IBM Institute for Business Value

Hotel 2020:
The personalization paradox

Driving intimacy, consistency and efficiency for profitable growth

Overview

Buoyed by signs of global economic recovery and optimistic growth forecasts in developing economies, hotel chains will continue their rapid expansion in the coming decade. At the same time, intense competition in key guest segments, ever-increasing guest expectations and more diverse traveler needs will apply pressure to keep room rates down. To maintain profit margins, hoteliers will need to renew emphasis on cost reduction and break through the consumer perception of commoditization. Paradoxically, it is standardization that will pave the way not only to control costs, but also to provide the differentiated customer experience guests crave.

Hotel executives have frequently been chastened to "know their guests" – what they want and when they want it. Only recently, however, have advances in customer interaction technologies enabled the industry to deliver on this maxim. In today's highly competitive environment, knowledge of guest preferences is becoming more important than ever. Even as the industry renews its plans for expansion in the wake of global economic recovery, intense competition and increasingly demanding consumer expectations will force hotels to maintain competitive room rates, often at the cost of margin.

Along with other dynamics within the industry, these pricing pressures will require hoteliers worldwide to look for alternative sources of revenue and maintain due diligence in cost control. Gaining a better understanding of customer needs and preferences – or guest intimacy – can enable the delivery of personalized services that will help increase customer satisfaction, lower service costs and improve guest loyalty. Ultimately, personalization can result in the development of specialized services – delivered according to current preferences – for which guests will be willing to pay a premium.

Over the past several decades, the hotel industry has become increasingly commoditized, with consumers seeing little difference between the offerings of one major hotel chain versus another. To break through this perceived sameness, hotel providers must implement solutions that provide unique insight into guest preferences and apply this knowledge to deliver increasingly differentiated and delightful services.

Providers should empower guests to personalize their own stay and communicate their preferences with the hotel in the manner with which they are most comfortable – which often varies from trip to trip or even from day to day.

While personalization can provide opportunities to increase revenue, standardization of operations in hotel chains can reduce costs. Although less transformational than personalization, standardization – the management of guest operations with principles, processes and systems consistent from hotel to hotel within each property, brand and chain – is an equally important imperative for global hotel chains. If rapid growth is not coupled with stringent controls on the processes, procedures and systems that support that expansion, hotel chains run the risk of creating a level of complexity that their current costs structures cannot support.

Hotel chains that embrace standardization will move forward into the next decade with a plan to implement common platforms, tools and standard work programs. They will work to eliminate duplicate systems and will use systems and solutions that leverage common data sources to capture more consistent guest information across enterprise touch points.

To deliver personalization and standardization, hoteliers should focus on three key imperatives:

1. *Serve markets of me* – Optimize each guest interaction according to segment-specific needs.
2. *Give guests the keys* – Empower guests to customize their experiences beyond the segment level.
3. *Be unique…every time* – Deliver consistent products and services in response to specific guest needs.

Properly implemented, the combination of personalization and standardization can provide transformational results over the long term and, ultimately, serve to delight guests and shareholders alike in the decade ahead.

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How can IBM help?

- **Business Consulting and Delivery Services –** IBM helps the hotel industry formulate, implement and operationalize programs to respond to the changing market realities created by personalization and standardization. We can help align organizational structure and metrics to more relevant and focused customer segments, and implement segment and guest-specific processes that can make personalization a reality, using standardized platforms and solutions.

- **Hotel Industry Solutions –** IBM offers a comprehensive portfolio of solutions that help hotels:
  - Predict demand and optimize available rooms, assets and infrastructure
  - Dramatically improve the end-to-end guest experience with applied customer analytics, reservation modernization, multichannel self-service support and loyalty management solutions.

- **Travel & Transportation Center of Competency –** IBM helps industry partners make the best use of technology to streamline costs, reduce inefficiencies, aid product development and speed go-to-market activities. We also help companies build new capabilities to better understand, track and respond to traveler preferences, drawing on its team of highly skilled experts from around the world.

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