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Market Overview: Hospitality

The hospitality market is big and diverse—a vast array of hotels, motels, inns, resorts, casinos, timeshares and more—around the world. In the U.S. alone, it's a top 10 industry with more than 50,000 properties, nearly 5 million rooms and more than $150 billion in revenue.[1]

A Unique Market Opportunity Now

As an industry, hospitality took a huge hit during the 2008-09 financial crisis and recession, as business and leisure travel plummeted dramatically. In the years since, the industry has rebounded, albeit unevenly from one country and region to another.[2]

In those areas, such as the U.S., where conditions have improved significantly, many hotel operators have a unique opportunity: the depressed economic conditions effectively put a lid on new hotel construction, so the current surge in the number of travelers is lifting average room rates and delivering a healthier bottom line.

This was evident in 2012 when key national lodging performance metrics — occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR)—all saw substantial improvement. The luxury, upscale and independent segments led the way. Globalization is a huge part of this trend: China is ramping up to send about 100 million leisure tourists into the international market every year, potentially generating an additional 70 million room nights.[3]

As the lodging sector recovers, hoteliers have begun to address deferred capital expenditure, allocating an estimated US $5.0 billion in capital improvements in the US in 2012, a 33 percent increase over the prior year.[4] International hotel companies have also committed additional funds to upcoming capital refreshes.

IT: Critical to Meeting Guest Expectations

In its survey of technology spending, Hospitality Technology Magazine[5] found that the average mean annual IT budget ranges from $280,000 per property for luxury hotels (with a wide variation based on size and market) down to $51,000 per property in the economy category.

While tight budgets for IT expenditures have been a problem in the past, now managers appear even more worried by "rising pressure from consumer expectations." There's an increased concern that "guests' expectations are greater than the industry can keep up with." Hoteliers know that new technologies are the wave of the future, but worry that ineffective implementations could detract from the guest experience by, for example, not having the staff to handle user issues.[6]

As a result, outfitting guest rooms accounts for nearly a fifth of all IT expenditures, including WiFi, TV, the phone, tablets, electronic locks, energy management and more.

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The Mobile Impact

Mobility is perhaps the single biggest trend in hospitality technology. This is now playing itself out in three key areas:

Reservations: Mobile bookings increased from $160 million in 2010 to $2.6 billion in 2011, and are on track to be an $8 billion market in 2013, accounting for 6.5% of total online travel bookings.[7]

Check-in: Many hotels are now offering an array of mobile check-in options, in addition to the traditional front desk. These include: a tablet check-in with a staff member; a self-serve check-in kiosk; sending a text message to a guest's mobile device with the room number allowing travelers to proceed directly to their room, and the ability to unlock the door via their mobile device. The last option also addresses another frequent customer issue: letting customers know exactly when their room will be ready.

Tablets in the room: Many hotels are outfitting guestrooms with tablets for guests to use to make restaurant reservations, request room service or housekeeping as well as check out. Surveys show nearly a quarter of hotels implementing in-room tablets within the next few years.[8] It remains to be seen whether this trend really has staying power versus making it easier for guests to use their own tablets, via free WiFi, for example.

In a study of customer engagement strategies, Hospitality Magazine noted that to be successful, hotels must "master how to provide personalized and customized service on small screens and across devices (i.e., laptops, tablets, and smartphones) in a consistent, convenient, and user-friendly manner." Unfortunately, many of today's solutions are cumbersome, slow, and require too much data entry for travelers on the go."[9]

Another recent industry analysis noted the rise of a new category of travelers it referred to as the "Digital Elite." These travelers are younger, own two or more mobile devices and regularly use them to plan and book travel. These travelers take more trips, plan them more often at the last minute and end up spending substantially more on them than their less digitally savvy travelers.[10]

Other Technology Investments

Other key areas for hospitality IT investment include:

Transformation of the Hotel TV:
Guestroom televisions have gone from bulky CRTs to sleek flat-panel displays that can connect with the guest's media accounts (such as Netflix and Hulu) and carry hotel content. Hotels use the device as a forum to communicate personalized greetings and guest services.

Digital Signage: After retail, hospitality is one of the largest markets for digital signage solutions. Digital signage adoption rates are expected to grow considerably, with more than half of all properties using either static or interactive digital signage for features such as event listings, weather and news feeds, maps and way-finding.

Security: Ensuring guest safety and reducing liabilities for false claims are top of mind issues in any lodging property. In casinos, regulatory authorities require extensive security and surveillance to be in place at all times. New digital systems offer a wide array of benefits: the overall quality is far superior to traditional analog systems; the footage can be viewed from virtually any connected device—managers can log in from offsite to see what's happening in real time and can also be notified immediately if an event is occurring.

A Diverse Market

In the past, a solution provider for the hospitality market might have been focused primarily on the implementation of a reservation or property management system and in-room televisions.

Today, the range of potential solutions is much broader, encompassing mobility, digital signage, digital security, storage and much more—often for hospitality customers that have fewer resources to dedicate towards acquiring and deploying technology.

All of this creates an opportunity for solution providers who can provide the expertise to deliver a holistic set of solutions to meet the wide range needs of the growing hospitality market. A new generation of technology solutions is available that hoteliers and lodging establishments can take advantage of to operate more efficiently and deliver better customer experiences.

Intel technology is driving this transformation. Get more information on POS systems, digital signage, security, content management and storage solutions—including updates on how the technology is evolving, please visit: intel.com/retailsolutions.

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[1] http://www.ahla.com/content.aspx?id=35603

[2] http://www.hotelnewsnow.com/article/12622/Global-hotel-industry-a-mixed-bag#sthash.8qE03Pv0.dpuf

[3] Ernst & Young, Global Hospitality Insights: Top Thoughts for 2013

[4] http://articles.latimes.com/2012/oct/08/business/la-fi-travel-briefcase-20121008

[5] Lodging Technology Study 2013 « Hospitality Technology «

[6] Customer Engagement Technology Study 2013, Hospitality Technology.

[7] Lodging Technology Study 2013 « Hospitality Technology

[8] Lodging Technology Study 2013 « Hospitality Technology

[9] Hospitality Technology, Customer Engagement Technology Study 2013

[10] MMGY Global and the Harrison Group, Portrait of Digital Travelers, August of 2013.

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