all find ways to work smarter. And as with so many areas of our lives, the Internet is a key tool in helping us to do that in a very cost-effective manner.

Accentuate the Positive Marketing

Business may be down but it's not out; people are still traveling and will respond to the right marketing message. Even more than usual, though, marketing has to be carefully targeted to be as cost-effective as possible. We used to talk about a rifle-shot approach compared to traditional wide-ranging shotgun campaigns; now we're talking lasers. (See also Cindy Estis Green's article on page 28).

This places a premium on taking careful aim, using customer relationship management (CRM) tools to identify the most likely prospects and the messages that will appeal to them the most. As discussed in the Summer 2008 issue, this increasingly uses the Internet to track how people find your property and link that to comprehensive information on which activities they took advantage of during their stay. This lets you create very specific e-mailed offers to encourage them to return, and helps you identify potential new guests with similar profiles.

Making full use of the Internet is vital; by the end of 2010 it is estimated that over half of all hotel bookings will be completed online, and many of the rest will only be made after Internet research. The major hotel brands already generate close to this figure from their own brand Web sites, but independent hotels, especially, have a lot to gain from focusing on digital marketing strategies.

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Upgrading your Web site design and booking engines are givens; you must stand out visually and offer a simple booking experience. You don't have to be a guru to do this; vendors such as MICROS Systems and Northwind offer more than one approach to e-booking depending on how much Web expertise you have. There's a buzz around linking to social-network sites such as Facebook, but be wary of diluting your marketing funds in too many areas before you're satisfied that they produce real bookings.

Just having a Web site is just a start,

though. Its effect can be leveraged noticeably through integrated marketing strategies that include pay per click (PPC) and search engine optimization (SEO) to gain prominence in searches. Including user-generated content (UGC) can also appeal to the increasingly social-minded population.

Business Intelligence

From the management viewpoint, good business intelligence (BI) is critical to get a clearer picture of actual booking and stay patterns as well as of operational

data. Sources of business, booking patterns, differing department and property profitability ratios and much more must be identified and reviewed to find the underlying causes of exceptions.

Multiproperty chains are already well aware of this, of course, and use purpose-built BI tools from vendors such as Aptech, Datavision and ProfitSword for a comprehensive and flexible view of their operations. Several PMS vendors (e.g. MICROS, Northwind, MSI and SoftBrands) also offer BI modules, either their own or in

CHAIN Comments

"...We're giving priority to all system enhancements that generate incremental revenue or reduce cost, and are in constant communications with our franchisees to share best practices. We've expanded our procurement organization to address any low-hanging fruit and to bid out or renegotiate our agreements with suppliers. ...Like others in the industry we have relaxed some new standards compliance dates to provide some capital relief to our franchisees, while remaining focused and committed to our rebranding initiative ..."

Gustaaf Schrills, Vice President, Technology and Services, InterContinental Hotels Group

"...IT's focus is on enabling hotel management to reduce costs efficiently and on increasing the emphasis on marketing-related activities. We've created several databases supporting cost-reduction efforts and helping communication between corporate and the hotel management. Employees and management can submit cost-reduction suggestions on the Intranet site; these are reviewed and assigned to all properties or specific properties for action. Potential savings, responsible persons and activities are all tracked through this system, which we also use to communicate management messages to the employees to keep them engaged. Other projects being evaluated are Internet marketing, improved Internet booking capabilities, CRM and Business Intelligence, and we've rolled out a restaurant loyalty program to capture an increased share of a shrinking market. ..."

Peter Engel, Director of Technology, Marcus Hotels & Resorts

"...Our focus in this economy includes reviewing open source options for software & tools, continuing to evaluate all projects for ROI and even bringing in additional IT staff to complete those that enable efficiencies within other departments. We're migrating all hotels globally to Opera V5 as a common standard, retiring applications that are no longer highly utilized and looking for services that can be shared. Our infrastructure is being upgraded to improve efficiency and support capabilities, and we're making sure we have the right balance between in-house and outsourced services..."

Paula Winkler, EVP Operations Support Services & CIO, Carlson Hotels Worldwide

partnership with a specialist vendor. Even a small, individual hotel will find benefits from running Excel analyses on the data from its PMS.

Either way, though, you have to take action on what you find; data itself doesn't do anything. Find the exceptions, then change your business practices accordingly.

Revenue Management

The third element of increasing income is detailed revenue management, to ensure that you're pricing the right mix of rooms and other activities to appeal to the most likely travelers to visit your particular property. This has to be placed in the right channels at the right times for them to find, an increasingly complex task as more specialized reservations sites appear and require monitoring. Vendors such as TravelCLICK provide regular reporting on a hotel's peer group rate offerings to help set its own mix competitively, and specialized tools (e.g., EZyield, RateTiger) can be a great help in simplifying channel management itself.

Notes

You can't set prices properly if you don't know the typical demand patterns and pricing sensitivity of your actual guest mix and key prospects.

Learning how use to the frequently comprehensive rate management tools that come with most PMSs will give you fine control to cut off specific rates at pre-set occupancy levels and impose suitable length-of-stay restrictions as needed. More complex operations will see real revenue uplifts from the more complex predictive systems such as Amadeus, IDEaS, EzRMS, Rainmaker, Maxim and MICROS, which also track pace and

suggest adjustments to meet your goals.

Tracking of guest comments on social-feedback sites such as TripAdvisor has become an important factor in protecting your reputation. Even if you've done a brilliant analysis to set the best prices and offers possible, a few bad reviews left on these sites without a response by the hotel can have an immediate effect on your popularity and bookings.

All three of these are interlinked, of course; you can't set prices properly if you don't know the typical demand patterns and pricing sensitivity of your actual guest mix and key prospects. The benefits are therefore critically dependent on a solid foundation of clean, accurate data, which in turn requires proper, consistent configuration of systems (see below under "Tuning").

Making sure your systems compile and integrate accurate data from all critical areas into a meaningful whole, combined with flexible and usable analysis tools, will give management access to better quality information more quickly and let them spend that much more time on using it to best effect.

Hold the Line

It's been said many times, but is worth repeating: try as hard as you can not to reduce your standard pricing. This doesn't mean not offering discounts, packages or bundled offers that provide an identifiable benefit to specific users, as long as your base rates stay the same. For the last major down cycle (following Sept. 11)

Smith Travel Research showed that hotels that cut rates to improve occupancy took in about as much revenue as those that held their rates despite a drastic drop in room nights. Those who cut rates took far longer to recover when the cycle turned up again.

Minimize the Negatives

It's not really fair to call cost control a negative. Obviously it's an essential part of staying in business, but cost control needs to be done carefully and should be based on proper analysis. All projects need to be reviewed for their practical importance and short/medium-term ROI impact, including their legal or security criticality in keeping the operation going, while still staying aware of—and extending, if necessary—the long-term strategy.

Staffing and Scheduling

Labor is everyone's major expense and most obvious target for reductions, but approach reductions with a clear head and good information about how to match staffing levels on different days and times to actual service needs. Discuss the options with your staff directly to understand their flexibility and concerns; you might uncover some preferences that actually make re-scheduling easier. Every operation has some cyclical patterns in its operations, by time of day, day of the week or month. Use the information in your BI system (or at least your PMS/POS) to track down what these really are, and work out what changes you can make without affecting guest service levels.

Staff reallocations follow automatically once you've decided what projects or functions must, reluctantly, be cut or outsourced. It may be possible to transfer some to more critical projects and realize their benefits more quickly. Imposing a blanket cut across all departments is counter-productive in every way.

Re-evaluate all major vendor contracts and see if you can negotiate better terms for some appropriate change in conditions (see sidebar on Starwood). You're willing to be creative with your guests in offering combinations of services that appeal to them; there's an equal willingness on the vendors' part to keep you as a long-term customer. Switching to a different payment plan or cost basis may pay dividends for both of you.

And it goes without saying that you need to look at ordering levels to keep on-hand stock to a minimum, and tighten up on

ACCENTUATE THE POSITIVE

- Marketing, marketing, marketing
- Business intelligence
- Revenue management
- Hold the line

MINIMIZE THE NEGATIVES

- Staffing and scheduling

TUNING FOR EFFICIENCY

- Data Accuracy
- Integration
- Remotely hosted systems and services
- Remote access
- Talk to your vendors
- Train your employees
- Security
- Morale

receivables. Cash flow is critical to everyone, and there's no excuse for leaving collectible funds in someone else's account. Whittle away at all expenses, using your own staff's ideas on what will be most effective while maintaining guest satisfaction.

Never forget that this is a service industry, and that guests are quick to notice even minor drops in service levels. If you have no alternative but to make changes, though, be open and honest about them; guests hate surprises and can smell insincere hype a mile away.

What do you need to do all of these things effectively? Good data, once again. Make sure your financial systems are getting complete, accurate data from every department—automatically if at all possible—and that the reports you're using are looking at that data in the most useful and appropriate way for your business. Transferring everything manually to Microsoft Excel™ may be the way it has always been done, but a more integrated approach pays great dividends in both speed and accuracy.

Tuning for Efficiency Data Accuracy

Operating as productively as possible depends both on having the right systems in place and on ensuring that the systems are configured properly. Properly here means matching your needs. Make sure you have a clear definition of your actual guest mix and your market niche/style of operating, then make sure your market segments, origin codes and all the many other system data elements are configured appropriately and consistently.

One area that's hard to get right, for example, is ensuring that you have all the correct links between multiple divisions of your key corporate customers. Some subsidiaries won't have any obvious name connection with their parent, and careful research to complete the picture will pay off significantly when negotiating rates for future business. Without a complete, accurate picture of past business from any client you're at a major disadvantage.

Look at how self-service options can streamline operations, either replacing some repetitious staff duties or providing additional guest services without having to hire more staff. Internet booking is an obvious start (and is an absolute essential these days) but look at

options that let guests update their own profiles on line, check in online, pick their own room the way they do an airline seat, or make their own spa or dining reservations. Once they're on property, see if you can provide the same options directly from their rooms. All these things help your operation and simultaneously make the guest feel empowered.

Integration

Every property needs multiple applications to cover all aspects of guest service. Look at ways to improve integration for more effective consolidation of data, reducing the errors from manually rekeying from one to another, and providing guest-facing staff with better access to more complete guest information. Crossing the threshold to better-integrated systems removes bottlenecks and lifts the efficiency of the whole operation.

A tough one to get right is providing competitive levels of Internet service, as this has become one of the major factors in determining a property's attractiveness. You must have sufficient bandwidth for the needs of your guest mix, or they'll simply stay somewhere else. If that means adding new capacity—and given the rate of demand growth it usually will—consider acquiring it from a provider offering tiered service, so that you can at least offer free access for e-mail checking and general-interest surfing. There's a general acceptance of charges for the higher demands of corporate meetings and guests accessing streaming video in any form—presentations, videoconferencing, Sling-box access, Internet-based PPV, etc.—so take advantage of it.

Remember to see your propertywide networks on a holistic level, not just as a way to provide guest Internet service. There are many management and operational uses (such as housekeeping, maintenance, manager access, bell staff communications, and even guestroom door lock communications) that can benefit from full-area wireless coverage to help justify the network cost.

Remotely Hosted Systems/ Services

Many companies are considering switching to remotely hosted systems to reduce hardware and support costs, albeit at a trade-off in network expenses. They undeniably have advantages

Notes
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FAIRMONT Maintaining MOMENTUM

While many companies are looking at which projects they can postpone or delay, major growth investments such as new hotels or infrastructure development have their own momentum and aren't easily diverted. Fairmont Raffles Hotels International has its own share of these, but is in the fortunate position of having many of them already close to completion.

"We're still very much focused on growth," said Vineet Gupta, Fairmont's senior vice president, technology, "and while this has become more challenging in the current economic environment, we still have a number of new domestic and international projects currently in place. Most of our hardware and software investment has occurred in the last few years, so we're now closing these out and making sure we have set them up for the future.

"With our expansion and mergers with Raffles and Swissôtel in the last three years complete, we can stand back a little and review some of our older applications and infrastructure to keep things as current and efficient as possible.

"Many of these have international aspects we want to streamline. Several domestic applications need to be globalized, and so we're re-engineering them for more flexible, multinational use. We have 20,000 users worldwide, and we need to look at all our processes in that light. A user in Turkey, for example, must be able to access systems and data as easily and quickly as someone in Toronto.

"We use a standard mix of systems at the hotels to ensure data consistency, and centralize others—such as the CRS and SFA, plus system and network security—as much as we can for efficiency. However, we're always looking at how to leverage what we have for even more effective use. For example, while our three brands' loyalty programs are all different, we are evaluating how to use the guest history and preferences learned through each of them in a centralized way to benefit all three, while still maintaining their distinct identities.

"Overall, we have built up a lot of momentum over the last few years. Now it's up to us to keep that going while nudging it gently into more efficient operation."

in better security and support from a central, skilled staff. They also provide better reporting through having more consistent data, and offer simpler integration between multiple systems and with the outside world. Even at a single-property level virtual-server technology can reduce the amount of hardware you need, with direct savings in service and support costs.

Take inventory of all of your software applications. Are you keeping any old systems running after they've been replaced "just in case," or to access historic data occasionally? Dump the data into Excel (at least) and turn them off; you'll save on support costs and free up some space at the same time.

Notes

Get involved with your user groups. Discussions with others in similar situations can bring to light system features or different ways of using them that can have real benefits.

Look at switching to Internet-based services, especially for non-core functions which, unlike a PMS, can be changed without major relearning. There won't be a complete Internet-based hotel solution until we can get all telephone, door key, energy management and other services available that way, but the range of choices increases all the time. Switching to an Internet-based PMS such as innRoad and Novexsys can still be a very attractive solution for smaller properties; often it's the only logical choice for those who have just left a franchise brand and need a new system at very short notice.

Internet-based credit card authorization and settlement services are the norm now, but moving to electronic ordering and invoicing in general can generate noticeable efficiencies in speed, accuracy and paper reduction. Inventory and purchasing vendors such as Eatec, Adaco, Moreton Bay and RedRock Software offer this, and more corporations are asking for e-folios from hotels' property management systems to improve both speed and accuracy in travel expense reporting.

Speaking of paper reduction, review reporting in general. How many reports are being generated that no one ever uses? Thin them down, or create new ones that combine the four that everyone uses into a single output with a more usable format. Services such as DB Technology's RAS and Agilysys' DataMagine help by archiving data electronically, allowing access to it for multiple users without re-printing or copying and permitting much more useful analysis. Dumb data doesn't do it.

Remote Access

Check with your vendors and your own support team on the help they can offer remotely, too. Some vendors (Newmarket, for example)

can now set up new interfaces without visiting the property, with all the accompanying benefits in reduced effort and travel costs. Pro-active monitoring of your systems and networks can keep things operating efficiently and fix potential problems, sometimes without the users even being aware of them.

Operationally, managers can use remote access to monitor operations figures without having to be on site. Some systems even let you set up automatic messaging alerts based on critical event triggers (conference cancellation, sudden drop in booking pace, network down, etc.) to let you head off problems before they grow out of control.

Talk to Your Vendors

Modern systems are comprehensive, complex applications. Because of the wide range of property and operation types they have to cover, virtually no one uses all their functions. Invest some time to review each major system in detail with the vendor's experts, to find out what else the system could do for you. There may be functions you weren't aware of, or different ways of using the ones you do know that have paid dividends for other properties. Your vendors have an interest in keeping you efficient, too, as it lowers their support costs. Tap their ideas.

Get involved with your user groups. Discussions with others in similar situations can bring to light system features or different ways of using them that can have real benefits. This is especially useful pre-installation to make sure you understand the capabilities and configuration options that apply to your particular operation.

Streamlining STARWOOD

When you have an operation as widespread and diverse as Starwood Hotels and Resorts Worldwide, finding ways to improve effectiveness must take an equally wide-ranging approach. CIO Todd Thompson believes Starwood is taking steps that are typical of many large, international companies, although perhaps more aggressive than others in the hospitality industry.

"First up, of course, is an immediate and ongoing review of all projects, to make sure that we're only proceeding with those with the highest ROI and the most significant business impact," said Thompson. "With this focus, we are realigning and resizing our resources around the highest priorities.

For instance, we continue to have a very strong focus on CRM, even for this industry, and are actually investing here to drive more value to and from our key customers. We also continue to roll out our Valhalla SOA CRS, which will allow us to be both nimble and effective.

"Next, we are looking to mature our IT capabilities while reducing cost by working with partners to understand our opportunities around global sourcing. We've issued an RFP to assess best approaches to IT global sourcing and are in the middle of the selection process to come up with the best combination of quality and cost. We believe that this will allow us to leverage the right range of global IT capabilities and cost advantages for the benefit of our owners, guests and associates.

"Another area of savings comes from reviewing all major business partner contracts, working with each vendor to identify opportunities for reduction that work for both of us. We are exploring options like more consolidated, global enterprise agreements with key business partners and have finalized some key ones, with others pending.

"Many companies are taking similar steps to these, but we believe that we may be taking them a step further than many others in this industry."

Include your most experienced users in all these discussions; there's no substitute for on-the-job knowledge when it comes to understanding the relevance and worth of specific functions. Your staff has a great deal of knowledge on how the property actually runs, and certainly has many ideas on how things might be done more efficiently. Tapping that knowledge benefits both the company's operations and the morale of the staff, who feel that their opinions matter.

Train, Train, Train

Once you know what you have, train the staff to use it effectively. System knowledge deteriorates rapidly as staff turn over and new hires pick up their knowledge from those who picked it up from their own predecessors.

It still surprises me how few properties realize how much a poorly trained staff impacts their operation, and with the rapidly spreading availability of e-learning in all its forms there's no excuse for it. It's the equivalent of buying a car and never servicing it; sooner or later it will leave you stranded, and your mileage will go downhill for a long time before that.

It takes time and money to hire new staff and bring them up to speed. Investing in regular training to teach each employee how to get the best use out of the tools will always pay dividends in both operating efficiency and staff morale. They'll understand that you value them enough to train them, and they'll be able to work more smoothly without stumbling their way through the system. Again, check with your vendor on the availability of e-learning; many now

offer online courses that can be taken when convenient and track progress.

Check the help desk logs with your vendors to identify repetitive problems. If they're technical, fix them; if they highlight certain users with gaps in their knowledge, train them. The data is available; it just needs to be looked at regularly and used.

Security

Once you know what you have, set it up to work as well as you can and are seeing accurate, usable data from it, make sure you hang on to it. Security is an issue that is never going away, and requires constant attention to keep on top of ever-evolving threats. Failing to implement standard security precautions such as PCI for credit card data exposes you to potentially heavy fines from the credit card companies, let alone the bad publicity from having to tell thousands of past guests that their personal data may have been compromised by your failure to take recognized precautions.

Keep all your servers and PCs up to date with operating system and application security patches, keep anti-virus, anti-spam and other anti-malware programs up to date. Run proper backups, make sure you have good standby power and communications arrangements, and test them regularly. Clean out all your user access files to make absolutely sure old employees can no longer sign in. Run network scans regularly to ensure no one has installed a rogue wireless access point, either for their own working convenience or for less admirable purposes. Nothing can be made completely secure, but sensible risk management is your professional obligation.

Morale

While we're talking about tuning up the operation, don't forget staff morale. Even in the most obviously successful companies, everyone worries about the future during a downturn. Talk with and listen to your staff; understand their personal concerns. Even bad news is better than no news, because uncertainty has no limit when it comes to imagining just how bad a situation might be.

Clear, regular and honest communications are essential to building trust. Your staff needs to know what's going on, where the company's going and how outside events do or don't affect it. Make sure they know that the management has a plan, is working harder than anyone else to make it happen, and will

share whatever financial pain their employees are facing.

Despite all this, remember to have some fun at work and let your employees know you appreciate them. Maintain and project a positive attitude at all times; it absolutely makes a difference. No matter how tough things might be, there's always a place for human understanding and humor to lighten the situation.

TIMES ARE HARD, BUT JUST HUNKERING DOWN IN HOPES OF RIDING OUT THE STORM ISN'T AN OPTION. There's always some positive action you can take to handle the turbulence, regain some control and keep things heading toward your strategic goal—and it will give you a head start on moving ahead again when the inevitable upswing returns.

Don't wait; your competitors won't.

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Ending Notes

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