INSIDE

- Where 2019 IT Budgets Landed & Projected Growth for 2020
- Top Strategic Drivers for Innovation
- Hotel IT Investments Favor Security & Digital Guest Empowerment

THE ACCELERATION OF INNOVATION-ENABLED HOSPITALITY

AN EVOLVING INDUSTRY AND SERVICE PREFERENCES NECESSITATE FLEXIBLE SOLUTIONS THAT ARE PURPOSEFUL, PROACTIVE AND PROFITABLE
The Acceleration of Innovation-Enabled Hospitality

Adapting to industry change and shifts in service preferences requires flexibility in operational technologies and solutions that are purposeful, proactive and profitable.

“Any sufficiently advanced technology is indistinguishable from magic.”
— Sir Arthur C. Clark

The significance of the digital revolution on hospitality has yet to be fully realized, because it is far from over. In tandem with the Law of Accelerating Returns, the rate of advances and enhancements in lodging technologies is increasing exponentially to the point of creating friction points for hotel executives involved with their respective organizations’ IT strategy.

In Hospitality Technology’s 2016 Lodging Technology Study, 32% of hoteliers claimed that developing a digital strategy was a top objective — coming in fifth place and only narrowly edging out cloud migration and employee mobile solutions. One year later, improving digital customer engagement was the top objective, eclipsing security and the driving force for technology investments for the following three years.

Today, hotel brands continue to grapple with how to create tech-powered experiences for guests that feel authentic — a key theme that emerged in last year’s report. If those three Ps — purpose, proactivity, profitability — are present, it will focus on upgrades to connectivity and empowering guests that do not mind — and may seek out — automated processes with mobile payment and chatbots.

Key Themes & Findings Explored in This Study

1. Keeping up with the rapid acceleration in technology is testing hoteliers’ ability to be proactive. Solutions must be robust enough to withstand change and flexible enough to support evolving demands.

2. As predictions for supply to exceed demand grow, hotels are steeling for a decrease in occupancy levels. This puts pressure on all lines of business to prove profitability. While identifying ROI has shifted out of the top challenges, determining new avenues for revenue has become a top strategic goal.

3. Technology is a part of every hotel budget, but is it enough? IT execs polled in this study would say no, as insufficient funds remain a top challenge and IT budgets as a percentage of revenue have stagnated. Changes due to acquisitions and building new properties calls for flexibility in operational technologies. Hoteliers’ responses indicate a general anxiety of being underfunded to face such challenges.

4. Migrating to cloud-based systems are critical to future-proofing hotels. Hoteliers are shifting priorities for above-property solutions to revenue management and reservation systems. On-premise and legacy based systems cannot integrate as easily as cloud-based systems.

5. According to Hospitality Technology’s 2019 Customer Engagement Technology Study, 72% of guests are more likely to return to a property when the technology they want is available. Guest-facing investments for hotels in 2020 will focus on upgrades to connectivity and empowering guests that do not mind — and may seek out — automated processes with mobile payment and chatbots. HT
Hotel Tech Budgets Struggle to Keep Pace with Innovation

Despite fears of an economic downturn, hotels plan to bolster IT spending in 2020.

While innovation has had a foot on the accelerator, hotel technology budgets have been stuck in the slow lane. They are slightly better off than a “bullet-proof” window on the Tesla CyberTruck. While IT budgets did crack under the pressure and didn’t grow as predicted from 2019, they are poised for some movement in 2020 and hopefully will live up to the hype.

First, a look at where 2019 tech spending fell; and you needn’t look far. Hotel IT budgets stagnated at 4.6% of overall revenue, despite 54% of hoteliers in last year’s study saying they planned to increase dollars allocated for technology in 2019. Continuing a trend noted in last year’s study, there is a shift to heavier investments, with more hoteliers falling into the midrange category (37%) compared to 2018 (28%).

With a disproportionate amount of technology spend going to systems maintenance (54%) in 2019, IT budgets are clearly strapped. This aligns with hoteliers’ top challenges which will be discussed further.

This only leaves 32% for building and scaling new systems and a paltry 14% for R&D. This is unfortunate, as innovation often begets innovation and if it is not supported, brands will ultimately flounder. Steve Ballmer, former CEO of Microsoft, believes that R&D spend is the lifeblood of business, having been quoted saying, “We have to continuously create new innovation that lets people do something they didn’t think they could do the day before.”

Despite fears of an economic downturn heading into an election year, hotels are planning to increase IT budgets in 2020. In another indicator that the midrange and heavy investor segments will expand, 10% of hoteliers plan to increase budgets by 10% or more and a quarter (25%) will up budgets between 5%-9%.

When asked an open-ended question about what is driving the need to increase IT budget in 2020, many pointed to digitization, automation and the pressing need to replace legacy systems as the key drivers for needing to increase IT budgets in 2020.

Another factor hoteliers named for allocating more funds to tech spend was the need to update systems and replace those that are coming to end-of-life, including Windows 7 in January 2020. Industry experts have warned for many months that the
Next-Gen Tech Platform Revolutionizes Guest Entertainment

Harnessing next-generation technology, EVOLVE is the ultimate guest entertainment platform built for hospitality. Using the DISH Business’ SMARTBOX distribution technology, EVOLVE provides a premium integrated experience for today’s future-forward hoteliers and their guests.

Key features of the EVOLVE platform include:

- Netflix integration lets guests seamlessly access their Netflix accounts through in-room TVs instead of personal devices.
- With Chromecast built-in guests can seamlessly cast all their own content, including subscription content, to in-room TVs through a simplified device pairing feature.
- Android TV-compatible set-back box lets guests access their Google Play store accounts and other apps like Pandora. To maintain guest privacy, EVOLVE automatically clears user credentials upon checkout.
- EVOLVE is a flexible system that works with existing property infrastructure, and includes Pro:Idiom built in - so no need for commercial grade TVs.
- The EVOLVE platform communicates with hotel PMS, allowing properties to personalize guest welcome screens, include guests names, local weather, and more.
- Easy-to-use guide lets guests enjoy live HDTV, view channel previews, and use genre filters to quickly find the content they want to watch.

With a premium DISH Business hospitality solution, hotels can always expect a consistent experience across their portfolio. Eliminate the problems that come with managing various TV service providers with one nationwide partner. DISH Business is a proven leader in innovation, with a nationwide reach, and the stability needed for an evolving industry. As a Fortune 250 company, DISH Business leverages its buying power to provide a premium in-room experience that’s accessible to hotels of all sizes and price points.
persistent widespread use of Windows 7 in businesses is concerning, because the version will be unsupported and therefore open up security risks. Larger enterprises will be able to apply for extended support contracts after the January 2020 deadline, but these will cost at least $25 per device per year, according to an article in ZDNET (https://www.zdnet.com/article/how-much-will-staying-patched-on-windows-7-cost-you-heres-the-price-list/). As hotels strategize around improving security, having a strategy around the sunsetting of Windows 7 should be a vital component.

Those who indicated a need to decrease IT budgets in 2020, 2% plan to decrease budgets 1-4%, 10% will decrease them between 5-9% and 6% expect to cut IT spending by more than 10%. Those that responded to the open-ended question, pointed the finger at being required to decrease overall business budgets or blamed lackluster RevPar and increasing costs of services and projects. HT
How is attribute-based selling poised to change the distribution model for hotels?

FRANCISCO PEREZ-LOZAO: Attribute-based selling is poised to deliver massive disruption to the hospitality market and redefine how hotels sell in the future. This shopping and distribution model puts guests in the driver’s seat when it comes to selecting the room attributes or “add-ons” to create unique individual experiences (think views, smart devices, sports/fitness equipment, etc.) that matter to them. By including non-room inventory (a restaurant or spa appointment) and off-property services (a cooking class or golf tee time), hotels can deliver true personalization while growing revenue through profitable upsell opportunities.

To match today’s high traveler expectations, hotels must consider how to make this hyper-personalized type of selling a reality. It will require a central reservations/distribution system that is reliable, scalable, fast, and can support new ways to structure inventory and attributes to ensure properties have a clear picture of what is available, and how to assign them based on unique guest requests.

With a tight labor market, what does employee engagement need to look like through a tech lens?

PEREZ-LOZAO: Hospitality will always be a people-first industry. Employee engagement and career satisfaction begins with operational processes and tech solutions that are modern, streamlined, and intuitive to empower the staff. Consider how productive a staff member can be with a mobile solution for service optimization, events, or property management in their ability to proactively answer a guest request on the spot, open a maintenance ticket, or communicate with another employee at the click of a button. It frees up their time, so they can focus on what matters most – providing a memorable experience for the guest. Hotel technology has broken free from the mold of a cumbersome, desktop system, to more mobile, cloud-based apps that can be accessed anywhere, anytime for true flexibility.

How do you see hotel systems evolving to best meet today’s business needs?

PEREZ-LOZAO: The PMS has historically been viewed as the central hub of hotel systems as hoteliers focused on operational delivery of business. With new types of hotel inventory entering the market and competition increasing, hoteliers must build strategies to not just fill their guest rooms, but ensure they are profitably driving demand to increase revenue.

Leading hotels leverage the CRS as the core component for managing a centralized view of availability, rates and inventory in real-time, so guests can book the rooms they want, at the right rate, and on the right channel (Direct, OTA, GDS, Metasearch). And while the CRS can be leveraged as the hub to drive demand, having integrations to the PMS, CRM and other key systems allows the hotel to know whether it can fulfill the guest’s selections at the time of booking and throughout the trip lifecycle to deliver a positive and hassle-free stay.

How can hotels get the best “single view” of guests?

PEREZ-LOZAO: Hotels need to take advantage of open APIs and integrated solutions to avoid data fragmentation and ensure centralized guest profiles can be managed across their tech stack. Through every phase of the guest journey, from inspiration, booking, onsite, and post-trip, there are powerful guest touchpoints enhanced by technology which serve to capture more personalized and actionable data. With this insight, hotels can deepen their customer relationships, provide tailored and memorable experiences and services, and ultimately convert guests into loyal fans.
Self-assurance could be responsible for a shift of strategic goals for technology in 2020. Half of hotel executives indicate confidence in overall technology innovation and believe they are ahead of competitors. This is a significant increase from the 21% reported in 2017’s study, but in line with the upward trend of the last three years. Such notable improvements in confidence of executives is not limited to technology innovation. In 2017, only 15% of respondents identified as leaders in guest-facing technology initiatives and projects. Now, 50% of the participants in the study indicate confidence that they are ahead of the competition. The perceived competitive advantage in analytics maturity has also risen remarkably from 11% in 2017 to 41%. The same holds true when comparing the reported numbers in 2017 for operational hotel technologies (13%) with the numbers reported this year (29%). This is a substantial drop from last year (37%).

This feeling of lagging behind the competition could be attributed to the reported limited distribution of IT budgets on hardware and software for the coming fiscal year. A plausible explanation is the increased emphasis on security and privacy concerns. More than 80% of respondents report allocating 10% or more of IT budgets for 2020 to security. The budget that could have gone to operational hotel technologies may be less than what was desired; leading to the drop in perceived competitive advantage. Changes due to acquisitions, building new properties and organic development efforts calls for flexibility in operational technologies so that they can scale accordingly. Responses indicate a general feeling of anxiety or fear of being underfunded to face such challenges.

Challenges Hindering Tech Strategies
For the fourth year in a row, lack of a sufficient budget
EXECUTIVE INSIGHT:
Achieving Security Beyond Compliance with Future-Ready Payments

Hotels remain slow to adopt to accept mobile and alternative payments. How can hotels shift to be more future-ready for next-generation payments to stay competitive while being proactive about security?

DANIEL MONTELLANO:
Traditionally, hotels are not early adopters of new technologies. This has been due to the fact that omni-commerce hotel environments are considered to be the most complex payments ecosystems with the longest payment lifecycle. Any technology changes can have unforeseen, far-reaching impacts on hotel operations and overall data security. Adopting mobile payments is an ongoing balancing act for hotels between improving the guest experience and ensuring new technologies are vetted and secure. Having a mobile solution that’s integrated into the rest of the hotel’s systems is also a big factor, since introducing standalone mobile hardware into established operations can introduce compatibility problems.

Integrating systems often is viewed as a challenge for hotels. How can solutions providers work together to take some of this burden off of hotels? What are the specific challenges that need to be addressed when it comes to systems integration related to payments?

MONTELLANO: The number of individual systems in use and payments endpoints in a hotel or resort environment can easily get into the dozens, and hoteliers are often left searching for that single payments provider who has the integrations needed to support various devices, online payments, tokenized reservations, auditing, reporting, etc. The simple truth is it’s hard to find.

Improving security is a hot-button issue for hospitality operators. As breaches occur on a regular basis, what are the questions hotels should ask of partners? How do you react and respond when a partner of yours is breached to protect your hotel partners?

MONTELLANO: Unfortunately, any hotel can be breached, but the important question is whether or not there is any card data that can be used if it’s stolen. It’s important that solutions achieve security beyond compliance. When implemented correctly, technologies should ensure that no cardholder data is stored in the hotel’s payments environment, including the POS or PMS system. There should be several different layers of payment security at multiple stages of the transaction, ensuring that both the technology partners and customers are covered. So, even if they are breached, it’s basically like robbing a bank and only finding paperclips and rubber bands in the vault.

“There should be several different layers of payment security at multiple stages of the transaction, ensuring that both the technology partners and customers are covered. So, even if they are breached, it’s basically like robbing a bank and only finding paperclips and rubber bands in the vault.”

How can tokenized reservations add to payment security?

MONTELLANO: When you rely on an additional third party like a central reservation system or global distribution system, you are inherently adding another risk; another door that introduces sensitive data into your property management system. To help alleviate that risk, tokenization technology can be applied to the reservations that come in from those platforms before they get to the hotel. That way, the reservation is tied to the cardholder using a randomly generated, 16-digit token instead of the actual card number.
for technology initiatives and projects ranked as the top challenge hindering hoteliers’ technology strategies. Nearly half of respondents (45%) ranked lack of sufficient IT budget as a top challenge; an increase of three percent from last year’s 42% and a jump from the 40% reported the year prior.

According to Deloitte’s M&A Trends 2019 report, optimism in the U.S. economy and markets shows no sign of slowing down in mergers and acquisitions. This, along with the building of new properties requires increases in existing tech budgets and, even with the reported increases in overall revenue in the industry, prevailing tech budgets are not necessarily sufficient.

Given that 86% of respondents claim corporate-level responsibility, the assumption can be made that respondents work for organizations actively engaging in growth and acquisitions, hence, feeling pressure to do more with pre-determined IT budgets.

Most surprising among perceived challenges is the plummeting of deriving ROI for technology rollouts, which ranked 11th out of 12 challenges by respondents. This is good news for the industry as it points to tangible strides in the ability of many lodging organizations — and perhaps technology vendors — to use/provide accurate metrics for measuring ROI in relation to technology rollouts. The increase in perceived competitive advantage with analytics maturity further supports this finding.

**Strategy & Challenges Collide: Security & Revenue**

Security and privacy concerns with adoption of new technology was ranked as the second top challenge hindering technology strategy. Almost 40% of respondents selected “enhancing payment and data security” as the most important strategic goal. Although the data collected in previous years indicated that the industry has made major strides in payment and data security practices, it is clear that the never-ending news stories on data breaches keeps executives on edge. Add to this, issues such as confusing privacy legislation and compliance regulations, plus Windows’ 7 end-of-life and security is a perennial concern. It is also a line item in budgets, with hotels earmarking 14% of hotel IT budgets for security.

With growth and expansion comes greater competition. Hotels in 2020 are making generating revenue opportunities part of IT strategic objectives, with one in three executives indicating such. Lining up challenges and strategic goals, hotels must not only address rising costs, increase profit margins. With attribute-based selling garnering buzz and application, such as IHG’s partnership with Amadeus, the concept of room types could become outdated. Instead, hotels could boost rates by adding incremental costs to various attributes. Hotels will benefit from rethinking revenue management and rate parity of old, leveraging data to tap profitable revenue streams.

**Lodging Technology Landscape**

As the rate of change in the lodging technology landscape accelerates, it will be increasingly prudent for lodging organizations to have in-house expertise on key decision-making areas related to technology. This study gauges the trajectory in the diversification of C-level tasks by tracking organizational strategies to restructure (or create) C-level duties to address the dynamic changes in the workplace.

A large majority of participants indicate their primary responsibility level is at the corporate level. Thus, the responses provided for the above question set offers the perspective of mostly C-level decision makers in the industry. More than half of the respondents indicate that they already have or have plans to hire a CISO. This supports the emerging emphasis on security-focused technology strategies and the reported challenges/concerns about security and data breaches. Yet, it should be pointed out that there is still 47% where such critical duties are most likely handled by the CIO who ends up wearing multiple hats.
EXECUTIVE INSIGHT:
How Hotels Must Leverage Tech to Augment Human Touch

Integration continues to be a top struggle for innovation. What stumbling blocks remain and what should hotels ask of partners?

DOUG HOGAN: Much of what we see today in terms of market volatility and uncertainty is driving the need for hoteliers to explore new areas to gain a competitive advantage. Technology is right at the heart of that. Hoteliers need to be able to react quickly to new technology – they need to have the ability to try new innovative products and evaluate the results, without having to make heavy investments of time or money. To accomplish this, it is critical to find technology partners that have APIs and proven approaches to getting new integrations done fast and well.

As the pace of change accelerates, what must hotels do to remain flexible to new technology? What must they require of technology partners?

HOGAN: Hoteliers need to be nimble and willing to take some risks on new technology. However, they can limit exposure to risk by measuring results and, if new technology doesn’t bring the value they expect, choose to fail fast and move on. We often see that one of the worst decisions hoteliers can make is choosing technology that locks them into one type of service or solution. Hoteliers need to work with partners that are actually partners. A true partner is collaborative – with the hotel operator along with any other technology vendors that work with them. If a technology “partner” is not willing to work with you and your vendors to help solve your problems, then it is time to go elsewhere.

What kind of instant communication/customer service do guests expect from hotels, and how can the property management system (PMS) fill that need?

HOGAN: Recently we sat down with some of our key customers to discuss this question. What we found is that today’s guests expect technology to improve communication and service without removing the “human touch.” Guests expect text messaging platforms and smartphone apps to make it easier and faster to connect with a real human being. The PMS is the central connection point between your guest and your staff. It allows hotels to not only deliver a great experience, but also to analyze data, create more detailed guest profiles, and market to guests during and after their stays.

Today’s guests expect technology to improve communication and service without removing the “human touch.”

When marketing to a guest, what data does the PMS offer to improve the personalization aspect and how can this lend itself to an uptick in revenue/bookings?

HOGAN: Our customers tell us that the PMS is the best repository of personalization data to help increase revenue per guest stay. The PMS captures all kinds of data points such as room preferences, amenities, seasonality, and where and on what a guest spends money. The data can be used to offer personalized loyalty rates and special amenity packages. These customized packages appeal to guests’ particular tastes and drive increased bookings and revenue.
Software may still be eating the world, but data is what is simultaneously feeding it and making it so hungry. Three out of the top five investment areas for hotels’ software are tied to data management — for either leveraging or protecting it. The top tier of strategic goals aligns with this investment as enhancing data security (39%), improving guest (26%) and business analytics (23%), and enhancing guest and employee privacy (23%) were named penultimate objectives for tech in 2020. Business intelligence and data privacy management are getting the majority of upgrade activity with a quarter of hotels planning improvements.

Software investments mirror strategy and challenges — security and privacy concerns was second to lack of budget and compliance monitoring software is getting the second greatest amount planned investment with 44% of operators either adding for the first time, upgrading or changing suppliers. Employee safety (panic buttons) is a top first-time addition for hotels with 19%.

A growing area of concern for compliance is privacy. With GDPR (Global Data Privacy Regulations) baring its teeth and levying fines on the big fish — namely Marriott — and domestic privacy laws like the CCPA (California Consumer Privacy Act) coming into effect in 2020, hotels are paying attention and allocating more funds to compliance monitoring software and data privacy management, with 39% of hotels making investment respectively. Looking at upgrades alone, a quarter of hotels plan to invest in improvements for current data privacy management and BI systems.

It was noted in the previous chapter that hotels are strategizing around identifying new revenue streams, putting a hyper-focus on data, security, compliance and point of sale. Yes, point of sale — a system that while ubiquitous, has historically taken a back seat to property, revenue and customer management systems. What are hotels preparing for? Perhaps a Hail Mary play to beat OTAs at their own game? But it’s not just OTAs anymore. In OTA Insight’s 2019 Global Survey, hoteliers were asked what will have the biggest impact on distribution in the coming years. Google was the top response, beating out OTAs, followed by Airbnb, betasearch, blockchain and Amazon.

To increase profit margins, hotels stand to benefit most from rethinking the revenue strategies and the ideology around rate parity that has persisted for decades. Immense amounts of data and actionable insights will be needed to tap into new revenue streams. The concept of attribute-based selling again stands to offer potential...
EXECUTIVE INSIGHT:
Delivering Experience & ROI Via Network Innovation

Guests increasingly expect customized digital engagement and services. How can hotels leverage technology to provide personalized services on property?

JADY WEST: There are many opportunities during the guest journey for hoteliers to use technology to gain insight about guests’ preferences. From the time a search is made for a hotel, consumers are leaving digital footprints that can be leveraged by hoteliers. Utilizing data analytics and technology a hotelier can begin to create guest personas or profiles that can help deliver a more personalized experience. As an example, innovative in-room entertainment systems that provide food ordering options can capture what items are being ordered by which guests and/or what dining reservations are being made on modules like OpenTable. This data allows the hotel to present guests with a more personalized dining offering during their next stay.

Connectivity is vital for hotels to deliver on guest experiences and power the enterprise. What must a next-generation hotel network look like in order to meet the needs of both? What should operators look for in a network provider?

WEST: The IoT world is no longer out there in some near future; it is here now. A hotel network that is not currently robust enough to handle an IoT environment is behind. A strong network is required to support multiple connected devices and guest-facing applications, which often demand high data capacity and low latency. In addition, new generation technologies like 5G and CBRS will need to be integrated with existing technologies. Operators should seek partners that have experience in integrating complex technology environments to facilitate optimum guest experiences.

Is tiered access for hotel Wi-Fi appropriate or should hotels consider strong Wi-Fi table stakes?

WEST: This is not an either-or proposition; the correct answer depends on many elements, but should be a combination of both tiered Wi-Fi offerings and fast, free solutions. The guest experience and value proposition for each guest determines the balance between these two options. A family on a summer vacation will have different Wi-Fi needs than a convention attendee who is traveling for work and will need high-speed data that is robust enough to access media files from the cloud. Regardless of the different needs for Wi-Fi, all travelers expect a free, reliable connection that will allow for general surfing and regular email use.

Finding ROI for technology spend is a perennial top challenge. What are some ways hoteliers should rethink network strategy to realize returns?

WEST: The return on the investment centers around two distinct categories: the guest experience and operational efficiencies for the property. Both require the property to invest in a strong, technology infrastructure, which creates the platform that will support all other business segments.

Guest facing/enterprise apps, in-room entertainment systems, digital signage platforms and custom-managed Wi-Fi networks are all technology foundations. With these foundations in place, new tools and solutions such as: guest-facing wayfinding, guestroom check-in and out, guest messaging, advertisement offerings, e-commerce for show tickets and room service, employee panic button safety tools, inventory tracking and much more can be delivered, which help a hotelier achieve meaningful efficiencies and create an amazing guest experience.
for hotels to offer personalized service to potential guests. Hotels that can “think outside the room” and bundle amenities, off-property services and experiences, will appeal to a generation of guests that are accustomed to this sort of retail experience. Brands that do this well could become a de facto search engine and aggregator site themselves.

There are roadblocks to this future. The “inability to deliver technology projects faster” and “effort required for system integration” persist as struggles. The traits of these challenges allude to friction inflicted by rapid advancements of hotel technologies on all fronts.

While no longer a strategic objective for hotels, migrating systems to the cloud offers the flexibility hotels need to change and maintain systems. The exponential growth of above property is evident as most systems in the cloud have doubled — in some cases more than doubled — since 2017. Notably, in 2017 only 34% of CRS were in the cloud, today 62% are above property and an additional 19% of hotels plan to migrate in 2020.

According to Hospitality Technology’s 2019 Customer Engagement Technology Study, 72% of guests are more likely to return to a property when technology is part of the experience. The tech they want is mobile, personalized and convenient. Guest-facing investments in 2020 will focus on upgrades to foster greater connectivity and empower guests that do not mind — and may seek out — automated processes. This year’s respondents put greatest attention on instant messaging (45%), mobile payments (44%), public Wi-Fi (36%), chatbots (36%) and mobile apps (36%).

To keep pace with digital guests’ expectations, hotels fully expect that Artificial Intelligence (AI) will be a transformative technology. A large majority (72%) believe AI will yield the most benefits in serving and marketing to tomorrow’s guests. Yes, AI is already here and becoming a major piece of hotels’ business strategies, but with the exponential change the industry — and all industries — are in the midst of, it is just scratching the surface.
Corporate Management of Lodging Companies Eager to Share IT Insights

The 2020 Lodging Technology Study gathers feedback and predictions from the hotel industry’s largest companies, with insights from top technology decision-makers and influencers.

The survey for the 2020 Lodging Technology Study was sent via e-mail to opt-in subscribers of Hospitality Technology (HT) magazine during the third quarter of 2019. The lodging properties associated with the respondents, represent about a third of the total properties available in the U.S. Respondents indicate they are directly responsible for 18,102 properties. According to the American Hotel & Lodging Association (www.AHLA.com) the total number of hotel properties in the USA is 54,200, thus the respondents represent approximately 33% of hotel properties in the U.S.

Qualified respondents had to claim lodging as their primary business for responses to be validated. However, the representation of properties by service segment in the study does not mirror the nationwide share of hotels by market segment. Luxury properties are over-represented (27%), compared to 36% mid-scale, 19% upscale and economy respectively.

In terms of total annual revenue in the last fiscal year, this year’s study represents hotel organizations with a higher annual revenue in comparison to last year.

Overall, corporate-level executives whose decisions impact many lodging units across market segments represented nearly half of the respondents in this year’s study. In terms of decision-making responsibilities, 17% of respondents were sole decision makers for IT in their organizations, whereas 20% of respondents were in charge of approving IT-related purchases. One-third of the respondents (33%) claim to be in charge of selecting/specifying purchases related to IT/technology while the remaining 30% of respondents are in charge of providing input into IT/technology decisions. The majority of respondents (86%) indicate corporate-level responsibility while 14% claim responsibility at the property level. In comparison to previous years, corporate-level representation was higher in this year’s study.

Comparision of Market Share Representation by Segment

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<th>Nationwide as of 2018 (Statista, 2019)</th>
<th>Representation of market by HT’s 2020 Lodging Technology Study</th>
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Annual Revenue of Properties

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Snapshot of Organizations in 2020

- 47% Corporate / Hotel Brand
- 31% Management Company
- 22% Independent Owner
- 0% Other
EXECUTIVE INSIGHT:

Solving Payments Challenges & Innovating

How can hotels shift to be more future-ready for next-generation payments to stay competitive while being proactive about security?

SHLOMIT KUGLER: Alternative payments bring enormous value to hotels and guests by being more secure, less vulnerable to charge backs, providing guests with a greater range of payment options, expediting the check-in/out process, and generally promoting guest traffic and loyalty. Unfortunately, there are less than a handful of alternative payments which are supported by common IBEs, CRS, PMS, and Gateways, which severely limits widespread adoption. The key for high adoption of alternative payments is to have all providers in the guest journey support them.

What specific payments-related challenges need to be addressed when it comes to systems integration?

KUGLER: When thinking about payments and hospitality, the key to success is integration. While it might be easy to implement partial integrations, such as separate terminals, mutual reconciliations, or other workarounds, we can only achieve real staff engagement when accepting payments doesn’t interfere with their day-to-day work. Thus, it’s crucial to standardize APIs so that integrations to one provider are easy to duplicate. Currently, this is a massive challenge because each integration is completely unique to a single provider.

What do hotels need to understand about the second Payment Services Directive (PSD2)?

KUGLER: In 2020, a new regulation will be introduced in Europe known as Strong Customer Authentication (SCA). This regulation will apply to online payments within the European Economic Area (EEA), where both the cardholder’s bank and the business’ payment provider are in the EEA. SCA is part of the wider EU regulation taking effect, named PSD2. If a merchant cannot authenticate or exempt a transaction that is in the scope of PSD2, there is a significant risk that issuers will decline the transaction. SCA is authentication based on the use of two or more of the following:

- Knowledge that only the user knows; password, pin, personal info
- Possession that only the user has; phone, token or badge
- Inherence something the user is; face, voice, fingerprint

Overcoming the hurdles surrounding this piece of regulation involve implementing 3D Secure 2 (3DS2). Unfortunately, as hoteliers who experienced 3DS1 can attest, implementing these steps can result in a massive drop in the check-out conversion rate, since it requires additional steps to finalize the transaction. Fortunately, there are a few steps that hoteliers can take to mitigate this issue:

Enable alternative payment methods; GooglePay, ApplePay and Amazon Pay, are all SCA compliant and create a much faster & frictionless checkout experience. Enable guests to store their payment preference. Subscription and/or recurring transactions are considered “merchant-initiated”, and are exempt from PSD2 and SCA as long as the initial transaction and/or card was authenticated. This allows a truly one-click payment experience.

How can hotels bolster direct bookings?

KUGLER: Hotels can leverage solutions that offer a unique guest experience if guests book direct. For example, offer mobile check-in/out as part of the booking process, offer benefits during the stay such as complimentary drink at the bar, an opportunity to customize the stay, or anything that would make the guest feel special. All of this can be managed digitally, and can provide the “WOW” factor needed to bring guests back to direct channels.
HT-NEXT brings together the trailblazers and innovative thinkers of hotel technology. We’re tapping experts in their fields to help hotels anticipate where technology is headed, and predict what guests will want before they even know they want it.

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**ODIA KAGAN**  
Partner and Chair of GDPR Compliance & International Privacy Practice Group, Fox Rothschild LLP

**MICHAEL MERLE**  
Vice President of Business Development, Skender

**ADAM MALAMUT**  
Chief Customer Experience Officer, Marriott International

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