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PUBLISHING MANAGER  
**Jack Pepperell**

HEAD OF PRODUCTION  
**Natalia Rosek**

PRODUCTION EDITOR  
**Benjamin Chiou**

DESIGN  
**Samuele Motta**  
**Grant Chapman**  
**Kellie Jerrard**

MANAGING EDITOR  
**Peter Archer**

**CONTRIBUTORS**

**NICK EASEN**  
Award-winning freelance journalist and broadcaster, he produces for *BBC World News* and writes on business, economics, science, technology and travel.

**CLARE GASCOIGNE**  
Formerly on the staff of the *Financial Times*, she is now a freelance journalist specialising in City and financial features.

**DAVID HARRIS**  
Formerly with *The Times*, *Sydney Morning Herald* and *Irish Independent* among others, his specialisms include hotels and restaurants.

**NICK MARTINDALE**  
Award-winning writer and editor, he contributes to national business and trade press on a wide range of issues.

**DAN MATTHEWS**  
Journalist and author of *The New Rules of Business*, he writes for newspapers, magazines and websites.

**CHARLES ORTON-JONES**  
Award-winning journalist, he was editor-at-large of *LondonLovesBusiness.com* and editor of *EuroBusiness*.

**EMMA WOOLLACOTT**  
Specialist technology writer, she covers legal and regulatory issues, contributing to *Forbes* and the *New Statesman*.

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# Cinderella industry is set to have a ball

The value of the hospitality industry to the UK economy may be overlooked, but it is poised to sustain economic revival

**OVERVIEW**

CLARE GASCOIGNE

As thousands of students start a new university term, no doubt many of them will be hunting for bar work or jobs as waiters to help fund their studies. They will be working in the UK's fourth largest industry, representing 10 per cent of gross value added to GDP, equivalent to £143 billion, and they will probably view it simply as a cheap and disposable job to bring in some beer money.

"Hospitality is often regarded as the Cinderella industry," says Robert Barnard, partner and head of hotels and hospitality at business advisers BDO. "Historically, we have not had a culture of service in the UK and recruiting school-leavers is still difficult."

But hospitality matters to the UK economy. Not just because of its size, creating one in five new jobs since 2010 and aiming to generate a further 100,000 new jobs by 2020, according to the British Hospitality Association (BHA). But because it has been growing in economic importance, moving up from the fifth largest industry in 2010 to the fourth and employing more people than education, manufacturing or construction.

"Hospitality touches everyone every day, from a coffee stop on the way to work through workplace catering to family celebrations and drinks with friends," says Peter Ducker, chief executive of the Institute of Hospitality, a trade group. "Hospitality is deep-

ly woven into the very fabric of our society."

The hospitality industry is also critical to what makes Britain into a must-see destination for reasons of history and culture, as well as a global financial capital. The government has set ambitious tourism targets, aiming for 40 million visitors by 2020, with annual receipts of £31.5 billion, according to a 2015 Mintel *Leisure Review*. But can the industry, which is hugely reliant on migrant workers – around 69 per cent of hotels in London are staffed by migrants, according to the BHA – function as well post-Brexit.

Ufi Ibrahim, chief executive of the BHA, says: "The true impact of the referendum result will not be understood for many months. Hundreds of thousands of employees have come from EU countries and their willingness to work in all regions of the UK has been vitally important."

But it is not only Brexit that will affect working practices; issues such as the national living wage and apprenticeship levy are changing practices too. For too long, hospitality has been regarded as low skilled and badly paid with unsociable hours to boot.

"One of the questions for the industry is to shed the image that it is a part-time job, not a long-term career," says Philip Shepherd, senior

partner in the hospitality and leisure team at advisers PwC.

Employers are facing the need to change their practices. While only about 30 per cent of employers have policies in place to support work-life balance, the increase in staff retention from these companies is about 80 per cent higher than those who do not, according to the Institute of Hospitality's report, *Spotlight*. In an industry where 41 per cent of workers intend to look for other work within the next 12 months, according to a recent report from recruiters Reed Hospitality and Leisure, improving retention rates by valuing employees more could have a dramatic effect.

The government is often urged to offer a greater helping hand; VAT, for example, is a key pressure point. A report in March 2015 by Professor Adam Blake, a Treasury adviser, urged the government to cut tourism VAT to 5 per cent, calling it "one of the most efficient, if not the most efficient, means of generating GDP gains at low cost to the Exchequer that we have seen".

The government also has a key role in developing the wider context, says Mr Shepherd, pointing to infrastructure projects such as HS2 and the development of the "northern powerhouse", not to mention the maintenance of Brit-

ain's cultural heritage, a key factor in why visitors come to Britain. "Supporting the hospitality industry is about lots of things that come together," he says.

Meanwhile, an industry disruptor such as the sharing economy – models such as Airbnb – is one known unknown. "It's clearly here to stay and the proposition is very attractive," says Mr Barnard. "But the big issue is the lack of regulation."

Nor is it only hotels that face competition as the rise of the experiential meal, from pop-ups in a private home to mobile street food, is changing how and where we choose to eat when we go out. "We are seeing much more targeted and experiential tourism – a greater segmentation of the market," says Mr Shepherd.

Another known unknown is the increasing transparency of the industry; review sites such as TripAdvisor combined with cost comparison websites put an unprecedented level of power in consumers' hands.

According to Simon Bullingham, managing director of Journey, a hotel marketing agency, getting the message right in the right places is key to success. "Consumers want things to be easy. They want great user experiences online – websites that are easy to navigate," he says.

Consumers are constantly pushing for higher standards at every price point. As hospitality looks to the future, it is the flight to quality that must top the agenda.



**100k**  
new jobs are expected to be created in the UK hospitality industry by 2020

Source: British Hospitality Association

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# Dining loosens up for a modern taste

Dining trends are changing with the times as top restaurants serve up a more relaxed, conversational menu

## RESTAURANTS

DAVID HARRIS

Luxury restaurants are the stuff dreams are made of, but dreams change and so do luxury restaurants. It is not just about the developments in styles of cooking, although that is noteworthy. In this year's UK *Michelin Guide* two of the two-star restaurants – The Araki and Umu – are Japanese.

But more often the development spoken of in 2016 is not about cooking style or where food comes from as how so many top restaurants are trying to be less stuffy. Formality is out of fashion – relaxed excellence is the thing.

Take Marcus Wareing's restaurant at The Berkeley hotel in London. Wareing, one Britain's great chefs, has held two Michelin stars for years and runs a restaurant that is fine dining to its core. Yet two years ago he used a refurbishment as an opportunity to change the mood of the restaurant, to make it more welcoming. He has been bedding in that change ever since.



Formality is out of fashion – relaxed excellence is the thing

He says: "The change is not a complete overhaul; it is a redesign in my eyes. Top-end dining is still detailed and intricate; it is just dressed up in a very different way. For instance, the staff are now more relaxed than ever before; they are showing their personality more and engaging with customers in a much more personable way. Gone are the days of stiff formal service. It is much more conversational now."

One challenge is that not all customers are pleased about more relaxed ways. Wareing admits that while some customers were happy with the changes, it took others "a little while to adjust".

Wareing's issue with such customers is as nothing compared with the most traditional classical French restaurants, such as Le Gavroche, another Michelin veteran. Michel Roux Jr has changed it considerably in his quarter century in charge, but admits he does so cautiously. This is not surprising as Le Gavroche, which opened in 1967, was the first UK restaurant to win a Michelin star in 1974, the first to get two in 1977 and the first to get three in 1982.



"It can be quite a tricky line to walk – ensuring the restaurant is brought up to the modern era without changing its values," says Roux Jr. "For me, this started when I took over Le Gavroche from my father 25 years ago. One of the first things I did was remove the rule for gentlemen to wear ties and it was very well received – although perhaps not by my father."

Roux Jr adds that there has been a "slight lightening" of the food, partly because not everyone wants "cream-rich, butter-heavy dishes" anymore. So it is that the restaurant's signature dish, *Souffle Suisse*, is one of those that has "lightened ever so slightly", although Roux Jr says that he would never dream of taking it off the menu. In other words, the past is still with us, but in a different form.

Are these changes permanent or is there a pendulum effect whereby old-fashioned approaches will make a comeback at some point? And does the proliferation of casual dining

**01 - 02** Marcus Wareing holds two Michelin stars for his restaurant at The Berkeley

**03 - 04** Michel Roux Jr serving *Coeur d'artichaut Lucullus*, a Le Gavroche classic of artichoke mousse with black truffle, foie gras and chicken

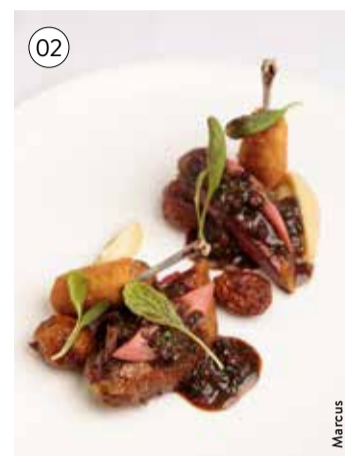


mean high-end establishments will be pulled further and further down the formality ladder?

There are restaurateurs and chefs who continue to put a high value on formality. Alexis Gauthier, who has held Michelin stars at two London restaurants, Roussillon, which is now closed, and his current spot Gauthier in Soho, still likes to run

his dining room formally in "a traditional, gastronomic, French way". It obviously appealed to prime minister Theresa May and husband Philip, who went there for their wedding anniversary earlier this month.

Gauthier believes there is a place for formal dining that is not disappearing and does not see his style as anachronistic. On a recent visit to



New York he noted that the French stalwart La Grenouille, founded in 1962, so predating even the venerable Le Gavroche, was experiencing "a massive return to life".

He says: "Of course you would expect me to say this, but I think that there is a return to the sort of dining you only get in classical restaurants. People like to be treated in a special way sometimes."

But what about beyond the "money-strewn streets" of London or New York? To some extent changes in the country might reflect what is happening in the big cities, but it is a subtle picture.

Shaun Hill, the veteran British chef who has revived the fortunes of the Walnut Tree Inn in Abergavenny, describes a clientele that is different from metropolitan customers.

"People turn up in the sort of things that would give Le Gavroche the sweats for decades. On the other hand, the countryside is not a naturally informal place. People do dress up to go out and appreciate proper service," he says.

Hill believes in cooking what he wants to in the way he wants to, regardless of trends. This is not as arrogant as it might sound, especially as he reasonably points out that "all customers are different so you should never think you know everything about them".

This also gives backbone to the argument that chefs are better off doing what they do well and sticking to it.

"You have to have an idea of what you want to do and see it through," he says. For Hill this means a lot of money spent on ingredients and not a lot on anything else. "My food is complex to make, but simple in presentation. This is just what I like to do," he says.

"If I had to identify one major trend it would be that people are more confident about what they want when they eat out. They want a good time and value for money."

An unpretentious aim, but hard to deliver well.

COMMERCIAL FEATURE

# WHERE EVERYONE IS A VIP

*As Neil Moffitt signs a commitment to a further five years with the company, he discusses the history of Hakkasan Group and how the business has become a global force in luxury hospitality*

## HAKKASAN ✪ GROUP

When the first Hakkasan restaurant opened 15 years ago, behind an unassuming doorway on Hanway Place in London's Fitzrovia, it was a brave move, says Hakkasan Group chief executive Neil Moffitt. "It was so far above everything else. Restaurateur Alan Yau had confidence that people would come."

That was before Mr Moffitt was connected with the business – on a professional level, at least. In the early days he knew it as a customer and still remembers his first visit, and being seated close to the King and Queen of Jordan. What struck him then was that the VIP diners less than 20 feet away were treated no differently from the other guests that evening.

That's something that hasn't changed since 2001. "The demographic of our audience is so broad," says Mr Moffitt. "But if you're a customer of Hakkasan Group, whoever you are, whether you're a young couple on a date, the chief executive of a big business, Jay-Z and Beyoncé or Will Smith and his family, you're all experiencing the same thing. That's such a key part of our business – everyone is an important guest."

But not much has stood still. The group has embarked on an aggressive expansion plan and now has more than 50 locations and 5,000 employees across the United States, Europe, the Middle East and Asia. It comprises several different hospitality brands

from its original and eponymous Cantonese restaurant concept to HKK, the atelier of Hakkasan. There's also Sake no Hana, specialising in Japanese cuisine, as well as day and nightlife establishments such as OMNIA, a nightclub which is now in two American cities and has gained notoriety for staging marquee performances by some of the world's most in-demand DJs, including Calvin Harris and Tiesto.

Mr Moffitt, who created the Godskitchen superclub brand and was named one of the 50 most influential people in EDM (electronic dance music) by *Rolling Stone* magazine, says the hospitality industry has changed too. "It used to be the case that people would go to work, then go to the pub. On special occasions you would take a date or your wife to a formal dinner with a white tablecloth and a nice bottle of wine. We've moved on from that now," he says.

"By combining dining with great bar and drinking environments, we've created a true social dining experience in the last 15 years. The people who have moved with the times understand that dinner and drinks is really one and the same – it's an important part of our social lives. You can make a whole night of it without ever leaving the restaurant, from early-evening drinks, through dinner and perhaps back to the bar later in the evening. It's a whole experience."



London, the birthplace of Hakkasan, has changed too. "The city has developed and become a truly international hub," says Mr Moffitt. "That we've remained one of the industry leaders through all that is testament to the vision."

That international outlook is a good fit with Hakkasan Group, particularly now the company has announced an ambitious programme of international expansion, which is expected to see it grow its portfolio of establishments to 89 by 2020. In the next 12 months alone, ten new locations are set to open, including an OMNIA Dayclub and Sake no Hana in Bali, which was announced this month, as well as a Hakkasan, Sake no Hana and OMNIA Nightclub in Jakarta, and Yauatcha in Houston and Waikiki.

In time, the group will also open hotels, although Mr Moffitt describes this as "a moving target" at present. He dismisses rumours of a 3,000-room Hakkasan Group hotel in Las Vegas, adding: "Our hotel presence will be very high-end, very boutique and very design-led. When we do pull the trigger, I'm confident that we'll be successful."

International expansion on the scale planned will bring challenges, of course. But many will be challenges that the group has met before. "We're

a very brave company – we took Hakkasan to Shanghai of all places," says Mr Moffitt. "I don't know many companies that would have taken Chinese food back to China, but it's been a fantastic success."

That's partly down to the group's ability to maintain the experience and service elements of its brand-first philosophy that aims continually to surprise, entertain and empower its guests, employees and partners, while also adapting to new geographical and social contexts.

In Mykonos, for example, this was achieved by opening a standalone Ling Ling, previously just one element of Hakkasan restaurants, which was a better fit with the environment than a more formal sit-down restaurant would have been. Ling Ling has since been developed into its own brand and concept with further restaurants opening in Marrakech this year and Oslo in 2017.

In Jakarta, with new openings planned for later this year, table layouts have to reflect the fact that dining in pairs is less common than in many other world cities. Whereas in Doha, Qatar, there is some separation of the dining and bar areas in order to acknowledge local dining habits and cultural sensitivities.

When Mr Moffitt joined Hakkasan as chief executive in 2013, he set some lofty targets and says the business is on track to double its 2014 revenue by the end of this year. However, top-line growth is not the be-all and end-all. "There's a huge amount of interest in our brand portfolio and we turn down more opportunities [to expand through partnerships] than we accept. More importantly, the company today has far more seasoned executives within

**ABOVE**  
Hakkasan  
Hanway Place  
London

**RIGHT**  
Neil Moffitt  
Group chief  
executive

**BELOW LEFT**  
Artist's impression  
of The Cliff at  
Alila Villas in Bali



its ranks. We're poised for the future – we've made some great hires," he says.

The task of this strong and dynamic executive team is to maintain the standards that have allowed the company to get where it is today, while growing the business. That's no mean feat when you have to keep hold of Michelin stars in restaurants that can have hundreds of covers per night.

Valuable contributions will come from new group chairman Khalifa Bin Butti and new board member US Senator Norm Coleman, as well as other senior executives, including group president Nick McCabe, executive director of global brand marketing Claire Ashman and vice president of business development Angela Lester. "Those are just some of our key people," says Mr Moffitt. "I could name 20 more."

Hakkasan Group's senior executives and board members will also be responsible for making sure the company remains on the crest of any breaking trends in hospitality, such as the current enthusiasm for fast-casual dining. "It's one of the biggest trends affecting the industry and it's going to continue to grow," says Mr Moffitt. "The challenge from our perspective is that we've built our company on quality – and that is never going to change."

“By combining dining with great bar and drinking environments, we've created a true social dining experience

For more information please visit [hakkasangroup.com](http://hakkasangroup.com)



# Smart data that gets guests coming back

Collecting and analysing consumer data is a win-win for guests, who get personalised offers and a superior service, and for hotels that can upsell and grow new business

## DATA UTILISATION

EMMA WOOLLACOTT

We've all been there: the characterless hotel with the robotic staff, and all the warmth and atmosphere of Pluto. The chances are that any return visit will depend entirely on the price.

By contrast, imagine turning up at a hotel where, for example, the restaurant can suggest dishes tailored to your dietary requirements and the minibar in your room holds your favourite beer. You know from experience that you'll get the same service at any of the chain's hotels, so where will you book next time you go somewhere new?

According to research conducted by Forrester for Sabre Hospitality, nearly twice as many travellers prefer to stay in hotels that know them, as opposed to those offering anonymity. Older people, who tend to have more to spend, are even keener on personal service, with 42 per cent of those aged 55 and above agreeing. And it's not just a question of persuading guests to return by offering them the friendly, individual touch. Knowing their personal preferences allows upselling of meals, entertainment and spa facilities too.

It's considerations like these that are increasingly leading hoteliers to take advantage of data analytics. One notable example is Denihan Hospitality Group, a boutique hotel chain that makes a personalised guest experience a major part of its offering. Using IBM analytics technology, Denihan can sift through vast quantities of customer data, everything from customer feedback to room price, their length of stay and more, to encourage valuable guests to return. In doing so, the company found it produced more than 30 times the revenue it invested, while greatly increasing customer loyalty.

Restaurant staff are aware of customers' food preferences; housekeepers are alerted when a guest has previously asked for an extra pillow

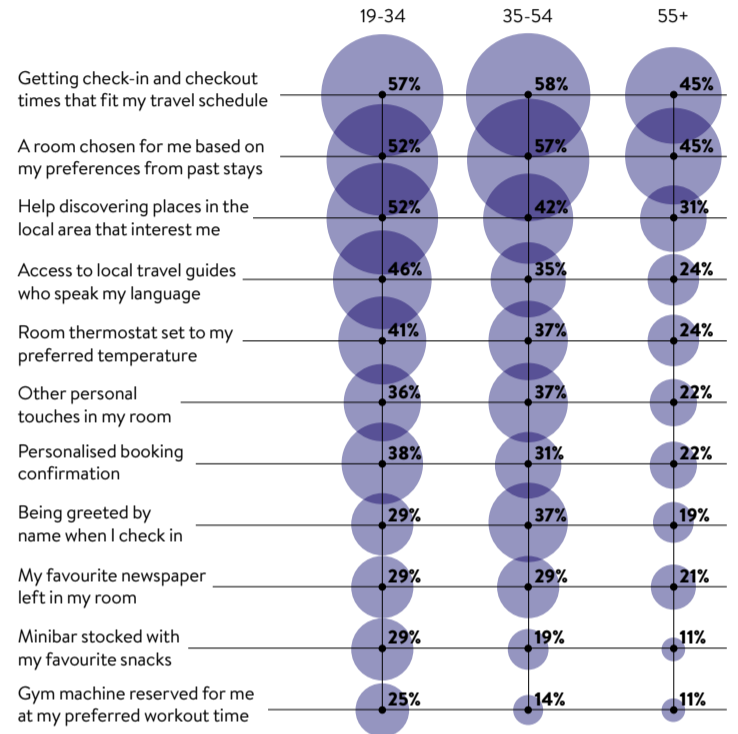


**RIGHT** Walt Disney World's MagicBand system collects customer data as guests tap in and travel around the resort



## PREFERRED HOTEL USAGE OF PERSONAL DATA

PERCENTAGE OF TRAVELLERS WILLING TO EXCHANGE DATA/PREFERENCES FOR THE FOLLOWING PERSONAL TOUCHES



Source: Forrester/Sabre Hospitality 2015

so one can be provided this time before the guest arrives.

"What Denihan has done is not only look at massive amounts of data and different data sets, but acted on those insights quickly to provide a personalised experience for their clients that makes them want to return," explains Erick Brethenoux, director business analytics for IBM.

"Denihan has been able to connect their data in a way that helps them create a unique guest experience and be smarter in how they do business, while more effectively using their resources to target growth areas to enter new markets."

Data analytics is particularly helpful when it comes to targeting the most profitable customers; those, say, who will take advantage of services such as golf, restaurants or a spa. Combining data on preferences such as locations, activities and

room types with details of purchase behaviour such as frequency and length of stay, and time of year, can mean promotions are targeted at the right people at exactly the right time.

Much customer data is easily collected including guests' frequency and monetary value for various hotel services. This can be combined with a loyalty programme that collects their address, preferences and so on.

Global Hotel Alliance, for example, has since 2010 been using a loyalty programme based on a customised customer relationship management (CRM) system.

GHA Discovery is based on the same principles as airline frequent flyer schemes, and means that customers' membership status and personal preferences are recognised in all hotels in the group.

The system collects a vast amount of data, from survey responses and



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feedback from individual hotels to online activity such as e-mail engagement metrics – opens, clicks and opt-outs, for example – and conversion.

Crucially, data is shared between different hotel chains. As David Carey, president and chief executive of beachfront resort brand Outrigger Enterprises Group, comments: “GHA’s Discovery loyalty programme and distribution network give us access to millions of new, like-minded loyal customers from similar brands to ours, which will extend our reach within our key feeder markets, and into new markets that are not cost-efficient for us to exploit alone.”

But according to Melissa Freund, a partner at LoyaltyOne Consulting, some of the most important data that hoteliers can gather is customer experience (CX) data. It can be acquired only through diligent planning and research studies, but the pay-off is huge, says Ms Freund.

“Unlike typical customer satisfaction surveys, by employing CX you can uncover a wealth of information about the pain points of the customer experience that can be addressed through action planning focused on operational concerns, customer engagements or even through special treatments via a loyalty programme,” she says.

“For example, a large North American grocer discovered that there

was a great deal of friction in the customer experience among half of their stores at the deli counter. To address slow service in these locations, they implemented several measures, including an option for loyalty programme members to pre-order their selection for a designated pick-up via their mobile app or simply enter their order at the counter via a kiosk.”

Similarly, she says, Hilton discovered that particularly frequent business travellers were becoming frustrated by long check-in lines at the hotel desk. To deal with the problem, the chain has provided a smartphone app

allowing Hilton HHonors members to check in 24 hours in advance, then receive their room assignment and a virtual key through the app. “For a weary traveller, this is one last hassle out of their day,” says Ms Freund.

Perhaps the best example of just how much can be done with customer data is Disney, which introduced its MagicBand system to Walt Disney World in Florida in 2013. The plastic wristbands contain a radio-frequency identification or RFID chip and a radio transmitter, and are sent out to guests before their stay.

The MagicBands can be used for everything from entering the park in the first place and unlocking the hotel room to paying for food

and merchandise via a link to the user’s credit card.

Details of exactly how the system exploits the data it collects are shrouded in secrecy, but the basics are clear. The bands track the user continuously; in a restaurant, for instance, the serving staff can match each order to the correct table automatically and staff around the park can address every guest by name.

The MagicBand collects experiences, creating a photo gallery with pictures taken by the resort’s photographers or on rides, such as

“Data analytics is particularly helpful when it comes to targeting the most profitable customers



**51%** of travellers are open to sharing their personal information in exchange for relevant deals, discounts or loyalty points

Source: Forrester

CASE STUDY: THE UMSTEAD HOTEL AND SPA



The five-star Umstead Hotel and Spa in North Carolina prides itself on its personal service. When repeat guests check in, staff will ask whether they still prefer one particular type of room, whether they’d like to try a new spa treatment or the same one as last time – even how the family dog is getting on.

This is achieved by integrating data from the hotel’s spa, dining and reservations systems in a cloud-based, hosted environment, using SAS Master Data Management.

It pulls data from existing systems, cleanses it and integrates it into a single view of customer interactions. It can then display this data in a web-based dashboard that all customer-facing staff can access.

“When a customer walks through our doors, we want

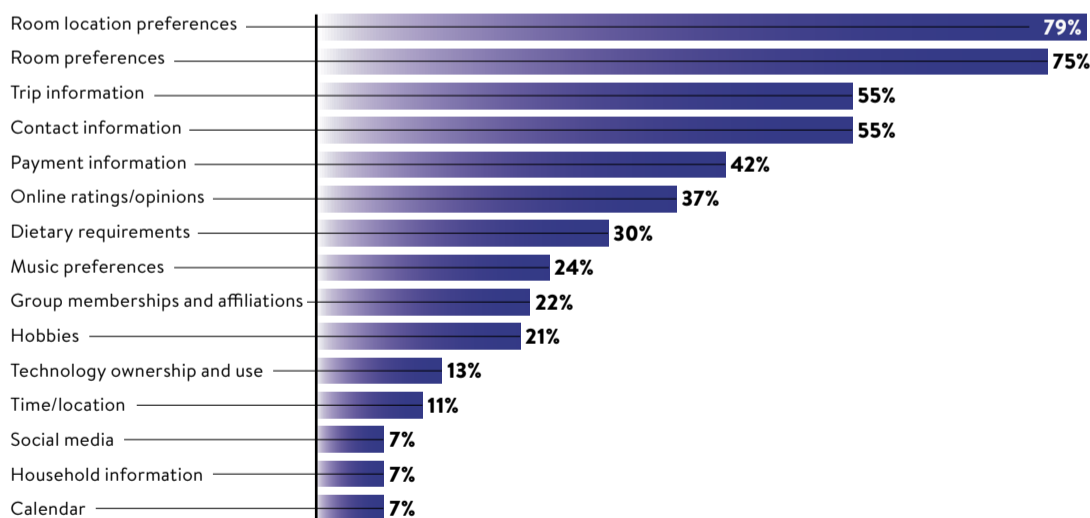
all the information – their preferences, past stays and reservations – at our fingertips,” says George Viall, director of revenue management at The Umstead.

“With SAS Master Data Management, we can know that a customer likes to play a round of golf during most visits, followed by a massage at the spa and a cocktail in the lounge. We can not only anticipate that customer’s needs, but also suggest additional services and amenities that might make his or her stay even better.”

Integrating the various datasets has reduced duplicate entries by 52 per cent and has also allowed the hotel to see regions or customer types that could be worth exploring as new markets. “Better data means that our marketing is now more targeted,” says Mr Viall.

IMPROVING HOTEL EXPERIENCE WITH PERSONAL DATA/PREFERENCES

PERCENTAGE OF TRAVELLERS WILLING TO SHARE DATA/PREFERENCES IN EXCHANGE FOR A MORE PERSONALISED HOTEL EXPERIENCE



Source: Source: Forrester/Sabre Hospitality 2015

Splash Mountain, and bills guests automatically if they choose to download and keep the pictures.

Meanwhile, the devices are amassing vast quantities of information about where each guest is and what they are doing. This allows Disney not only to personalise its services, but also to streamline them, cutting down on the number of staff required and reducing queues. And shorter queues mean more free time for guests which means more rides and more revenue for Disney.

You might think that customers would find collecting all this information rather invasive. Not so, says Forrester. According to its research, 51 per cent of travellers are open to sharing personal information, just as long as they get something in return, such as relevant deals, discounts or loyalty points.

Three quarters of travellers are open to sharing room preferences and more than half will consider sharing trip or contact information. In exchange,

they are most interested in receiving convenient check-in and check-out times, with more than a third of travellers under 54 willing to share personal information in return for personal touches in their room.

“With all our customer research conducted, we know one thing to be true – do not collect data for data sake,” says Ms Freund.

“The good news is consumers have evolved and they realise brands collect data from them. What irritates them is when the brand doesn’t use the data to reward the customer or acknowledge they ‘know’ them.

“So if you don’t have a data collection plan connected to a CRM strategy, then collecting data on your customer has no direction and therefore no benefit – to them or the business.”

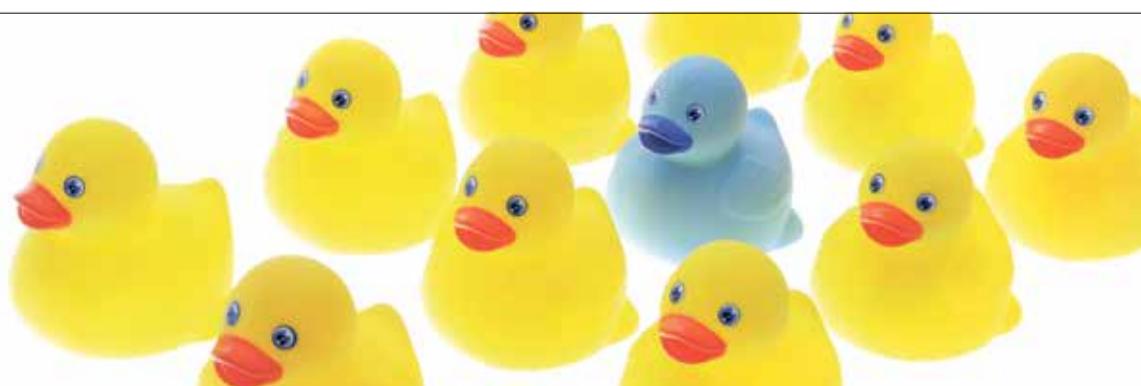
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# New-style house sharing is sha

Hotels can learn from disruptors such as Airbnb that have introduced the hospitality industry to the sharing economy

## SHARING ECONOMY

DAN MATTHEWS

French philosopher Victor Hugo said, roughly translated, that there is nothing more powerful than an idea whose time has come. The remarkable thing about this is its emphasis on timing – some ideas must wait for a trigger-event before making their debut.

Quite often a good one floats around the cosmos for years without impressing. Then the stars align, the idea is trialled and it transforms from a rudderless notion into something tangible, valuable and sought after.

One minute we all wonder who would want it, the next we're equally perplexed as to why we didn't demand it sooner. This is true of many innovations, from seat belts to touch screens to the smoking ban, which were once considered undesirable, but today are undisputed.

One such idea has become known as the sharing economy, which put down roots soon after the widespread adoption of social media. It allows people to bypass the rigid structures of capitalism in which consumers buy and producers sell, and jiggles them about, blurring who does what.

There is nothing new about it, nor is

it particularly inventive, in fact it's recycled from the bartering economies of yore. It simmered for decades in car boot sales, babysitting circles and neighbourly exchanges of lawn mowers and cups of sugar.

Then globalisation and mass communications arrived, blending to create a platform upon which sharing has risen from the small, parochial and ad hoc, to something truly international, organised and status quo-obliterating.

Leading this shake-up are the new business titans like Uber and Airbnb whose universal appeal and colossal sales belie their tender years. They are the child prodigies in short trousers beating aged grand masters at their own game.

Founded only eight years ago, Airbnb has kicked the legs from under the hospitality industry. Its rise was predicated on a shift in the mindset of property owners. Ten years ago your home was your castle; now, for many people, it is a fantastically valuable asset to sweat.

"There was an economic need to share an underutilised asset like a home or a room within a home," explains Adnan Saulat, general manager at technology services company Mindtree. "Once there

was enough liquidity and branding in the market, a tipping point was reached that drew many people towards it.

"With the advent of social media, it became very easy to trust others. It was now OK to share rooms with complete strangers and buyers were now willing to sleep in other people's homes. Reviews, photos and social media profiles help create the trust initially. It is further strengthened if the seller has provided ample information about the property. Community plays a very important role in helping the circle of trust that forms between individuals."

Hotel chains that for so long operated on a level playing field with challenges and opportunities they understood, are now ripping up business plans and devising ways to co-exist with this enormous new rival.

Airbnb attacks the end of the market that is undifferentiated and doesn't add a lot of value: stars one to three. Luxury hoteliers have the firewall of customer service, which

Airbnb doesn't major in. But conveniently located, no-nonsense guest houses are directly in its sights.

The new service can beat them on customer experience. It plays up the notion that travellers want to holiday like a local, getting to the heart of a

community instead of perched on its hinterland as a – the word sticks in the throat – tourist.

But chains like YOTEL, founded by Simon Woodroffe in 2002, claim to have a ready-made set of unique selling points that protect it from what Airbnb does best.

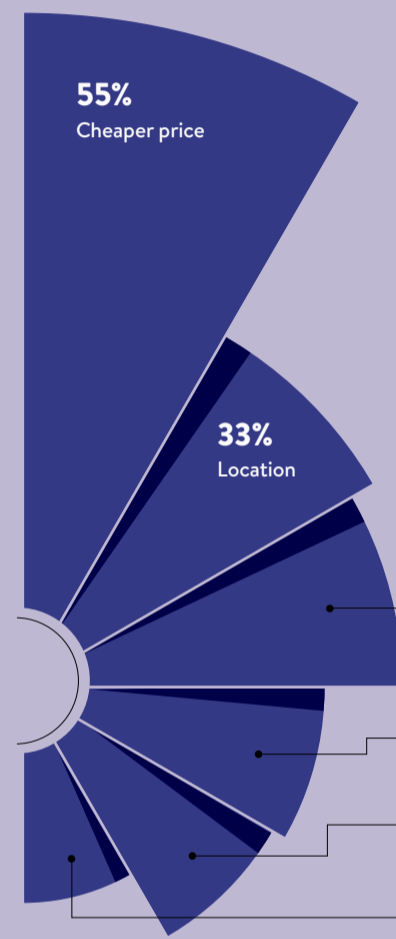
"Business travellers often require meeting spaces or shared working areas, which an Airbnb property is unlikely to provide," says Jo Berrington, YOTEL's vice president, brand. "Most Airbnb accommodations don't offer the flexibility hotels can give such as around-the-clock check-in or free cancellation of bookings. Hotels provide guaranteed comfort and basic necessities free of charge, and most of all virtually instant communication for whatever you might need."

There is another check on Airbnb's fast growth, one which is common to many businesses in the sharing economy: regulation. Hoteliers complain, with some justification, that it holds a charmed position in the market. In most jurisdictions it swerves onerous rules rivals must comply with.

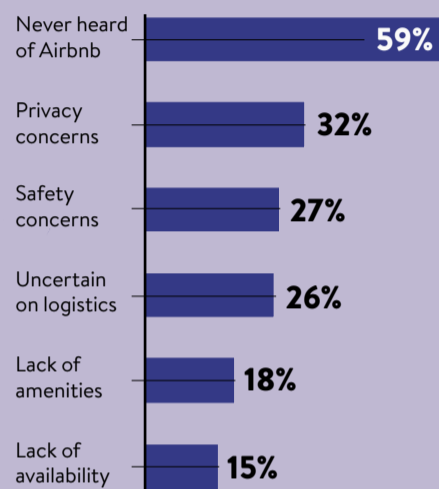
Hotels have to meet stringent health and safety standards which cost millions of pounds in fixtures, fittings,

## AIRBNB'S IMPACT ON THE HOTEL INDUSTRY

### MAIN REASONS FOR USING AIRBNB

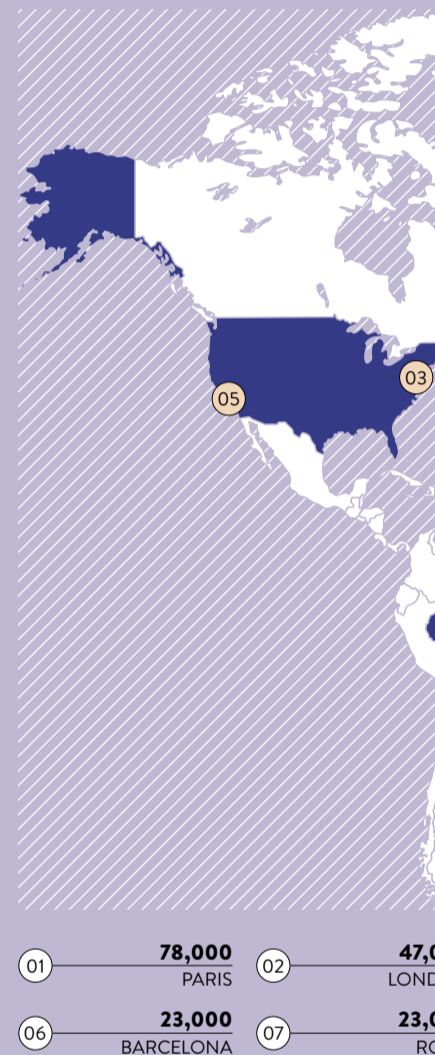


### MAIN REASONS FOR NOT USING AIRBNB



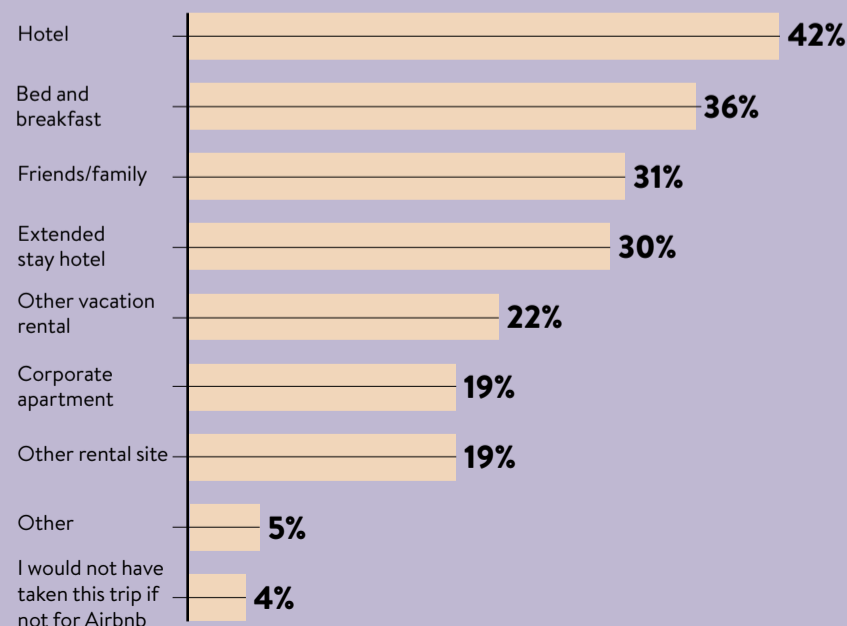
Source: AlphaWise/Morgan Stanley Research 2015

### TOP 10 AIRBNB CITIES BY NUMBER OF LISTINGS



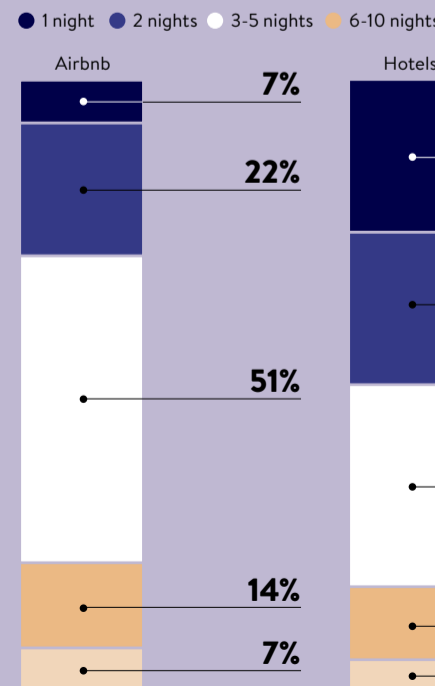
### LEISURE ACCOMMODATION ALTERNATIVE REPLACED BY AIRBNB

FOR THOSE WHO HAVE USED AIRBNB IN THE PAST YEAR FOR LEISURE, WHICH OF THE FOLLOWING ACCOMMODATION ALTERNATIVES DID IT REPLACE?



Source: AlphaWise/Morgan Stanley Research 2015

### AVERAGE STAY AT AIRBNBS AND TRADITIONAL HOTELS



Source: AlphaWise/Morgan Stanley Research 2015

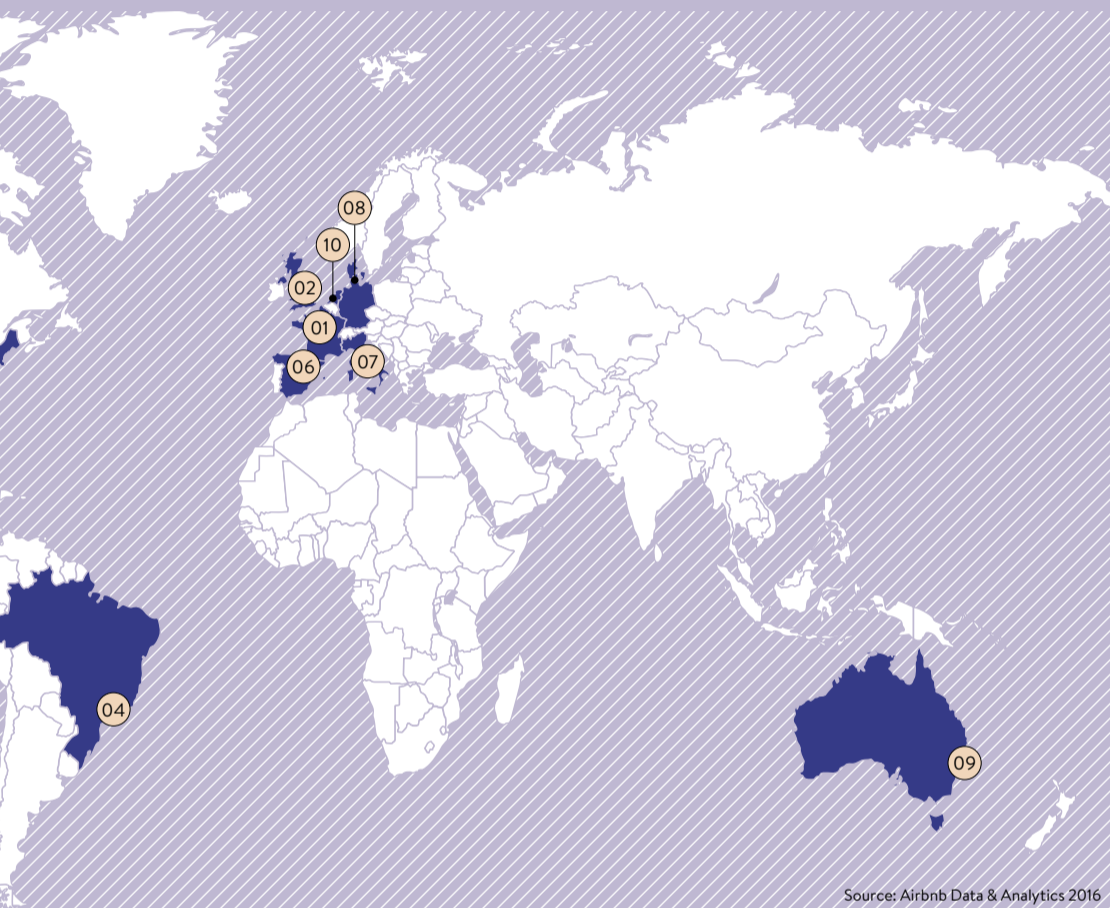


# Making up the UK hotel sector

...my and delivered a stark wake-up call which is revitalising the sector

## RY

### F LISTINGS



00	03	46,000	04	33,000	05	26,000
000	NEW YORK		RIO DE JANEIRO		LOS ANGELES	
000	08	20,000	09	20,000	10	17,000
OME	COPENHAGEN		SYDNEY		AMSTERDAM	

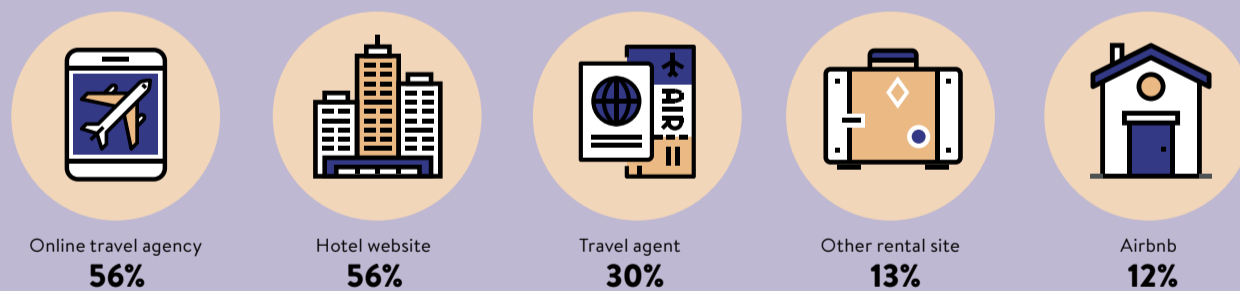
### PRICE DIFFERENCE BETWEEN AIRBNB AND HOTEL AVERAGE

ADR: average daily rate  
\*Morgan Stanley estimate  
\*\*2014 ADR

Global average Airbnb ADR*	Europe ADR**	US ADR
\$100	\$105	\$115

Source: STR Global/MKG Group/Morgan Stanley Research

### CHANNELS USED TO BOOK LEISURE TRAVEL



Source: AlphaWise/Morgan Stanley Research 2015

provisions and signage. As yet Airbnb makes no such commitment. There is also the question of legality where someone's home is also their business; what are the implications for areas like tax and insurance?

A third bone of contention, particularly in places like London where residential property is in short supply, is the large profit margins of short lets. More Airbnb listings mean fewer homes to go around for local residents, equating to even higher house prices and rental values.

"In London, concerns have been raised that Airbnb is impacting the housing crisis, with landlords being accused of taking long-term lets off the market and promoting them instead as short-term holiday

stays," says David Ryland, corporate real estate partner at law firm Paul Hastings. "This may well encourage local government to take action given how sensitive and political issues around housing are in the UK currently."

In the German capital Berlin, Airbnb has been subject to a partial ban such as concerns about its impact on the local economy, while other European cities have slapped restrictions on its use.

"Airbnb is under threat of regulation in cities around the world. It's plausible that similar rules as those in Berlin could be implemented in the UK," says Nakul Sharma, chief executive of Airbnb management platform Hostmaker. "In Paris, Airbnb pays tourist taxes and in Bar-

celona you need a licence to rent your property. These are other options for UK regulators which may impact growth."

Nevertheless, Mr Sharma argues that demand for authentic, personal travel experiences will continue to fuel Airbnb's appeal even after regulatory corrections come into force. He sees a gradual merging of hotels and homes, combining the professionalism of one with the experiences offered by the other.

And there is evidence to back up his claim. In April, global hotel group Accord acquired upmarket Airbnb rival Onefinestay for €128 million. The business provides a similar service to Hostmaker, offering a hands-on experience with fuller customer service.

"Branded homes are the future of the hotel industry," says Mr Sharma. "Hotel chains are best placed to make this happen as they have the resources, reach and household name that would be needed. Collaborations between sharing-economy disruptors and big hotel groups would be no bad thing."

Elena Lopez, managing director of fellow property management company My Property Host, agrees. "The traditional hospitality sector can learn a lot from the most successful Airbnb hosts," she says. "Adding greater individuality to rooms, providing more informal communal areas and offering more personalised recommendations about the local area will all appeal to guests who value au-

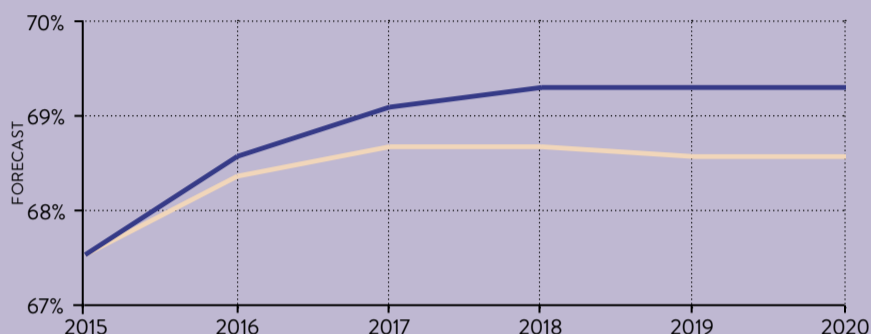
thenticity as well as a comfortable bed for the night."

Like so many other industries impacted by new technologies and the ideas they help to facilitate, the hospitality sector is in turbulent waters. But with flux comes opportunity and companies will do well if they can adapt to evolving customer proclivities while walking the legal tightrope.

Victor Hugo was right. All powers in the world won't be able to reverse the march of the sharing economy. Hotels must understand that it's better to get on board than sit on the sidelines and dumbly watch as the opportunity passes by.

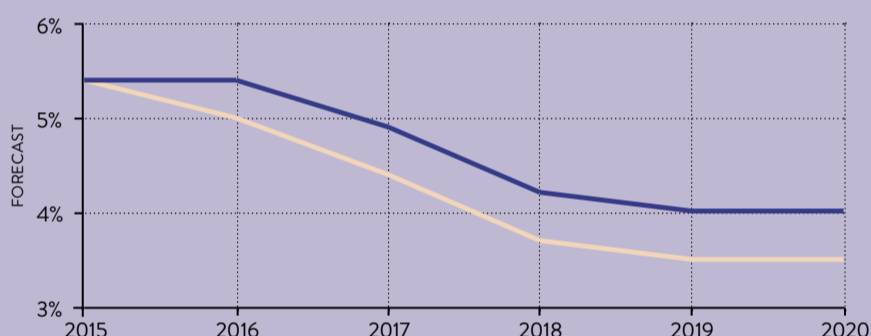
### FORECAST IMPACT OF AIRBNB ON HOTEL INDUSTRY OCCUPANCY

● Occupancy under traditional model (pre-Airbnb) ● Occupancy with impact of Airbnb (base case)



### FORECAST IMPACT OF AIRBNB ON HOTEL INDUSTRY RevPAR GROWTH\*

● Growth under traditional model (pre-Airbnb) ● Growth with impact of Airbnb (base case)



\*Revenue per available room (RevPAR)

Source: STR Global/MKG Group/Company data/Morgan Stanley Research

## COMMERCIAL FEATURE

# BREXIT AND THE FUTURE OF THE HOSPITALITY INDUSTRY

**Robin Rossmann**, managing director of STR, a benchmarking specialist that tracks data for more than 65 per cent of available hotel rooms in the UK and over seven million around the world, analyses the current state of the hospitality industry in the midst of political tension, security concerns and a changing market



## UK OVERVIEW

The UK's referendum vote to leave the European Union in June has impacted every major industry, resulting in both short-term repercussions and speculation over longer-term ramifications. While "uncertainty" may still be the best word to describe the situation, Brexit is only one of many factors weighing on the future of the industry, and how that future plays out will depend on how hotel operators and consumers respond.

## UK AND LONDON LEAD IN EUROPE

The hospitality industry has become a crucial pillar of the UK's economy, accounting for almost 4 per cent of gross domestic product and 9 per cent of the total workforce, according to Oxford Economics. Low seasonality and a strong mix of business and leisure demand enable the country's hotels to maintain consistently higher occupancy levels and average daily rates (ADRs) than those in most European countries.

Hotel operators have also been able to translate these higher revenues into higher profits. In 2015, UK hotels recorded a gross operating profit per available room (GOPPAR) of £59 per day at a profit margin of 39 per cent, which is considerably higher than that of other European countries.

London performs well ahead of other European capitals, reaching a GOPPAR of €147 in 2015 and the highest profit margin at 47 per cent. Paris actually achieves higher

revenues, but its higher labour costs reduce the French capital's profit margins to 29 per cent.

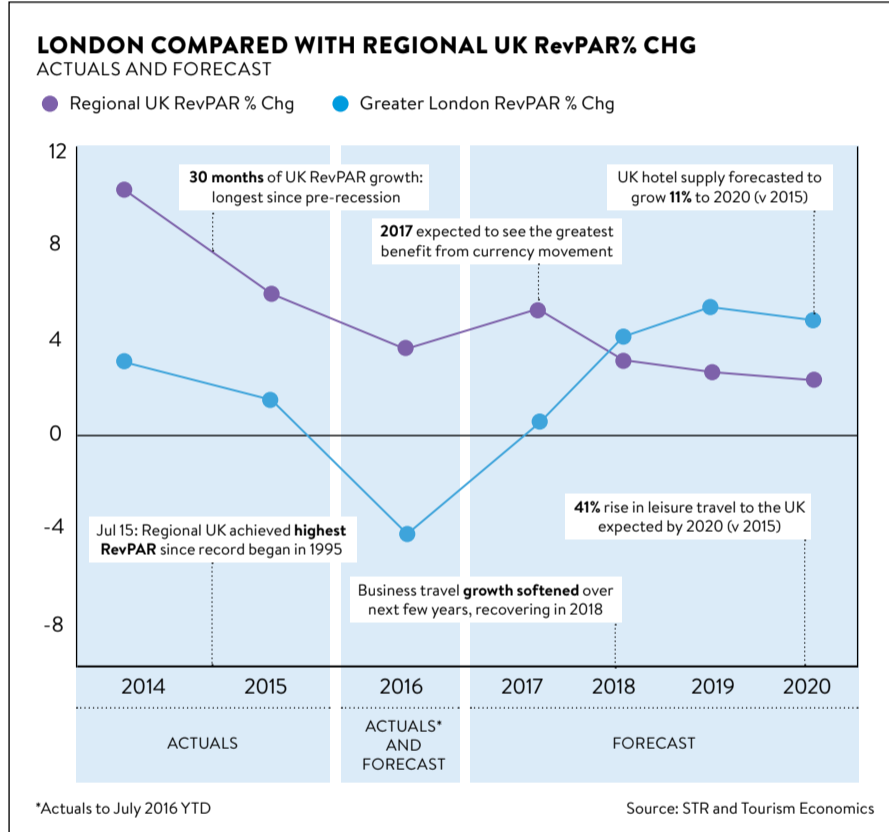
These high revenues and profits in London and elsewhere in the UK have made this one of the most attractive hotel markets for investment in Europe, leading to a supply growth of new properties and rooms at 2 and 3 per cent per annum respectively over the last five years.

## HOTEL PERFORMANCE PRE AND POST-REFERENDUM

London has enjoyed many years of stellar performance since the financial crisis, growing revenue per available room (RevPAR) by 30 per cent between 2009 and 2015. For 2016, performance has declined as ongoing security concerns throughout Europe have caused hotel demand to fall while supply continues to grow, resulting in a 4 per cent drop in RevPAR for the first half of the year.

Performance results following the referendum have been surprising. July was actually the first month of 2016 that the capital posted RevPAR growth, albeit largely due to a series of major events. For example, daily data on July 10, the day that Wimbledon ended and the Farnborough Airshow began, shows that London's year-on-year occupancy rate increased by 12 per cent to 84 per cent.

Hotels across the rest of the country had stronger momentum going into the referendum, recording a RevPAR



growth of 2 per cent for the first half of 2016. This continued into July, which showed the highest monthly occupancy rates (84 per cent) and ADR (£74) for regional hotels since 1995 when STR's UK records began. The increase was largely driven by leisure travel, which resulted in RevPAR rising

by 7 per cent on weekends and 3 per cent on weekdays.

Although July data does not indicate that the referendum has had a major impact on the UK's hotel performance in the short term, preliminary data for August reveals that London's occupancy and ADR both fell by 1 per cent. Growth in the UK regions remains strong overall though, with a RevPAR boost of 4 per cent to £57 in August.

## SHORT TO MEDIUM-TERM IMPACT

Looking beyond the immediate months following the referendum, sterling's drop in value is a key driver impacting the UK's hotel industry. The weakening of the pound against other major currencies has made the country a more attractive destination pricewise for foreign visitors. This should benefit London in particular, as travellers from the United States,



Brexit is only one of many factors weighing on the future of the industry



London's biggest inbound market, now have a healthy 10 per cent discount on their travel.

It should also benefit hotels outside the capital through a resurgence in "staycations" as foreign travel becomes more expensive. This trend was seen during the early years of the global financial crisis, which was the last time the pound weakened significantly.

But not all demand is created equal. While leisure travel may grow, business travel, the more profitable segment, is likely to come under pressure. There is a strong link between hotel performance and wider economic performance, and although economic forecasts are proving not to be as severe as initially feared, they are certainly still down.

## FORECAST

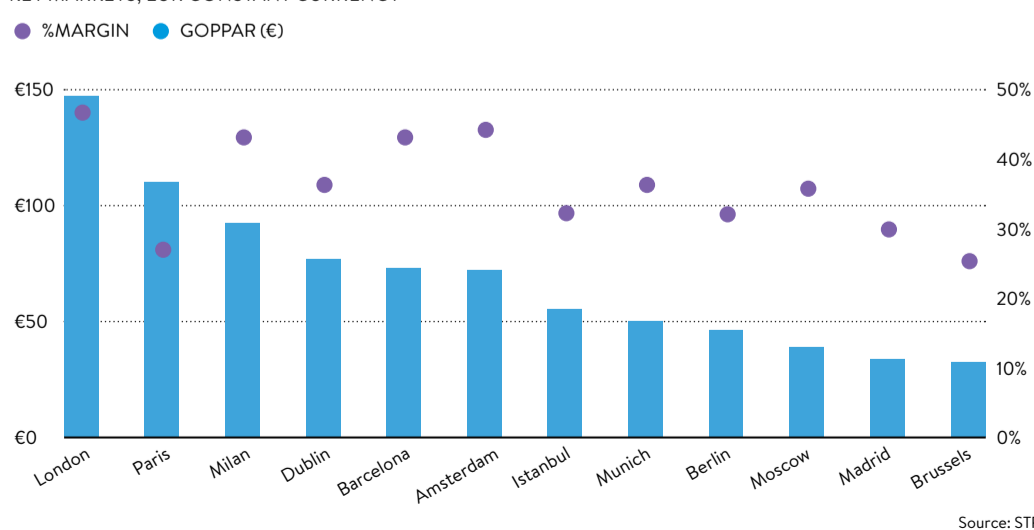
In the capital, although demand is expected to increase in 2017, it is likely to be outpaced by supply growth. ADR is slated to continue falling, resulting in a 4 per cent decline in RevPAR. In the longer term, London's appeal as a destination is expected to remain strong, and performance is expected to recover as demand grows by 3 per cent a year between 2015 and 2020, outpacing supply growth.

For regional hotels, assuming the economy does not deteriorate beyond consensus forecast, RevPAR should climb to 4 per cent growth by the end of 2016 and rise again to 5 per cent in 2017. The strongest demand growth between now and the end of 2017 is likely to be seen in Edinburgh, Manchester and Birmingham, with annual ADR increasing just under 3 per cent for the regions.

For more information please visit [www.strglobal.com](http://www.strglobal.com)

## EUROPE: GOPPAR% CHANGE, MARGIN, YE 2015

KEY MARKETS, EUR CONSTANT CURRENCY



# Churchillian resolve will boot out the Brexit blues

Weighing up the pros and cons of Brexit for the hospitality industry underlines the need for a robust response to seize opportunities and deal with the drawbacks

**BREXIT**  
CHARLES ORTON-JONES

**N**o industry has the guts and determination of hospitality. During the Second World War, the fish restaurant Wiltons soldiered on through the Battle of Britain and the Blitz, until in 1942 a bomb landed by St James's Church, Piccadilly giving the walls a hearty shake.

Proprietress Bessie Beal announced to diners she would be leaving London. A loyal customer, the banker Olaf Hambro, dining alone, asked for the cost of the restaurant to be added to his bill. The Hambros run it still. Like showbusiness, the show always goes on.

In this uncertain post-Brexit referendum period, the industry has been debating whether it will need to draw once more on Churchillian resolve though the gloom or if we are moving forward into broad, sunny uplands.

Early verdict? The falling pound is giving the industry a huge boost.

Sterling fell to a 31-year low against the dollar, and plunged against the euro and other world currencies. It's been terrific news for exporters and tourism.

"We have seen direct evidence of this," reports Eduard Elias, managing partner of Cycas Hospitality. "Immediately after the Brexit vote, when the pound dropped in value, pre-paid bookings in our London hotels went through the roof."

Tax-free shopping company Global Blue announced a 7 per cent year-on-year increase in UK international shopping in July. Chinese tourists spent 6 per cent more. Newspapers such as the *Los Angeles Times* have run special coverage on the affordability of UK holidays.

There's also the impact of British holidaymakers remaining at home – the staycation. Brits spent 12 per cent less in Ireland this summer. The Irish food and drink industry body demanded government action to mitigate the hit from the UK departing the European Union.

In France, terror attacks hammered visitor numbers, with the



number of Japanese tourists in Paris falling by nearly a half, Italians by a quarter and Russians by a third.

Looking longer term there's less to celebrate. The issue of work visas is a huge worry. If net migration is cut to the tens of thousands promised by home secretary Amber Rudd, then hospitality is in for a big change.

One entrepreneur enjoying a boom, but worrying about a bust, is Kelvin Newman, director of the BrightonSEO conference. "At our events, attendees arrive in their droves from across Europe and beyond," he says. "This [Brexit] has a very real potential to be bad news for us, but it would also have a knock-on effect on Brighton, which boasts strong cultural and business communities.

That's where the ripples begin and eventually these ripples can turn into shockwaves."

The cost of travel may go up. Markus Kuger, senior economist at Dun & Bradstreet, warns: "Less positively, it is worrying that Britain could lose access to the Open Skies Agreement between the United States and the EU in the long term, pushing up air fares for travellers to and from the UK.

"Additionally, recent comments by Ryanair and easyJet representatives indicate that low-cost airlines could reduce the number of flights operated to and from the UK. This would discourage foreign tourists, but increase incentives for Brits to spend their holidays in the UK."

Procurement may change. Australian trade minister Steven Ciobo has been talking up a free trade agreement (FTA). Asked about the prospect of cheaper wine, he said: "Look, absolutely. Cheap Australian wine I think is a good fringe benefit of an FTA if we are able to put one in place."

Legislation will be overhauled. Iona Sinclair and Mike Williams from STS Solutions, and Enrique Garcia, an employment law consultant with ELAS, conducted an examination of affected areas. The 1998 Working Time Regulations is one area they highlight as being a major EU policy which can now be repealed or adjusted.

They say: "The regulations influence weekly working hours, rest periods, paid annual leave and extra protection for night workers, and while it's difficult to say how each of these points will be affected, it's more than likely they will be restructured beyond current recognition. But it is un-

likely that they will be completely repealed. This could particularly impact on the restaurant and takeaway industries where employees typically work long and often unsociable hours."

Agency workers' rights is also an EU initiative the industry wants repealed. This would impact the restaurant trade and sectors with seasonal workers.

And areas not affected? The national minimum wage, TUPE legislation covering transfer of undertakings and protection of employment, discrimination and unfair dismissal laws are either British in origin or well regarded, so are unlikely to change.

One group which may benefit from Brexit is young British workers. A fall in competition from EU workers means the sector will need to recruit locally. A pioneer in the field is Fifteen Cornwall, created by chef Jamie Oliver as a social enterprise restaurant devoted to training apprentices – 112 so far, all to elite chef standards.

Matthew Thomson, managing director of Fifteen Cornwall, says: "The progressive modernisation of the sector ought to be an opportunity to make it a preference for British workers. We've got to do better at creating clear entry points and progression routes for career changers as well as young people in order to fill the skills and talent gaps that impact on service quality, growth prospects and productivity."



If Brexit squeezes the supply of cheap labour, we'll have no choice but to attract, recruit and train our own staff

Peter Ducker, chief executive of the Institute of Hospitality, agrees. "We know about our staff shortages," he says. "And we read and hear from friends and relatives that the thought of a graduate debt of £40,000 is putting some young people off taking the university route. We also know that the impending Apprentice Levy is exercising the thoughts and training strategies of many businesses, and the rationale behind apprentice programmes is now more compelling.

"We know that our industry has been perceived as a career of last resort for too long and perhaps we have ourselves to blame for not grasping the nettle sooner on this score."

If Brexit squeezes the supply of cheap labour, we'll have no choice but to attract, recruit and train our own staff.

In the end, the fate of the hospitality sector lies in its own hands. With the right long-term approach, the downsides of Brexit may be avoided altogether.

**01** Tourism and international shopping have seen a short-term boost from the drop in sterling, though the long-term outlook is more uncertain

**02** Young British workers could benefit from a fall in overseas competition: Jamie Oliver's Cornish restaurant Fifteen is a social enterprise eatery devoted to training apprentices



**26%** of UK hospitality workers in 2013 were not born in Britain

Source: Office for National Statistics

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Simon Burt/Fifteen

# Business tech-travellers' new

There was a time when a well-used eye mask and worn neck pillow identified a business traveller as a seasoned glob

## BUSINESS TRAVEL

NICK EASEN

A dizzying number of mobile icons now let executives manage their flights, hotels, rail tickets, security and expenses. You can scan your receipts, locate a taxi or track frequent flyer points across hundreds of airlines and access city maps without incurring roaming charges on a sophisticated, cost-effective device.

"In recent years technology and the mobile have dramatically revolutionised business travel,"



We have come to expect the same level of tech for business as in our private lives

says Paul Wait, chief executive of the Guild of Travel Management Companies (GTMC). Road warriors can now customise just about every conceivable aspect of their journey.

In one recent incident, an airline suffered a system outage, which grounded all its flights. Yet tracking technology identified the location of many on board. Some were re-booked automatically on to alternative carriers and sent notifications before they even realised there was a problem.

"We have come to expect the same level of tech to be available for business as we do in our private lives," says Jason Geall, general manager at American Express Global Business Travel. "The fact is the availability of handheld devices gives travellers tremendous power when shopping for leisure travel; as a result they expect the executive trip to be similar."

This convergence of the leisure and corporate worlds is pushing providers to deliver a consumer-like experience in the business travel space, as well as one that is seamless. This is why airlines, hotels and others have started to open up their own technology systems, so they can now participate in what is being termed as the "platform economy".

"The business travel space is evolving into an ecosystem of platforms that work with each other in a bid to create frictionless experiences," states Rajeev Kaul, managing



Geber86 / Getty Images



Business travellers will come to expect the same type of personalised experience they get at home with Amazon

expect to see more wearable tech and watch-based apps increasingly being used in the business traveller arena. Hyper-personalised trips will also become de rigueur. "It won't just say 'welcome Paul' on the TV screen in the hotel room. It will have downloaded my music and movie playlist instead, and the hotelier will have filled the mini bar with my health food choices not alcohol," says Mr Wait.

Business travellers will also come to expect the same type of personalised experience they get at home with Amazon. "We now expect services to learn our preferences and serve them up automatically, whether they are consumer or business services," says Graham Kingsmill, managing director at Egencia, a subsidiary of Expedia that focuses on executive travel.

Productivity has also increased for executives on the road. The use of cloud computing and portable devices has effectively bridged the gap between the office, home, hotel or airport space. You can now start an activity on one mobile in the business lounge in Bangkok and finish it on another device in a hotel room in Baku.

director at Accenture Technology.

That's because the vast majority of travel involves the interaction of many physical spaces – planes, airports, hire cars and accommodation. These are now starting to talk to each other via the internet and with the executive traveller.

"The trend is to digitally optimise the features of these spaces with the internet of things," says Mr Kaul. "The idea is to make the door-to-door journey seamless, efficient and more enjoyable."

The profile of business travellers is also changing rapidly in the UK.

In 2013, 46 per cent were under the age of 45. This year it's 73 per cent and the proportion of those under 30 has almost doubled, according to research commissioned by the GTMC.

"It isn't the older white-haired male who's travelling anymore," declares Mr Wait. "We've got to start thinking differently – there are more, younger women and then there's the rise of the millennials."

Catering for this upcoming tech-savvy generation of go-jetters will be crucial. They have great expectations. They're already us-

ing the likes of Uber and Airbnb in their private lives, and this slice of the shared economy is rearing its head in the business travel world too, especially in the United States, and the UK looks set to follow.

"The bottom line is that the industry has to adapt," says Adam Knights, managing director at ATPI, a travel management company. "If Airbnb and the like reflect the way travellers want to book, then the company and its service providers will need to find a way to accommodate this."

In the coming months and years,

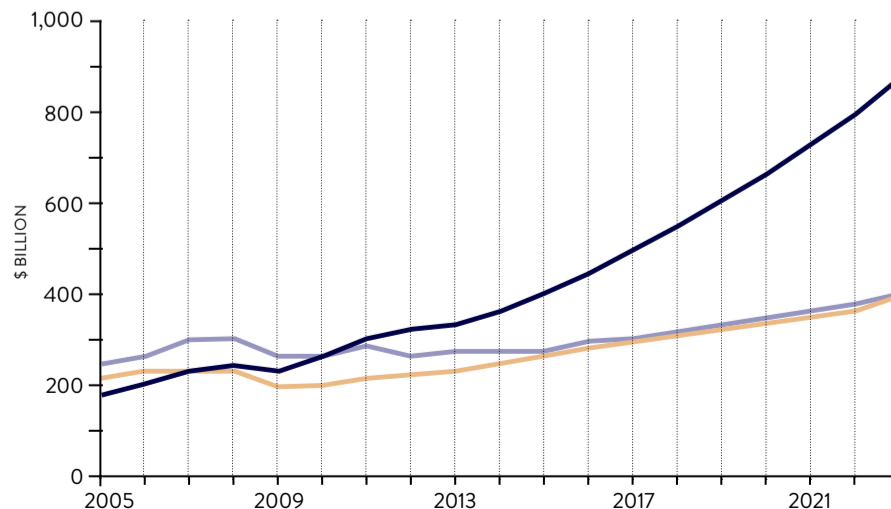
## TOP COUNTRIES FOR UK INTERNATIONAL TRAVEL BY VOLUME 2006-2014



Source: Office for National Statistics/Oxford Economics 2016

## TOTAL BUSINESS TRAVEL SPENDING 2005-2023

● Asia-Pacific ● Europe ● United States



Source: Oxford Economics 2015

# platforms

etrotter – now it's a smartphone and apps



Tim Roberts / Shutterstock

Satellite wi-fi on airplanes is also a game-changer. This technology has been available on many US domestic flights for a while. It is being implemented on a larger scale across Europe now and this is helping business travellers navigate the gap between the office and an overseas destination.

“Increasingly, data connectivity as well as free, strong and reliable wi-fi is seen as a minimum requirement on trips,” says Professor Dimitrios Buhalis, head of department, tourism and hospitality, at Bournemouth University.

However, all too often this isn't the case. “Even wi-fi can still be a challenge in some destinations,” says Mr Knights. This is particularly to do with a lack of infrastructure upgrades in airports, hotels, conference spaces and rail carriages. These are often still seen as cost prohibitive.

Yet it is singled out as the most important factor when it comes to productivity on a trip. “A lot of business travel is still dogged by legacy systems,” says Mr Wait. When this

is fixed, then the business travel experience globally will be in another league.

This will also allow a whole new era when executives can be tracked wherever they are, managed by travel managers, targeted by service providers and appealed too via their mobile device.

“The biggest development we will start to see is how content gets distributed to travellers,” explains Mr Kaul. “They will receive information that is contextually aware of their current time and location, and it will enable actions to automatically take place.”

At one point in the future your mobile technology will know the answer before you, as the travelling executive, have the question, as it will understand patterns of behaviour, destination and context, and fetch the information proactively for you, potentially via chatbots. It's a brave new world out there.

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## COMMERCIAL FEATURE



# ODDS IMPROVE FOR IN-ROOM TABLETS

*In-room tablets are no longer restricted to luxury hotels – new innovations make going digital a reality for mid-market hotels too*



In the fiercely competitive hospitality industry, guest experience is everything. And thanks to the digital innovation of UK technology firm Crave Interactive, hotels can now offer the ultimate in guest experience.

Crave is the company behind a new generation of in-room hotel tablets that are revolutionising the way hotels interact with their guests. The devices enable extraordinary levels of guest engagement; everything from ordering room service and requesting extra towels and pillows, to booking salon and spa services, and adjusting room lighting and temperature can be done through the tablet.

This in turn presents huge opportunities for upselling and a significant return on investment (ROI) for the hotels that have installed Crave's tablets. Primarily these are high-end hotels; the luxury Chewton Glen hotel in the New Forest was the first to introduce Crave tablets, but with the technology now viable in mid-sector and limited-service hotels, Crave has its sights set on global growth.

Already the European market leader, Crave is building momentum in the United States, with clients such as MGM's ARIA Resort & Casino in Las Vegas, which features tablets in all of its 4,000 guest rooms, and chains such as Hyatt, Secrets, Breathless and Montage.

Crave's founder and chief executive Gareth Hughes says: “The tablets were originally developed as a luxury product, so the big challenge was bringing the costs down in order

to provide a great ROI. We've done that and the hotels we are working with are seeing the results; they tell us they are budgeting for profits, not for costs.”

Crave has worked closely with its manufacturing partner to craft a new low-cost tablet that replicates the most essential elements of its more sophisticated luxury version. Its modern, seamless and secure user interface, and the immediacy of its fresh content have rendered the traditional print version of the hotel guest directory obsolete.

“Our journey is to use our technology to help hotels provide a more personal service to each guest”

Mr Hughes says: “Hotel operations managers love the immediacy of being able to instantly update information. Until Crave they had to wait months to effect a change while waiting for the next directory print run. Our clients have thrown out the printed guest directories, menus and marketing materials that typically clutter a room.”

In addition, the hotel can upload food and beverage specials, and push discounted rates for spa treatments directly to guests in-room, based

on changing demand. Attractive messages prompting impulsive bookings are highly effective as a sales tool. Based on the TripAdvisor reviews of hotels that feature the tablets, guests absolutely love them.

Positive ROI, exceptional guest experience and a desire to replace paper aside, hotels that have installed Crave would agree it helps them communicate and engage with guests, removing the barriers between guests browsing services and then purchasing them.

Mr Hughes says: “We are currently getting two million touches of our tablets every week, with the resultant data enabling our clients to understand their guests' preferences and interests in a way not previously possible. Our journey is to use our technology to help hotels provide a more personal service to each guest.”

Crave has seen its sales increase eight-fold in the last financial year and is about to launch a new round of private Enterprise Investment Scheme funding for the next stage of its global expansion.

“With 20 million hotel rooms worldwide, we estimate that the addressable market is at least 12 million rooms,” says Mr Hughes. “Our vision has always been to see guests using our tablets everywhere, from the most luxurious suites to rooms in economy hotels – and we know now that it is entirely possible.”

For more information please visit [crave-emenu.com](http://crave-emenu.com) or e-mail [info@crave-emenu.com](mailto:info@crave-emenu.com)

# World-class sport for winning

It comes at a price, but increasingly inventive corporate hospitality creates a valuable bond with clients and business partners

## CORPORATE HOSPITALITY

NICK MARTINDALE

The UK has been spoilt for choice in recent years when it comes to major sporting events. The 2012 Olympic Games, the Commonwealth Games of 2014 and the Rugby World Cup the following year all presented huge opportunities to those wanting to entertain corporate clients.

Meanwhile, the annual calendar sees high-profile events such as Wimbledon, the Silverstone Grand Prix and the Epsom Derby, in addition to regular Premier League football, international cricket and Six Nations rugby fixtures.

Such events do not come cheap to those who wish to make a good impression on clients or business partners. But research by STH Group, the official hospitality provider for the last three Rugby World Cups and the 2019 tournament in Japan, as well as London 2012 and the IAAF World Athletics Championships, suggests it is a price worth paying.

More than 80 per cent of those who buy corporate hospitality believe it is extremely effective at improving relations with clients, while 71 per cent of those who attend such events as guests say they are likely to increase the amount they spend with that company as a result.

But in a competitive marketplace, expectations are rising, both from clients and their guests.

"Hospitality no longer starts at the turnstile," says Tim Connor, chief executive of Connoco Group. "The



Providers, sports venues and clients will need to come up with evermore creative ways to ensure guests feel they have experienced something a bit different

packages that are more popular include limo pick-up, restaurant bookings and even a hotel. Often there is ancillary hospitality too, where the wife and children may come with the client into London, but require a different hospitality service such as theatre or shopping trips while the dad is watching the event."

Top-quality food is also now essential, he adds, with an increased



GLYN KIRK / Stringer / Getty Images



STH Group

**LEFT**  
Guests enjoying drinks in the centre of the velodrome at the UCI Track Cycling World Championships

**BELOW RIGHT**  
Twickenham Pavilion by operator STH Group outside the stadium at the Rugby World Cup 2015

demand for Michelin-star standard catering at even relatively ordinary events.

Growing expectations have also extended to the sporting arena itself, with guests increasingly expecting some kind of enhanced experience, such as access to areas to which ordinary fans would not be granted. This can create challenges for some events and sports. STH

Group, for instance, is currently working on the London 2017 event being hosted at the stadium in the Queen Elizabeth Olympic Park.

"Something like athletics offers more options for access to a track-side experience or a potential unique area to see athletes warming up," says Paul Lemon, chief commercial officer at STH. The business has previously been able

to take people into the centre of the velodrome ahead of a major cycling event, he adds.

This desire to push boundaries has also spread to include access to players or high-profile sports or celebrity figures. "Meeting a sporting star is a big draw and one which often makes the day more memorable," says Richard Garner, head of Smart Experiences. "With the onslaught of

social media, people like to show off who they've been mingling with." His own business is able to offer the chance to meet Michelin-starred chef Angela Hartnett as well as former Rugby World Cup-winning England captain Martin Johnson.

This can also extend to taking part in certain competitions or post-match events. Luke D'Arcy, UK president at brand experience agency Momentum Worldwide, points to the rise in "VIP experience".

"Why watch the Americas Cup when you can be part of the team for a leg?" he asks. "Why just watch Usain Bolt run in Rio when you can have him DJ the after-party and spin your tunes like he did for Nissan? Why just watch the US Open with American Express when you can take on a virtual Sharapova in a match using virtual reality? Participation experience is everything."

Sports such as football, cricket and Formula 1 are facing growing pressure to facilitate such arrangements, he says.

Yet it's also important to offer clients a degree of choice, as not all will have the budgets for or want the very top-notch packages. Silverstone Classic, for example, offers three levels of hospitality, ranging from its Club House package, which is essentially a bolt-on to just buying conventional tickets, to the Podium that enables

# hospitality

tners – and delivers a return on investment

## CASE STUDY: THE CLUBHOUSE



Smart Experiences

from the world of rugby, including Brian O’Driscoll, Jonathan Davies and Manu Tuilagi, as well as The Clubhouse ambassador Martin Johnson, who led England to victory at the 2003 Rugby World Cup and also captained the British and Irish Lions in 1997 and 2001.

“These chats will provide rich insight into the game, while guests tuck into canapés,” says Richard Garner, head of Smart Experiences.

“This will be followed by a three-course lunch, consisting of the finest sustainably sourced ingredients, prepared on-site under the watchful eye of Smart Hospitality’s executive group head chef David Ridgway.”

After the match, visitors can stay behind for a further two hours with complimentary drinks and curry dishes. “The Clubhouse at Twickenham will become the ultimate destination for rugby fans and world-class hospitality,” says Mr Garner. “Every element of the day will deliver a quality and memorable experience, designed for connoisseurs of the game.”

This November will see the opening of The Clubhouse at Twickenham, which operator Smart Experiences claims will be “rugby’s most immersive match-day hospitality experience”.

The launch will coincide with the Old Mutual Internationals, with England taking on South Africa in the first match, and The Clubhouse will also be welcoming guests for subsequent Six Nations tournaments. Guests are guaranteed tier-one tickets for the games and will all be seated together.

Before the game, visitors can mingle with big names

clients to create a bespoke package for parties of more than 20 people.

“One of the things that we’ve been pleased to offer our Podium guests and event partners is add-ons such as a behind-the-scenes tour, a ride out with the course car on-track and fast-track ‘passports’ to some of the more popular experiences around the event,” says Nick Wigley, Silverstone Classic event director.

There’s no doubt, though, that the market will continue to evolve, and providers, sports venues and clients

will need to come up with evermore creative ways to ensure guests feel they have experienced something a bit different. “By providing added experiences, you will give a client something unique to take away over and above the usual trappings,” says Mr Garner. “Ultimately, it’s about delivering something special for a price that is realistic.”

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STH Group

## COMMERCIAL FEATURE



# CHEERING A STAR EXPERIENCE...

*The Heineken Experience is an innovative multimedia tour of the company’s history and brewing processes at its original site in the centre of Amsterdam – and it’s getting rave reviews*



It’s a tourist attraction, but what may be less obvious is the Heineken Experience, set in a 19th-century brewery, makes a central contribution to one of the world’s most forward-thinking marketing efforts.

Dirk Lubbers, general manager of the Heineken Experience, explains that his role is to create ambassadors for the brand. “Everyone who steps into the Heineken Experience should come out with stars in their eyes – red stars,” he says, referring to the brand’s logo.

But the way he does this is to focus on running one of Amsterdam’s main tourist attractions as successfully as possible. He talks animatedly about his results from the past five years. The number of visitors grew from 365,000 in 2009 to nearly 900,000 in 2015 and should broach a million in 2016. More impressively, for an attraction with 95 per cent of its visitors from overseas, it boasts a repeat visit rate of 15 per cent.

“My trick is simple,” he says. “You should leave the building thinking, ‘This is not what I expected, it’s much better.’” The Heineken Experience provides a selling point that customers will understand and a goal that employees can rally behind.

And this is crucial because in hospitality, as Mr Lubbers sees it, the only way to look after your customers is to look after your staff. “To make money, many companies cut the cost of labour, but if I want to increase revenues, I do the opposite. I place more people in my tour, so there is more interaction between visitors and staff,” he says.

He employs 35 permanent staff and 180 “ambassadors” who are mainly



students. They are selected through an in-depth recruitment process. What he looks for are those with natural people skills. He wants them to be “open and enthusiastic, but also to listen to others and be genuinely interested in them”.

Those selected are trained in how to pour the perfect pint, serve people, conduct tours, and talk about the brand and the beer. In this way Mr Lubbers ensures people enjoy their visit and come away more engaged with the Heineken brand.

And he sums up his approach in a single phrase: “Beer, entrepreneurship and people.” Being able to talk about and enjoy the beer is at the heart of the role.

And entrepreneurship is about change. He says: “If you want to entertain people, you need to do something different every day. For example, once when it was raining outside, we offered people free umbrellas and another time on a hot day, we provided ice cream made from alcohol-free beer.”

If you surprise people, then it creates a buzz. “They’ll tell their friends and put

it on social media,” he says. All of which is good for the Heineken Experience and good for the Heineken brand. TripAdvisor reviews are testament to this strategy too; many of them praise the staff for making a visit so enjoyable.

When it comes to his staff, Mr Lubbers says he treats them like first-class ambassadors. “My job is to create a culture where they come to work with a smile,” he says. But he also offers some great incentives. Those who excel in their roles are given the chance to work at high-profile Heineken events around the world, whether it’s the Rio Olympics, the Italian Grand Prix or a Champions League football match.

When they leave, often at the end of their studies, they are ambassadors for life. And this sums up the Heineken Experience – run a great attraction that people enjoy visiting and where staff enjoy working, and you create authentic advocates for one of the world’s largest brands.

For more information please visit [www.heinekenexperience.com](http://www.heinekenexperience.com)



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