

Special Report

Targeting Greater Profitability in 2023

Trends & Predictions to Boost Your Revenue



WELCOME

Adapting to the changing customer landscape

Following on from our inaugural Trends & Predictions report in early 2022, we have once again surveyed hoteliers and revenue professionals from around the world and talked with industry experts, to get their outlook on what 2023 may bring.

Changes in guest behavior, staffing challenges, and new technological innovations are all shaping the hospitality industry – making it more agile, adaptable, and stronger.

Discover how guest booking behavior is changing, but the guest's needs are remaining the same; why hotel tech adoption remains top of the agenda, and why total revenue management is more important than ever.

Featuring essays from prominent industry leaders, and the results of our latest Revenue Outlook & Trends survey, we hope this Special Report will inspire you for the year ahead.

Warm regards,

David Woolenberg
CEO, Duetto



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INTRODUCTION

Embracing Change in 2023

New Guest Habits, New Tech, New Revenue

Change seems to have become the new normal: change in market demand, change in guest behaviors, change in macro- and micro-economics. With so much change, it may seem impossible to predict what comes next.

However, change has always been a constant. It is a constant evolution, and it is rarely without patterns or data.

We asked industry experts from around the world to share their trends and predictions for the year ahead. In addition, we surveyed the global hotel industry to find out what was their sentiment on topics such as tech investment, revenue management and day-to-day operational challenges.

Combined, these give us a clearer picture of what 2023 may bring.

Continued tech investment and tech diversification were trends that came through with everyone we spoke to. From hotel-specific tech solutions to the role of blockchain and the metaverse in hotel operations, marketing, and revenue management – technology is being embraced by all.

Most importantly, this technology is being used by the guest and it is shaping how they book travel. The engaged traveler is mobile and always on. Yet, while technology is playing a central role in hotel selection, the guest's needs on-property remain largely unchanged.



How are independent hotels using Continued Tech Investment

The results of our latest Trends & Predictions survey ([page 9](#)) show that hoteliers intend to continue to invest in building out their technology stack in 2023.

“2022 was a year when we saw a significant move to cloud-based technology. Staffing pressures and market variability meant that hotels needed to implement systems that could harness and process extraordinary amounts of data without having to hire large teams of specialists,” said Chris Crowley, Chief Revenue Officer, Duetto.

“Looking at the results of our recent Trends & Predictions survey, it looks like 2023 will be another year of increased tech adoption, as hotels continue to look for ways to drive efficiency, boost profitability and adapt to the challenges of the year ahead,” he added.

Check our Crowley’s Six Revenue Management Trends to Watch on [page 17](#).

Oracle Hospitality also believes 2023 will see continued increases in hotel tech adoption.

Laura Calin, Global Vice President, Hospitality Strategy & Solutions Management, Oracle Hospitality, cites three ways in which hotels will use technology to move ahead:

1. Hotels will prioritize guest convenience and choice by presenting offers for upsell and ancillary products and services
2. Automation, supported by AI and machine learning will improve operational efficiency and support new revenue streams
3. A modern UX, including self-service tools and gamification, will become essential in optimizing staff efficiency

According to Judith Cartwright, Founder, Black Coral Consulting, hotels need to have a ‘tomorrow team’. This is a team separate from the ‘today team’. The tomorrow team strategizes on what is needed from a technology point of view, from a guest point of view, and where the company wants to go.

“The future thinking needs to be done by a different team or with external consultants and experts that can help the today team come up to where they need to go,” she said.



“As we move into 2023, we will continue to see hotels leverage technology to not only increase operational and staff efficiency, but also meet changing guest expectations for a high-value, but a relatively low-touch experience.”



Laura Calin

Global Vice President, Hospitality Strategy & Solutions Management, Oracle Hospitality

Automation

As hotels continue to deal with staff shortages and recruitment challenges, automation helps teams to compete in a highly variable marketplace.

“Automation is critical to the efficiency of any business. Having a workforce that is stuck at running business insights in Excel worksheets, cleaning and migrating data between systems, and running manual processes around all of this, is a waste of time, which ultimately is a waste of money. In addition, it makes those employees’ jobs extremely tedious, challenging, and error-prone,” said Jordan Hollander, Co-founder, Hotel Tech Report.

“And so, automation is already absolutely critical, and not just for hotels, but for any business in today’s market, because you’re not just competing with the hotel down the street, you’re competing with booking.com, Expedia, and Google, and you’re competing with really sophisticated players that are upping the gameplay,” he added.

Automation tops the tech agenda at Ruby Hotels. The hotel company is in a rapid growth phase with 19 hotels under construction or in planning, and therefore automation and streamlining operations are key considerations.

“Automation is one of the major topics for Ruby Hotels and we are always looking to improve our automated processes with a special focus on this in 2023,” said Mark Braune, Group Director Revenue & Distribution, Ruby Hotels.

“Investment in hotel technology will increase to follow Ruby’s philosophy of full automation, efficiency, and digital advantages for our guests,” he added. “In addition, there will be a trend of more digitalization to make a stay even more comfortable, from the booking process through to post-stay.”

Total Revenue Management

“To stay ahead in 2023, the industry needs to continue its technology spend. The digitalization of the industry must continue,” stressed Cartwright from Black Coral Consulting.

For Cartwright, the aim of this tech investment is to optimize every revenue opportunity. Total revenue management is not a new trend, but it is one that hoteliers and revenue experts from around the world seem to be embracing for the year ahead.

At citizenM, the focus is on customer lifetime value. Bob Engeringh, Commercial Director, citizenM believes more hotels should look beyond room revenue and take a more holistic view of revenue management.

“The development of net revenue management, not only focusing on the single room booking but taking into





“Current hotel loyalty programs are built on ‘earn and burn’. But today’s travelers, specifically Millennials and Gen Z, don’t care about earning points because they don’t use them. This is not an incentive to rebook. As such, we need to reboot how we build loyalty programs. Data and, more specifically, blockchain, can help us to do that.”



Remy Merckx,
Senior Advisor

Head of Travel & Hospitality, eClerx Digital

Blockchain and the metaverse

New technologies such as blockchain and the metaverse should also be gaining the attention of hoteliers because they are certainly gaining the attention of hotel guests.

For Remy Merckx, Senior Advisor - Head of Travel & Hospitality, eClerx Digital, blockchain could hold the key to the future of guest loyalty.

By putting customer databases into the blockchain, which then anonymizes the data, a 1:1 relationship with the customer becomes possible. Marketing becomes personalized. And conversions increase.

“We are on the cusp of a real paradigm shift in digital marketing, as we move closer to 1:1 marketing. And at the same time, we are giving the customer back control of their own data. This is happening across many industries right now. The danger is that the hotel industry will, once again, come late to the party,” Merckx warned.

Michael Cohen, Managing Partner, GAIN Advisors, believes the metaverse will open up even more opportunities for travel, making travel more inclusive. For hoteliers, it can also offer new touchpoints for communicating with guests pre-stay, in-stay, and post-stay, which he details in his article on [page 23](#).

There are operational benefits too, especially in operations, recruitment, and training.

“In an industry where standard operating procedures (SOPs) are vital, many brands and operators are converting training to virtual platforms,” said Cohen.

However, as with blockchain, Cohen is worried that the hospitality industry will also be late to this party.

“The next generation is already living with this [technology]. The hotel industry needs to catch up if it wants to stay ahead,” he said.



New guest habits

Erik Tengen, Co-Founder, Oaky, believes that despite all the disruption and uncertainty we have seen in the past three years, the guest has not changed – they still want great experiences. However, guests' habits have changed, particularly in how they book hotel rooms.

Tengen details 5 guest habits to tap into for a successful 2023 on [page 27](#).

“2023 promises to be a very exciting year for hospitality. Those hoteliers who target the guest in fresh, targeted ways will enjoy an increase in both guest satisfaction and profitability,” Tengen said.

“As we move into 2023, we need to continue refining our new playbook to meet travelers where they are today and not where they were in the past,” said Stacy Silver, Founder, Silver Hospitality Group.

“As an industry, we need to offer experiences and top-notch service to our guests in the hopes that they continue to prioritize travel and services over consumer goods. The bottom line is we need to look at and analyze the data to truly understand the changes that have occurred in consumer behavior. This will enable us to adapt and update our model for this new world.”

Silver identifies 3 market dynamics to watch in 2023 in her article on [page 34](#).

“Hotels have always been slow to change, but today’s consumer is looking for unique and individual experiences. Hotels must stay in touch with evolving guest needs and be ready to move quickly as those dynamics change,” said Suzanne Swafford, SVP of Revenue Management, Tishman Hotel Corporation.

SURVEY RESULTS

Outlook & Trends Survey Results 2023

Once again, Duetto has surveyed the global hotel industry to find out what are the burning issues of the day with revenue professionals.

Our Outlook & Trends 2023 survey has shown that investment in revenue technology remains an important factor in moving revenue and profitability forward for most hoteliers.

The survey included input from revenue managers, property-level and corporate-level directors of revenue management, revenue consultants, revenue and distribution analysts, and property general managers.

Most respondents (51.9%) worked in leisure hotels, but there was also good representation from business hotels, casino resorts, and hostels.

Survey respondents, by geographical region



Tech Investment

Of those surveyed, **82.3%** were already using an RMS. Of those not using an RMS, **71.4%** planned to invest in revenue management technology in 2023.

Looking back on tech investment in 2022, **72.2%** said that their hotel tech spend had either increased or stayed the same.

Looking ahead, **60.8%** expected their hotel tech spend to increase in the next three years.

These results correlate with those from our 2022 survey. Last year's results showed just **67.6%** were using an RMS, while **50%** expected to invest in one in 2022. With this year's results showing an uptick in RMS users, we can assume that investment took place.

Revenue Management

Revenue management continues to play a vital role in the success of any hotel business.

Rating (0-5) the importance of revenue management to the hotel business, the average score was 4.4, with **54.4%** giving a 5 for Extremely Important. The majority (**64.6%**) said that the importance of revenue management to their business had increased or stayed the same.

Automated processes are seen as very important for revenue teams in 2023. Rating this out of 5, the average score was 4.2, with **46.2%** giving this a 5 for Extremely Important.

As staffing issues continue to play out across the global hospitality industry, it is unsurprising that 'ease of use' was the number one most important feature of an RMS from those surveyed.

The top five most important features were:

Ease of use

63.1%

Intelligent

50.8%

Custom reports

41.5%

Automated pricing
recommendations

41.5%

Quick and
efficient

41.5%

Managing cost per booking remains important for hoteliers in 2023, with **50.3%** saying this has increased over the past 12 months.

Business Mix

As groups and corporate business continue to return, it is little surprise that this will be the focus for many revenue teams in 2023. When asked how they planned to optimize business mix in 2023, the top five responses were:



Other respondents also cited growing revenue per guest, segmentation, and length of stay as important factors for revenue management in 2023.

Our 2022 survey results showed Channel Management as the number one focus for revenue managers, with Groups Business placing third. This year's results show those two areas of revenue strategy swapping places.

Interestingly, business travel was also highlighted as the number one challenge for hotels in 2023, with 60.8% of responses.



Channel Management

The online marketplace continues to be the number one focus when it comes to channel management efforts in 2023, with hoteliers looking to make further investment in meta-search through Google, TripAdvisor, and other such platforms.

The top five focus areas for channel management in 2023 were:

Metasearch

75.9%

Loyalty

57%

OTAs

55.7%

Own website

54.4%

GDS

53.2%

It seems the highly competitive online marketplace is winning in 2023. Last year's results showed a much heavier focus on direct bookings via their own website, which topped the list with 91.9% of the votes.

Challenges & Trends For 2023

When asked what the three most important trends in revenue management would be in 2023, the results were a mix of revenue strategy and technical responses. The top five trends identified by our survey were:

TRevPAR	Integrated systems
46.8%	40.5%
Upselling	Attribute-based selling
35.4%	32.9%
Digital guest	
32.9%	

Selling hybrid spaces, ancillary revenue, automation, and personalized pricing were also cited as trends to watch in the year ahead.

Total revenue management is the focus for 2023, but our survey results for last year told a different story. Integrated systems and automation topped the list of trends, with TrevPAR coming third. Again, this shows that a lot of the tech investment predicted for 2022 did go ahead.

Our survey closed by asking hoteliers what they thought would be the biggest challenges for the industry in 2023. Business travel, while making a return, was top of the list. The top five challenges, as identified by those taking the survey, were:

Business travel	Staffing
60.8%	55.7%
Increased costs	Government restrictions
53.2%	45.6%
Lead times	Cancellations
43%	36.7%

The return of business travel has also placed it top of the list of challenges for 2023, a positive and a negative, as it shows the industry is truly expecting 2023 to be the year corporate travel returns.

In 2022, the top three challenges were identified as staffing, government restrictions, and increased costs.

Duetto conducted this survey among its software users and other hospitality industry professionals including revenue consultants and educators from across the globe from December 1, 2022, to January 16, 2023.

Why Hotels Need to Have a Tomorrow Team

By Judith Cartwright, Founder, Black Coral Consulting



The last couple of years have given the hotel industry time to reset and look for the opportunities that come from understanding their customer mix better. Hotels have been able to rethink how they approach their markets, and what segments of those markets are the ideal fit for their offering.

For many hotels in the Middle East, 2022 was their best year ever, and part of that was because they had to reinvent how they went after the business. Before the pandemic, the Chinese market was a big inbound market for the region, especially during shoulder season months. When this stopped, hotels were forced to look at other inbound markets and think about how they needed to tailor their approach to attract these markets.

Dubai worked hard to reposition itself as the center of the world. And it has been open and busy since July 2020 because the industry here continually looked outside of the box and took a proactive stance in its go-to-market strategy.

However, while 2022 was a bumper year, the industry cannot afford to be complacent.

The Tomorrow Team

Hotels need to have a 'tomorrow team'. This is a team separate from the 'today team'. The tomorrow team strategizes on what is needed from a technology point of view, from a guest point of view, and where the company wants to go.

This also frees up the today team to deal with the here and now, because a lot of the time we expect hotel teams to bring in the business, to serve the guests, to deal with everything that is going on now, and at the same time to also think about the future.

The future thinking needs to be done by a different team or with external consultants and experts that can help the today team come up to where they need to go.

A good example is cryptocurrency. There are some payment providers already accepting cryptocurrency. This is coming, but it is yet another area of technological advancement where the hotel industry is so far behind.



Continued Tech Investment

To stay ahead in 2023, the industry needs to continue its technology spend. The digitalization of the industry must continue. There are so many sophisticated systems available now, not just for rooms, but across all revenue-generating functions, including F&B, spa, attractions, and other ancillaries, that hotels need to start investing and focusing on total revenue management.

In 2023, hotels need to start optimizing every single element of the property and maximize every single square meter that they have available to offer. The more you can streamline operations and processes, and the more you can have the systems do the work for you, the more time you can spend on strategizing.

However, it's easy to say 'the more automation the better', but automated processes do require solid integrations and clean data. Otherwise, it's just garbage in/garbage out.

If there are no standards on how items must be entered into the system, and how the users are using them, then the automation is great, but the output is not clean. And from that, your strategy setting, decision-making, and evaluation aren't good, and you might not be getting the outcome that you're looking for.

Managing Digitalization

First, take a step back and look at what you need. This is where, potentially, you may benefit from having a consultant involved.

Next, get all the key stakeholders around the table to find out which systems do what and how they will work together. Look for integrations and easy-to-use interfaces that can streamline your operations, improve the guest experience, and collate data to help you know your guest better.

Make sure you focus on total revenue optimization. That your systems can know the revenue and profit per occupied room and even the revenue and profit per square meter of your hotel. This is essential for owners and asset managers, and important for hotels to understand because it helps you evaluate your spaces and how they can be converted into revenue centers.

Make sure your systems give you a commercial lens that goes across not just traditional revenue management and hotel sales but also incorporates F&B revenue management; a profitable restaurant is a key component to a successful hotel and to increasing total guest spend.

To do this you need to have a fully integrated tech stack that includes all customer touchpoints, from your PMS and RMS to business intelligence tools, CRM, point of sale, and more.

Set Yourself Apart

Hotels need to focus on how they set themselves apart from the competition. There needs to be more focus on storytelling, and on highlighting the experiences on offer for those wanting to travel. This helps build value and enables you to command the price points you want to go after.

To do this, hoteliers need to be adaptable and constantly looking for new income streams. It's about being proactive and not reactive – and the right systems and strategies enable that.



citizenM:

Focusing on Growth & Customer Lifetime Value

With Bob Engeringh, Commercial Director, citizenM

Customer lifetime value, driving direct business, and customer-centric operations are just three areas of focus on the citizenM roster for 2023, according to Bob Engeringh, Commercial Director, citizenM.

citizenM enjoyed a busy 2022, and 2023 looks to be no different. The company has three new hotels slated to open this year. These are the 351-room citizenM Miami World Center; the 84-room urban retreat citizenM Paris Opera – the brand’s fifth in Paris, and the 344-room citizenM Austin Downtown.

With no plans to slow down, the brand is set to continue its focus on digitalization for the benefit of the guest, while revenue teams are concentrating on customer lifetime value and driving direct bookings.

Customer Lifetime Value

Engeringh believes the hotel industry has been too focused on single bookings. For him, the industry should look more at customer lifetime value.

“Our focus is on net CLV (customer lifetime value) with a focus on driving more direct business. However, not every loyal customer can book via your website due to travel policies, so here it is up to us to make sure we have the best set up for us to further optimize our spend within our total distribution network,” Engeringh remarked.

He believes more hotels should be looking beyond rooms revenue and taking a more holistic view of revenue management.

“The development of net revenue management, not only focusing on the single room booking but taking into consideration any ancillary spend, will be an important trend in 2023 and beyond,” he said.



“The industry is way too focused on the cost of one single booking. But at citizenM, the emphasis is on customer loyalty.”



Bob Engeringh,
Commercial Director, citizenM



“For us, automation has always been important. We operate under a very focused, centralized model, where everything that is not related to direct guest interactions is taken out of our hotels. This is essential to be guest-centric. All decisions we make in terms of partners and systems are always focused on the principle of being active 24/7 while our commercial team is operating 18/5 over two time zones.”



Bob Engeringh,
Commercial Director, citizenM

Automation

Another trend Engeringh sees continuing through 2023 is the continued spend on technology.

“For the next few years, my prediction is that this will continue to increase. Especially now that it is harder than ever for the industry to attract people to work, the focus will be more on automation. If we keep on focusing on this as a means to a better human connection, it is also a good thing,” he said.

Automation is at the center of citizenM's operations and is also a proponent of being a ‘means to a better human connection’, as Engeringh explained.

Looking ahead, Engeringh stressed that the digitalization of the hotel industry will be best served by a more open tech landscape. For him, it is important for there to be seamless connectivity between solutions, ideally through open APIs.

“If we want to make sure everything is connected seamlessly, more systems need to be able to communicate with each other. As many providers still are very protective of what they make available in terms of API, this is limiting them in the opportunity

to link into existing architecture. This in effect will lead to opportunities for other developers that are working on more open connectivity,” he said.

Yielding in 2023

Connectivity and automation will prove vital as citizenM continues to grow and navigate all the challenges the hotel industry will likely continue to face in 2023.

Considering those challenges, Engeringh believes hotels need to focus on where they can have the most impact.

“The biggest challenges are still the macro-economic ones. The war between Russia and Ukraine, the fear of yet another pick up of the pandemic, and the linked price increase due to logistical and resource issues. This all goes beyond challenges that we, as hoteliers, can impact ourselves, when it comes down to performing our business,” he said.

“At a more micro level, I hope that the industry has learned that yielding should only go up and never down. It's not good for the business and (most importantly) it's not fair for the customer.”

Six Revenue Management Trends to Watch

By Chris Crowley, Chief Revenue Officer, Duetto

2022 was a year when we saw a significant move to cloud-based technology. Staffing pressures and market variability meant that hotels needed to implement systems that could harness and process extraordinary amounts of data without having to hire large teams of specialists.

The interoperability of HTNG-spec, cloud-based technology has meant that tech stacks have evolved rapidly across a range of areas of critical importance to hotels.

Looking at the results of our recent Trends & Predictions survey, it looks like 2023 will be another year of increased tech adoption, as hotels continue to look for ways to drive efficiency, boost profitability and adapt to the challenges of the year ahead.

Here are six revenue management trends to watch for in the year ahead:

1 Variable Demand

Demand will continue to be variable because we will continue to experience multiple overlapping market crises on a recurring basis - from pandemics to wars to recession - as such we will need to adopt very flexible pricing models, especially in the high-volume hub city destinations.

However, there are opportunities here. This variable demand should drive hotels to focus more on the repeat customer, using personalization and emotional trust appeal to build closer connections and loyalty with the individual guest. The value of this connection between hotel and guest will only grow in importance in the years to come.

2 Short-term booking windows

The short-term booking window remains, and this will continue to challenge hotel teams, both operationally and from a revenue perspective. However, a short-term booking window represents an opportunity to connect with a more mobile, more astute, and engaged traveler, switching seamlessly between business and leisure profiles. Hotels are learning to integrate customer data and loyalty profiles across the entire spend onsite to curate personalized offers for a more discerning guest. This is a guest that is used to shopping in a short-term booking window and making direct decisions with their hotel supplier.



3 Dynamic optimization

Hotels can no longer rely on fixed pricing models to deliver consistent and reliable volumes across their hotel real estate. Dynamic pricing and rate flexibility have become essential, not just for the hotel, but also to attract the new breed of engaged traveler.

Real-time dynamic optimization enables hotels to react instantly to changes in demand, accelerating go-to-market strategies and promotions. In a world where everything is in an instant, a lack of speed can kill profit. Be ready for agile pricing - what we may come to refer to as 'situational pricing' - as this assists hotels in driving advantage in short term windows or limited seasonality by using flexible data models based on forward-looking predictive models.

4 Real-time forward-looking data

Historic data is no longer sufficient to build a hotel revenue strategy. Duetto has been focusing on forward-looking data for years. Our solutions pull in website data that provides insight into future demand dates and consumer price sensitivities.

Moving forward, hotels need to look beyond the booking engine and start considering wider demand intelligence, such as how upcoming events (sports, concerts, conventions etc) may boost demand, and on the flip side, be aware of how other external factors, such as severe weather, may change the demand curve. If you measure it, you can manage it.

A great example is Virgin Hotels Edinburgh, which opened in the middle of the summer season of 2022 and just ahead of the busy festival period. The hotel needed to enter the market competitively on price without

underselling. However, as a new property, the hotel had no historical data. Therefore, the revenue team used short lead market demand data and pick up data to be able to price and forecast more accurately. Having access to forward-looking demand data, such as the website data Duetto ingests, was important in enabling the hotel team to identify small market trends, making sure they didn't miss out on any opportunities.

5 Data transparency and co-operation

Forward-looking data, such as the web traffic data available in Duetto, provides hoteliers with a vital heads-up on what is to come in terms of bookings and consumer demand, and this is even more important while that booking window remains truncated.

Sharing this data with the relevant teams and making sure that all departments have access to the same data, in real-time, means that operations teams can better schedule staff and order perishables, while revenue, sales, and marketing can work together to fill any gaps in demand through tailored packages and personalized pricing.

And this data should be available and transparent to all stakeholders. Today's revenue leaders should be able to adapt their data story or visualisation to their audience. They should be working closely with executive teams, asset managers and investors, as well as brand development teams. Pricing parameters play an important part in asserting a brand's value.



6 Personalized pricing

Our work in the casino and leisure resort space has allowed us to assign personalized pricing and packages based on upsell demand or loyalty profile directly from the inventory through revenue management. As we continue to evolve this capability in our application, we will see hotels working in a more fluid and more targeted way with their individual guests and business partners. The more personalized your offers, the higher your conversion rate. The best way to drive this is to link personalization directly to revenue. We have seen this through our partnership with Oaky. Working together with Duetto, Oaky has reported hotels achieving 45% more guest spend per upgraded night and at the same time providing a customized guest experience. Hotels will see this trend continue through loyalty and profile-based offers targeted directly to individual guests in the shopping and confirmation process.

7 Why Make Tech Investment A Priority in 2023?

Still unsure about the need for a technology upgrade? Ask yourself, are your customers still carrying around a Nokia 3310 out of loyalty? The phone was great in its day, but the world has moved on. Technology has advanced. The customer has advanced. And hotel businesses that don't keep up with this change will slip behind at a rapid pace.

When your current technology is limiting your options, the replacement cost must be compared to the revenue lost from not implementing technology in the first place.

In addition, modern solutions attract the brightest talent, who don't want to have to perform mundane tasks such as data entry. They want a system that offers the efficiencies of controlled automation so that they can work to influence the direction of business and strategy of a hotel business.

A cloud native system like Duetto also allows for a more fluid and hybrid way of working for the revenue manager, which is a tremendous benefit when attracting young talent today. A legacy system often requires an office presence. But by working in the cloud your talent can work in a more flexible way to drive revenue for the hotel from anywhere.

Is Blockchain The Future of Hotel Loyalty?

By Remy Merckx, Senior Advisor - Head of Travel & Hospitality, eClerx Digital

The guest is evolving, and therefore so too must their digital customer journey. New technologies, such as blockchain, could hold the answer to unlocking true 1:1 communication with customers, enabling hotels to offer personalized offers that convert and drive both revenue and profitability.

However, before we consider what is to come, we need to look at where the hotel business is today. There has been this huge recovery period post-COVID, and hotel companies have been planning and coming up with recovery strategies. Some have been very successful, others less so.

3 Challenges From 2022

This was the state of play at the end of 2022:

1 Corporate has not fully returned

Corporate business has not come back to the level it was at in 2019. And it is widely agreed that between 20-25% of that 2019 corporate business will never return. This is because big corporations have new travel rules. There has been a huge cut in travel budgets, with global firms cutting corporate travel by as much as 35% - spurred by both sustainability and rising costs. Hotels need to find new business to replace this.

2 Leisure has increased significantly

We've seen a lot of pent-up demand as people were unable to travel for a couple of years. Leisure has bounced back. That's great because it has covered some of that loss from corporate – but I stress on the 'some' – this is not a like-for-like swap.

And there are caveats with the return of leisure:

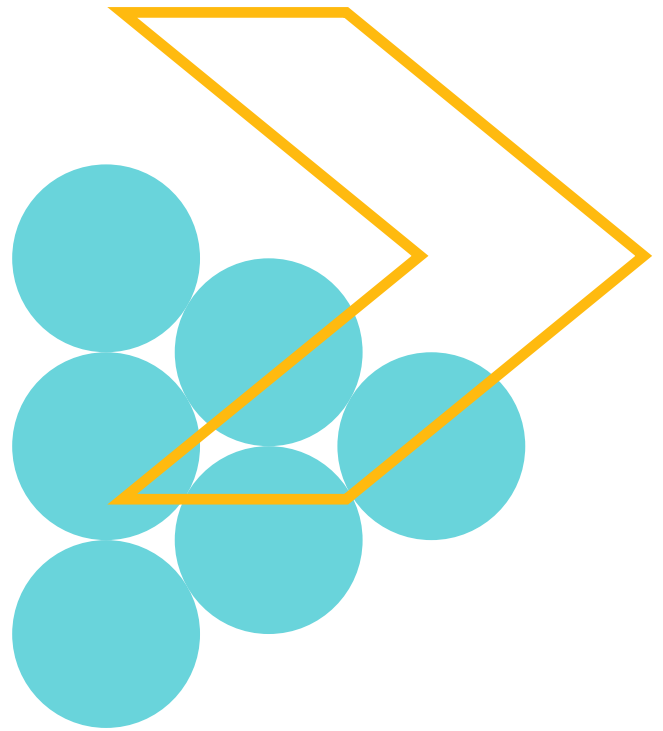
The booking behaviors of those customers are different; they are staying in different properties, for longer, but booking closer to the stay date.

There was a lot of pent-up demand, which will start normalizing. Summer 2022 saw leisure about 30% above 2019 levels, but by December 2022 that had leveled off to just 1-2% above 2019.

3 Meetings and events remain reduced

This greatly impacts larger hotel companies, where up to 35% of their total business can be meetings and events. This sector has reduced by about 30%.

Summer headlines may have been very positive, but when you look at the real numbers, 2022 closed about 20% behind 2019. Add in the fact that operating costs are high, and so too are room rates, this presents challenges for 2023. But as with any challenge, there are solutions.



3 Solutions For 2023

In 2023, what you know about your customer will be what helps you gain market share. It is about the way you collect and manage that data. And, of course, technology drives the collection of that data.

1 Retention over acquisition

The first customers to return after the pandemic were loyal customers. The value of your membership has become greater. Hotels are now realizing that their loyalty programs drive demand without expensive acquisition costs, whether that is PPC, PPA, OTA commission, or any other third-party cost. Loyalty members spend more money on property and they stay longer, so there is a huge benefit in focusing your marketing efforts on this segment.

2 Conversion rate optimization

The conversion rate of direct digital business for hotels is very low at 3.5%. Hotels are paying a lot of money to attract people to their own channels and then they do a very poor job at converting them. As a comparison, the average conversion rate on an OTA is 6-10%. Hoteliers need to spend more on conversion rate optimization (CRO)

than on acquisition costs. The incremental gains of pushing a conversion rate up, even by just 1%, can be huge for a hotel business. And that is direct revenue, without a commission.

Here are two quick wins to this digital optimization: make your website mobile-friendly and make your email mobile-friendly. The customer wants to be able to book on their mobile device; don't make that a barrier to conversion.

3 Digital journey optimization

If you have an app, loyal customers will often book via the app, but only if it's a seamless experience. Your app should give you the opportunity to push tailored offers to your members. These are effectively gated prices that the OTAs and competitor shopping tools cannot pick up. Make the most of this and build attractive offers tailored to your loyalty program members.



The Future Of Loyalty

Current hotel loyalty programs are built on 'earn and burn'. But today's travelers, specifically Millennials and Gen Z, don't care about earning points because they don't use them. This is not an incentive to rebook. As such, we need to reboot how we build loyalty programs.

Data and, more specifically, blockchain, can help us to do that.

By putting customer databases into the blockchain, which then anonymizes the data, a 1:1 relationship with the customer becomes possible.

On average, customers have 14-16 preferred brands, across retail, travel, banking, technology, etc... Using blockchain, the customer has one digital profile. They choose which brands to share that with, but the brand only sees what is relevant to them.

Marketing becomes personalized. The offer is bespoke to that one client, through a 1:1 relationship. You are no longer trying to

find a product that will suit the average 20-30-year-old European traveler, for example.

In addition, your customer is more qualified, and because the consumer trusts that their data is safe, your brand becomes even more trusted. The whole relationship is strengthened.

We are on the cusp of a real paradigm shift in digital marketing, as we move closer to 1:1 marketing. And at the same time, we are giving the customer back control of their own data.

This is happening across many industries right now. The danger is that the hotel industry will, once again, come late to the party.

We need to work together to build a system that can benefit all the hotels in the world by driving incremental business onto their own digital platforms through the blockchain.

How Can Hotels Embrace The Metaverse?

By Michael Cohen, Managing Partner, GAIN Advisors

The metaverse incorporates all immersive technologies. This can be divided into three building blocks: virtual, augmented, and mixed reality.

Virtual Reality

Using devices that create a deeply immersive experience that doesn't exist IRL (in real life). It's commonly a headset providing audio-visual and, in some cases, some haptic, experiential engagement.

Augmented Reality

An immersive and informational overlay on the real world, driven primarily by the supercomputer (smartphone) in everybody's hands.

Mixed Reality

Set to be the endgame of the metaverse. Mixed Reality will give the ability to come in and out of IRL. You'll have overlays of virtual reality on the real world. Wearable devices, probably glasses, will give you the ability to be always on and be fully or partially immersive, to access information, data, instructions, or entertainment that will push through to you while you're interacting with points of presence in the digital world and the physical world.

The other major building block of the metaverse is Web3, the infrastructure of evolving and emerging technologies such as blockchain, IoT (the internet of things), geolocational sensors, etc, many of which are already being used by the hospitality industry.



What Does This Mean for the Guest?

The metaverse and immersive technologies are inclusive innovations for travel and hospitality. This can open up travel experiences for people with physical disabilities, or who don't have the opportunity to travel. And there are now more touchpoints for communicating with guests pre-stay, in-stay, and post-stay.



Pre-stay benefits

Soon, guests will be able to pre-experience the hotel. Industry innovators such as citizenM and Marriott are already experimenting with this. Another company, called Rendezverse, can create a digital twin on any hotel, conference facility, resort, spa, or any other offering.

This helps the guest select their room or suite, while for conference organizers it enables them to 'see' the conference facilities and different room configurations.

This is huge for the guest, as they consider where to spend their money. Being able to experience the difference between a guestroom offering 120 square feet versus a suite offering 135 square feet, or the view from a higher-level suite, can lead to higher conversion rates on higher priced units. The ROI on the tech investment is very linear: you invest in immersive technology and immersive content and you sell more expensive rooms.



In-stay benefits

With augmented reality and mixed reality glasses, the options to offer a virtual experience on-premise on the property, at a destination, or even in an airport or other environment are huge.

The ability to be ‘always on’ will open up more cross-sell opportunities for hotels via the immersive layer. Guests can activate pre-experiences: they can experience the casino floor, the live entertainment, the restaurant, and the spa. I can take my supercomputer smartphone and I can scan a QR code and be transported to an immersive experience that will show me the show or the hamburger will rotate in front of me.

It’s going to enhance the guest experience. It’s going to create more destination hotspots to get people to move to different areas of the resort or destination. And it can be very strategic.

Hotels can use this to drive restaurant bookings, and ancillary revenues, educate the guest and alleviate concierge.

Another use case is, I walk into a sophisticated hotel room that is heavily tech-enabled. I don’t know how to use the guest room management system. How do I turn the lights on, for example? I walk in. I put my phone up to the QR code, and now the entire guest room is on my phone via the immersive layer. I can see videos

of how everything works. Or I point it to the lights and can control the brightness. The information is now available on a device that is familiar to me – my smartphone.

There are tourism attractions already embracing this technology. I visited the Gustav Klimt Museum in Vienna which has a lot of cool audio-visual, and virtual reality headsets which bring the artwork to life. This creates an immersive art experience that puts visitors into a milieu of Vienna at the turn of the century.

Post-stay benefits

Post-stay is going to be a new way to share your travel photos.

Imagine, I go to Machu Picchu and the tour guide has a high-definition camera on a GoPro getting an immersive capture behind me as I’m climbing. Post-trip they send me a link for my VR headset and I can experience it again, in an immersive environment. This time I can take in more; I see the eagles soaring above me and the view below me. And my friends and family can experience it too. It’s a shared immersive experience.



Operational Benefits

It must be about utility, engagement, and loyalty all working together, both front and back of house, because employee retention and employee training are paramount.

The 'sizzle' is in the customer-facing solutions, but the greater, short-term impact will be in operations, recruitment, and training. There are hotel brands today that have invested in hundreds of VR headsets for training and recruitment. They can help candidates pre-experience the job, making the interview process richer and deeper, and help employers find the best-suited candidates.

In an industry where standard operating procedures (SOPs) are vital, many brands and operators are converting training to virtual platforms.

Is it Really Coming?

The hospitality industry has traditionally been a laggard in adopting new technology. And there are still many doubters. But...

The app for Meta's Oculus VR headset was the number one app download on both the Apple and Google app stores after Christmas. In 2021, Meta sold nearly 2.5 million headsets. In 2022, that figure almost tripled.

The next generation is already living with this. The next generation of hotel guests, hotel revenue managers, hotel general managers, and more. The hotel industry needs to catch up if it wants to stay ahead.

Know Your Guest: 5 Habits To Look For In 2023

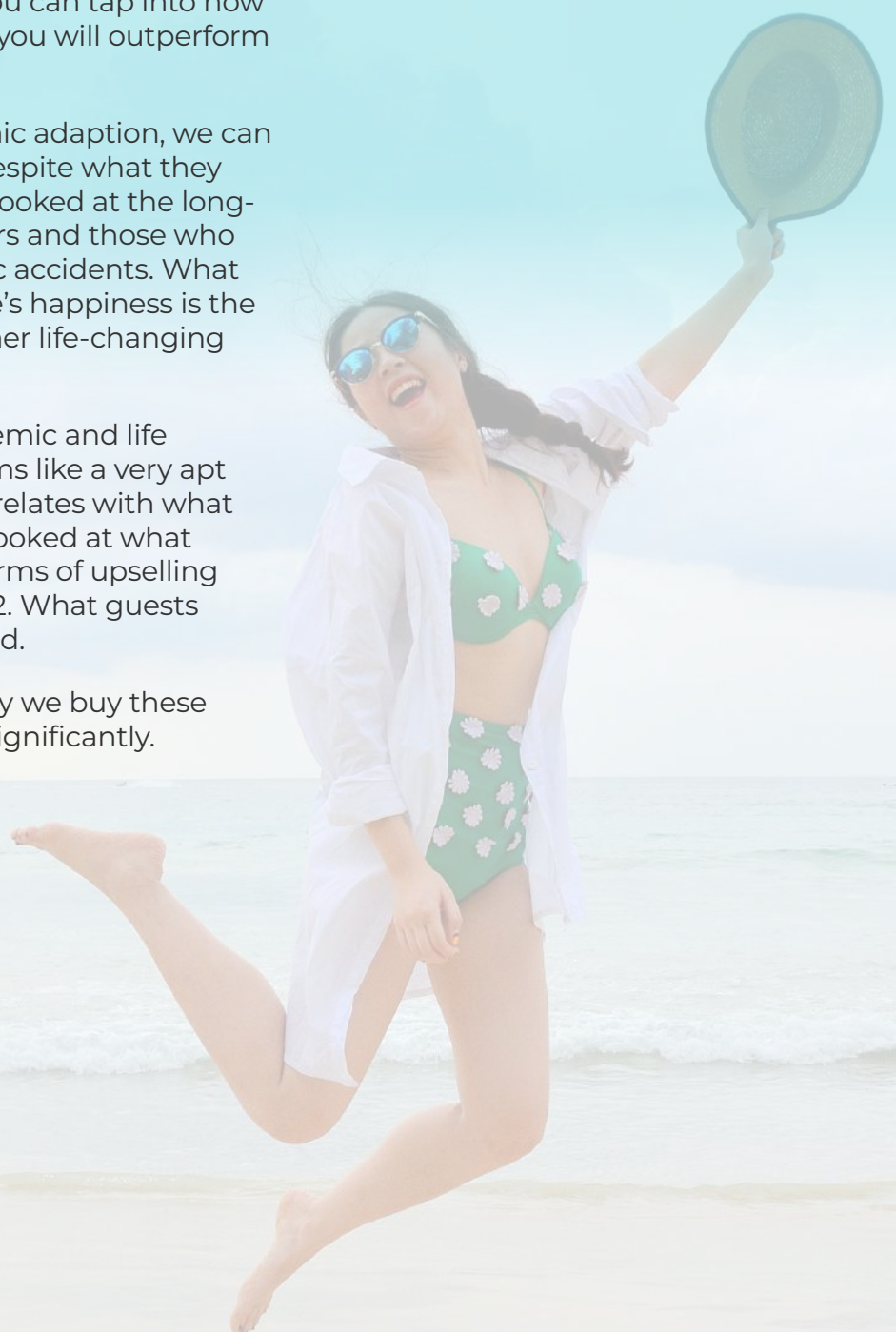
By Erik Tengen, Co-Founder, Oaky

Despite all the disruption and uncertainty we have seen in the past three years, the guest has not changed – they still want great experiences. However, what hoteliers need to be aware of is how the guest's habits have changed, particularly in how they book hotel rooms. If you can tap into how to market to the guest of today, you will outperform the market.

If we look at the notion of hedonic adaption, we can see that people rarely change despite what they go through. Years ago, a survey looked at the long-term happiness of lottery winners and those who had been victims of catastrophic accidents. What the study found was that people's happiness is the same about 18 months after either life-changing event has happened.

As we all pull through the pandemic and life settles back to normal, that seems like a very apt comparison. And it certainly correlates with what we see in our data at Oaky. We looked at what guests were buying in 2015 in terms of upselling and compared it to data for 2022. What guests were looking for has not changed.

But what has changed is the way we buy these experiences. This has changed significantly.



Here are 5 guest habits to tap into if you want to succeed in 2023:

1 We have an 8.25-second attention span, which is shorter than that of a goldfish

Everything you read, sell, and consume must be quick and targeted. Everything is being boiled down to its absolute essence. Take Blinkist as an example. This is a book-summarizing subscription service that enables you to read or listen to the key insights of a book in less than 15 minutes.

We recently did an A/B test to determine how much content you need to show a guest to make them buy something. In the test, the first option was a website with a picture and a lot of text. The variation on this was a landing page with great pictures and minimal text with tiles. Our test showed that 75% would buy from the landing page with minimal text. Guests did not need to read the full description.

As a hotelier, you need to capture your audience through succinct and meaningful content, be it images or text.

2 People buy on feelings, not attributes.

We don't buy a room because it is 25m² but because we are guaranteed a great night's sleep with views of the city.

Bullet point lists of attributes of a room aren't interesting. Hotels need to sell on feelings not attributes. Don't feel compelled to list everything, rather use your marketing copy to put the guest in the room, in the destination, in the experience.

3 We are constantly looking for stimuli and planning our trip during the trip.

Years ago, you would go to a tour operator and everything was planned for your trip. Now you plan as you go. Hoteliers tell me 'I don't want to spam my guests and over-communicate'. But you should see every touch point in the journey as an opportunity to provide something relevant. Early in the customer journey is great for selling upgrades, closer to arrival you sell more ancillary services, late check-outs, and excursions. And at check-in, the front desk typically sells a lot of upgrades.

Hoteliers need to spend time understanding what the guests want and when. The time to sell is important to conversion. If you're relevant you win. But you need to have data to guide you on this.

4 **We base our decisions on spoon-fed personalized content.**

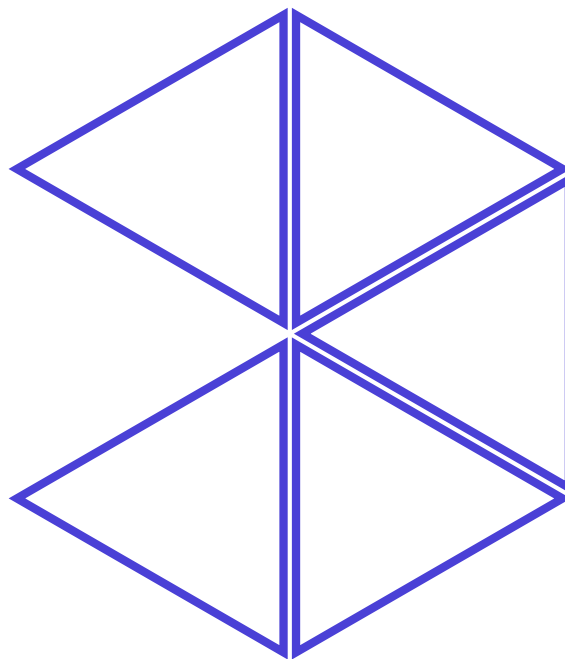
We recently did research and put out a whitepaper on the most popular deals for business and leisure guests. We found that hotels that offer the right deals to the right segment have a far higher conversion.

Hoteliers need to get the basics right with segmentation, yet too many hotels don't do segmentation of any kind. Segmentation enables you to understand what the guest wants and then offer it. Again, you need data and tech to do this right. But once you start you will see quick and great results.

5 **We are continuously unconsciously making decisions based on behavioral science.**

We can make up to 35,000 subconscious decisions a day. We see it in marketing all around us. It's called priming, which occurs when we are exposed to a stimulus that influences our response. For example, we may see a photo that provokes an emotional reaction. Or we may hear music or experience a scent that makes us want something. For example, if you play French music in a restaurant it will make your diners spend more. Hoteliers should look at behavioral science and start applying it to their sales, marketing, and operations.

Attend to all these five guest habits and you will outperform the market.





Hospitality Trends To Watch

In addition to guest behavioral habits, there are several trends that we believe we will see come through in terms of hotel operations in 2023. These are:

Investing in staff well-being

Company culture and staff well-being will be an investment hotel companies and hotel tech technology companies alike will need to make to create remarkable experiences for the guest and respond to staff shortages. If you don't get that right, you don't get the business.

Turning front-office agents into upselling superheroes will aid the war for talent

In 2023, many of your front office staff will never have worked in the front office before – and technology will be essential to help them master upselling from week one.

Oaky is building a front-desk upselling product with the ambition to turn any front desk agent into an upselling superhero. It will deliver a script and personalized offers with dynamic prices from Duetto so that the front-desk agent is armed with the right tools to convert the guest standing in front of them. There will also be exciting gamification and reporting elements to drive competition and personal development. Other than driving more profit for the hotel, and enhancing the guest experience - front-desk agents using Oaky linked with Duetto will also make much more commission than working in other hotels, and this will aid you in securing talent.

Revenue Strategy will extend beyond the booking

Revenue strategy will be across all commercial departments and extended across all parts of the guest journey. At present, a room's rate is largely determined by data on demand and supply. Integrating with Oaky and Duetto, hotels will be able to factor in category upgrades. For example, a hotel sees increased demand for its standard double but is close to sell-out in that category. What would happen if it offered an attractive upgrade package to guests who booked a standard double more than a month ago? 1 - you get a few upgrades, 2 - you free up more standard doubles while demand is high for that room category, and 3 - you boost profitability.

Hyper-personalization is a thing

Personalization starts with segmentation and then moves towards hyper-personalization. We know the recipe for success is a guest being sold the right deal at the right time at the right moment at the right price on the right channel. But all of those variables are unique to that guest.

In the Middle East, for example, hotels see a higher propensity for conversion on WhatsApp, in European countries email is the preferred channel. Channel marketing is a very important aspect of communicating with guests. And while there is much science behind getting all that right, it has to start with basic segmentation.

We are now seeing ultra-luxury hotels embracing hyper-personalized digital upselling. Many ultra-luxury hotels are relying on amazing service - which is the human touch. However, there is now a new segment of guests coming to stay that expects a digital experience alongside the human experience, and that presents new opportunities for hyper-personalized digital upselling.

2023 promises to be a very exciting year for hospitality. Those hoteliers who target the guest in fresh, targeted ways will enjoy an increase in both guest satisfaction and profitability.

How Recruitment, Recession, and Rates Will Impact Hotels in 2023

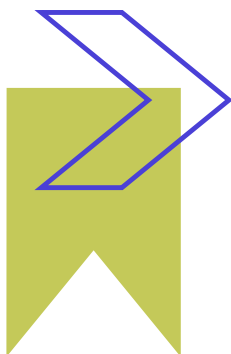
By Jordan Hollander, Co-founder, Hotel Tech Report

The three Rs – recruitment, recession, and rates – are being seen by many as the challenges of the hospitality industry in 2023. But what if they are also opportunities? Handled correctly, these three Rs, coupled with the right technology investment, could help hoteliers to a more streamlined, strategic, and profitable 2023.

Recruitment

I disagree with some of the commentary around staffing challenges. When we look at the data, we are consistently seeing layoffs across the board from industries including technology and banking. As a result, my prediction is that staffing challenges will ease a bit. It's going to be easier to attract talent into hotels because when you lay off thousands of workers from Amazon, those workers aren't all engineers. I think a lot of these individuals will start turning towards industries like hospitality that are craving that new talent.

When Covid hit, we had a lot of talent in the hospitality industry, retire early. We had a lot of talent moving to other industries, and a lot of that talent may be gone forever. The next generation of hoteliers is likely coming from some of these other businesses. And so, the challenge for the hotel industry is how do you train your staff.



Recession

We are seeing interest rates at record highs. And that is why we saw mass redundancies from the mortgage departments of banks like Wells Fargo. The interest rates are so high, they're unable to write enough mortgages to justify the level of staffing that they have. What that means for hotels is that we're going to see a slowdown in mergers and acquisitions, across all categories in private equity. What that means is that supply will grow less quickly. That's an opportunity for hotels that are currently open.

Rates

Rates across travel and, and tourism in general, whether that's flights, accommodation, or other services, are extremely inflated.

What happens when you have lots of layoffs, lots of unemployment, and downscaling, is that all these people cut their travel budgets. The corporate budget is less because there are fewer employees traveling, and the leisure budget is less because of the layoffs.

And I think that's going to lead to a decrease in rates for hotels, airlines, and other travel service providers.

Hotel Tech Spend in 2023

The solution to many of the challenges created by the above is in technology and finding ways to automate manual tasks, and streamline and drive efficiencies. As such, hotel technology spend will continue to increase in 2023.

The pandemic gutted divisions in hotels and whether staffing is light or new talent is coming into the market, in both cases, we need technology to standardize our processes and to deliver a consistent guest and staff experience. That shifting workforce has created more demand for technology for hotel owners to be able to drive the requisite levels of net operating income and profitability.

Automation is critical to the efficiency of any business. Having a workforce that is stuck at running business insights in Excel worksheets, cleaning and migrating data between systems, and running manual processes around all of this, is a waste of time, which ultimately is a waste of money. In addition, it makes those employees' jobs extremely tedious, challenging, and error-prone.

And so, automation is already absolutely critical, and not just for hotels, but for any business in today's market, because you're not just competing with the hotel down the street, you're competing with booking.com, Expedia, and Google, and you're competing with really sophisticated players that are upping the gameplay.

Another reason I think it will increase is new and innovative business models amongst the hotel software players. Historically, technology such as central reservation systems worked on a commission-per-booking model. Then we moved to a SaaS model, with a subscription rate.

Now we are evolving into an embedded payments model. Companies like Planet Payments, Addion and Stripe are innovating here and enabling technology companies to monetize payments in addition to their SaaS revenue. The good news is that despite hotel technology spend increasing, going forward, the hotels might not actually feel this because that budget was already out of their pockets and going to payments processors.





New Hotel Tech Innovations

There are several new and exciting hotel tech innovations to watch in the year ahead.

Selfbook has some compelling technology; it's the best booking experience I've ever seen. It eliminates the need for hoteliers to reroute prospective guests on their website to a microsite for booking. This increases the conversion rate. And it offers slick mobile payments and mobile checkout.

Canary is doing some interesting things, consolidating the guest experience tech stack, providing contactless check-in, guest messaging and upselling in one integrated solution.

And ALICE by Actabl is an extremely interesting combination. They combine data from operations platforms like Alice with data from a BI platform in ProfitSword. This enables hotel teams to see how operational changes may affect the P&L, which will enable hotels to create more iterative operational efficiencies. As we think about those labor challenges this type of tech is going to be critical for hotels to be able to see demand changes in real-time and quickly adapt their processes at their hotel.

And as far as what is new at Hotel Tech report, we are working on providing a suite of tools to help hoteliers identify proactively, rather than reactively, which areas of their tech stack require investment relative to other hotels.

Oracle's Top Hospitality Industry Predictions for 2023

By Laura Calin, Global Vice President,
Hospitality Strategy & Solutions Management, Oracle Hospitality

In the past year the industry has seen a strong resurgence as guests headed back to leisure vacations and business travel started to pick back up. Still, the industry does not look the same as it did before the pandemic, and innovations that were a necessity at the height of COVID-19 have become mainstays that are never going back. As we move into 2023, we will continue to see hotels leverage technology to not only increase operational and staff efficiency, but also meet changing guest expectations for a high-value, but a relatively low-touch experience. Below are the technologies that will continue to transform the industry this year:

1 Hotels will prioritize guest convenience and choice by presenting offers for upsell and ancillary products and services

Airlines and retailers have trained consumers to not just accept upsell or ancillary offers, but to look out for and expect them. Hotels have no choice but to step up to this new level of guest expectations.

A recent [Oracle study](#) found that 81% of hoteliers surveyed expect a big service model shift between now and 2025, and 49% strongly agreed that special amenities and upgrades are critical to their revenue strategy. In tandem, more than half of consumers (54%), said they are willing to pay more to choose their view; 38% to choose their room; and 32% to choose their room floor; etc. Consumers want what they want, and it's up to hotels to provide options for guests to customize their stay, and to present those offers throughout the guest journey, from booking to check-in (digital or in-person) to on-site.

Every touch point provides an opportunity to give the guest the ideal stay. But to achieve this, hotels need to evolve away from rigid and siloed business models and adapt to new guest expectations. By blending accommodation styles and focusing on wellness and experience, hoteliers can also more effectively compete against short-term rentals.

2 Automation, supported by AI and machine learning will improve operational efficiency and support new revenue streams

Automation – once considered a “nice to have” in the hospitality industry – is now essential. A growing number of innovative hoteliers are taking initiative to fundamentally change the way they operate their hotels and best serve their guests by leveraging AI and automation to transform day-to-day hotel operations – the areas that are historically admin heavy. For example, intelligent, rules-based systems that can determine, in real-time, the most efficient housekeeping schedule while correctly prioritizing guests’ needs can trigger notifications to other users directly in their primary system, enabling frictionless communication between departments and swift action. Similarly, finance automation can auto-balance transactions for daily audits and uncover any discrepancies or imbalances proactively.

Second, guest service is boosted via AI-based automation, particularly with apps and chatbots that provide guests a digital choice to instantly fulfill their requests or interact with hotel staff, while giving back employees the most valuable thing: TIME.

And last, automation can assist hotels with revenue management and new revenue streams, whether collecting and analyzing data, or determining the right room, attributes, and ancillary services for each guest. Machine learning can target a precise combination of initial and subsequent upsell offers that maximize conversion while keeping the guest engaged throughout the entire reservation cycle.

3 A modern UX, including self-service tools and gamification, will become essential in optimizing staff efficiency

Hotel staff, like employees everywhere, want the same user experience on professional software as they have on consumer software – intuitive user interfaces that are quick to learn and easy to use. And when dashboards and workflows can be customized through the power of configuration at brand, property, role, and even user level, applications can easily adapt for maximum efficiency for everyone.

With today’s staff churn, fast onboarding is critical, so the more self-service tools, the better – from onboarding digital learning to intelligent knowledge bases. Application-guided learning identifies first-time users and takes them step-by-step through their tasks, helping them learn on the job and eliminate extra training.

Gamification, or the use of game design elements in non-game contexts, can be a powerful tool for attracting and retaining employees, making work tasks more enjoyable, rewarding employees for reaching certain milestones or achieving goals. Leaderboards, comparing the performance of employees based on relevant metrics, like check-ins or upsells, or room cleaning, can introduce transparency and healthy competition, not to mention a bit of fun.

We are looking forward to working with our early adopters and integration partners this year to deploy OPERA Cloud Central, offering brand enterprise management, loyalty, distribution, and call center functions.

Ruby Hotels Focuses on Automation in 2023

With Mark Braune, Group Director Revenue & Distribution, Ruby Hotels



Built on its 'Lean Luxury' philosophy with technology at the core, Ruby Hotels sees further automation, continued independence from OTAs, and a continued drive for direct bookings, as core elements of focus in 2023.

The hotel company is in a rapid growth phase. Founded in 2013, Ruby has 15 hotels in operation with a further 19 hotels under construction or in the planning phase. As such, automation and streamlining operations are of paramount importance.

"Automation is one of the major topics for Ruby Hotels and we are always looking to improve our automated processes with a special focus on this in 2023," said Mark Braune, Group Director Revenue & Distribution, Ruby Hotels.

More Automation

Braune stressed the importance of a fully integrated tech stack that enables all components, including the PMS and RMS, to interface seamlessly, enabling more automation of manual tasks.

“It’s always beneficial if hoteliers and technology providers are working hand in hand to tailor solutions for the hospitality industry, which often requires special setups and is sometimes too time-consuming to get all the different systems working together,” he said.

“Investment in hotel technology will increase to follow Ruby’s philosophy of full automation, efficiency, and digital advantages for our guests,” he added. “In addition, there will be a trend of more digitalization to make a stay even more comfortable, from the booking process through to post-stay.”

Gaining Independence from

Another focus for Ruby Hotels in 2023 is to continue to drive direct bookings.

“OTA got a strong revenue share during COVID,” admitted Braune.

“It is very convenient for the guest to book on a platform; you have the full variety of hotels and pricing segments. Therefore, we as hoteliers need to do more. Independence from OTAs is an important focus. We will start with developing innovative ways to grow direct revenues, such as loyalty and an efficient digital guest journey/experience with better prices than OTAs.”

Braune and the rest of the Ruby Hotels revenue team plan to optimize their business mix in 2023 to increase direct revenues and create a baseline occupancy in groups for Ruby’s bigger hotels to build yielding opportunities. Central to this is continued investment in Ruby’s own website and booking channels.

Higher Costs & Prices

As with many hotel businesses, Ruby Hotels is working to find the optimum balance of occupancy and profitability. Braune believes this might lead to hotels in Germany increasing rates to balance costs, so as to be able to offer the same standards and services as before.

“There will be a trend to find the most efficient business rather than full occupancy for low profitability,” he said.

Braune also predicts that the short-term booking window will remain throughout 2023. As such, he believes the biggest challenge for hoteliers in the year ahead will be adapting to variable market demands, and inflation rates/costs, and finding the right pricing point in line with market changes.

Why 2023 Is The Year Hotels Should Rewrite

By Stacy Silver, Founder, Silver Hospitality Group



The year 2023 started like any other New Year! It is typically a time when people contemplate a resolution, a reset, or even a complete change in mindset. This begs the question: should we, as an industry, be considering a new mindset on how we move forward? After all, the pandemic changed the face of our business. No one could have predicted the world shutting down in March 2020 and the hotel industry having to effectively rewrite its playbook to survive.

We are in a new world travel order as we enter 2023. Zoom is not disappearing, and the face of business travel is quite different than before. Many people are still working remotely, and I am not sure if many companies will ever go back to a five-day, in-person work week, which gives some employees the freedom to work from literally “anywhere.” Consumers continue to travel for bleisure, as digital nomads, for health and wellness breaks, bucket list trips, or family reunions – the list, if anything, keeps growing. The Economist Intelligence is projecting global tourism to rise by 30% in 2023.[SMT1] [SS2]

This past cycle has made it clear to us that we needed to create a new playbook as the old one no longer works. Our industry saw travel come to nearly a complete halt, but the recovery was also more aggressive than expected, primarily due to leisure travel driving demand. Business travel has become far more purposeful for companies and individuals, while labor has been and will continue to be a significant challenge for our industry, as well as many other industries.

3 Market Dynamics To Watch In 2023

Several primary factors will continue to affect the overall economic outlook, including how we learn to live in our new COVID world, not to mention inflation.

1 COVID remains with us

China recently changed its COVID policy and, as of January 8, 2023, will be dropping its strict quarantine requirements for incoming travelers. This change has created many concerns throughout the world, though, particularly considering the high rate of infections China is experiencing since ending the “zero COVID” policy. Many countries, including the United States, will require all travelers from China to have a negative COVID test before entering the country.

Bernard Baumohl, Chief Global Economist, The Economic Outlook Group, LLC, pointed out at last Fall's Lodging Conference [SMT3] [SS4] that “32% of the world's population was not vaccinated at all as of September 7, 2022.” The bottom line is we need to understand COVID is not going away, and we need to figure out a way to mitigate the risk while continuing to live, work, and, of course, travel.

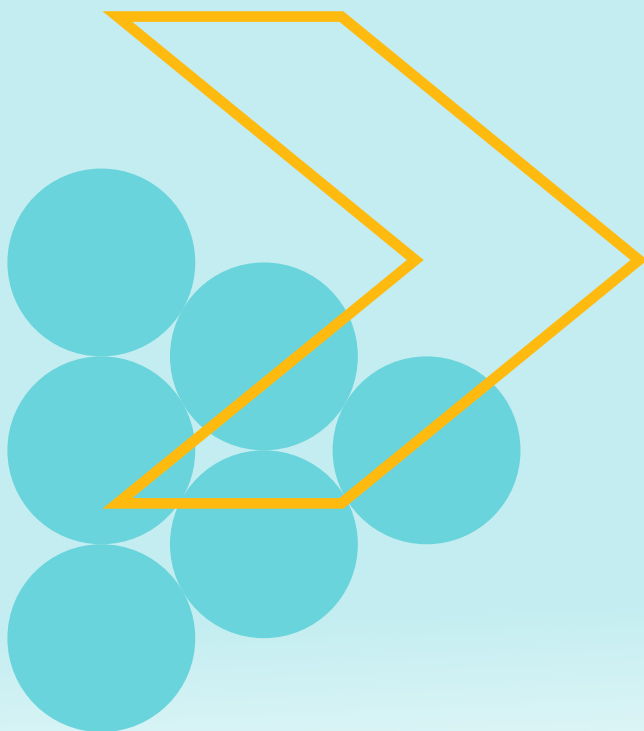
2 Inflation is impacting consumer spending

Higher interest rates, inflation concerns, and what that means for consumer spending and saving habits will continue to be topics of conversation throughout 2023. In a recent [HotelNews Now video](#) Jan Freitag, National Director of Hospitality, CoStar, said, “We had strong ADR growth in 2022, but the sharp cost increases ate up most of the profits.” Challenges with labor shortages look set to continue, with hourly wages for hotel staff only increasing; and without an increase in workers, existing employees will be putting in longer shifts in the year ahead. STR predicts a mild recession in 2023, which does not paint an entirely rosy picture.

3 Pent-up demand for travel will continue

During the aforementioned video, Adam Sacks, President of Tourism Economics, emphasized what keeps him up at night when he thinks about 2023 is consumer debt and how that might have the potential to undercut leisure markets combined with eroding purchasing power as a direct result of inflation. However, Sacks remained somewhat optimistic about the hospitality industry outlook because his firm sees lodging demand continuing to grow in 2023, even in the face of a mild recession. After all, there is continued momentum in bookings and intent to travel; household balance sheets have a low debt service rate and significant savings. In fact, Sacks shares that there is “\$1.7 trillion remaining in accumulated savings from the last 2 1/2 years concentrated in the upper half of income earners, who are our main travelers.” In addition, sentiment data for travel indicates “people are still prioritizing services, experience, and travel over goods.” This demonstrates that the pent-up demand we have been seeing is not going away.

As we move into 2023, we need to continue refining our new playbook to meet travelers where they are today and not where they were in the past. As an industry, we need to offer experiences and top-notch service to our guests in the hopes that they continue to prioritize travel and services over consumer goods. The bottom line is we need to look at and analyze the data to truly understand the changes that have occurred in consumer behavior. This will enable us to adapt and update our model for this new world.



Hotels Must Stay In Touch With Evolving Guest Needs

With Suzanne Swafford, SVP of Revenue Management,
Tishman Hotel Corporation

The US-based hotel owner/operator Tishman has a track record for developing and managing premier large-scale hospitality assets in major markets.

Some of the Tishman portfolio includes three Walt Disney World resorts, The Westin New York at Times Square, and Hilton Garden Inn Lake Buena Vista. In total, the company's hotels total 7,172 keys, 38 restaurants, and 861,000 square feet of meeting space.

Its most recent addition, The Delta Hotels Orlando at Celebration, is currently undergoing a \$35 million renovation. Work on the 718-room property, located just 1.5 miles from Walt Disney World, is expected to complete early this year.

Tishman Hotel Corporation is the asset management arm of the firm, providing management services for Tishman's hotel portfolio as well as for select third-party clients.

As an owner/operator, financial performance and asset value are top priorities. To ensure that all assets perform at their maximum output, Tishman Hotel Corporation focuses on:

- Revenue management strategies
- Financial analysis
- Cash flow management
- Marketing initiatives
- Operational support

The corporation's revenue management expertise also supports Tishman Realty in its development and real estate ventures, including space planning to maximize future revenue streams and minimize related expenses. The team analyzes market trends and sub-market segmentation to understand the optimal room product, hotel positioning, and most efficient method to deliver maximum ROI.

We caught up with Suzanne Swafford, SVP of Revenue Management, Tishman Hotel Corporation, to find out what she thinks are the challenges and trends to look out for in 2023.



Embrace Change

Changing guest expectations, staffing shortages, and the industry's reluctance to change were just three challenges Swafford believes the hotel industry should consider as they plan.

"Hotels have always been slow to change, but today's consumer is looking for unique and individual experiences. Hotels must stay in touch with evolving guest needs and be ready to move quickly as those dynamics change," Swafford advised.

"In addition, the scarcity of qualified individuals, and companies not embracing flexible work opportunities, has left some hotels with lackluster talent in many departments," she added.

Continued Tech Investment

Despite plenty of industry analysts talking of recession, Swafford believes that tech investment must stay on the agenda.

For Tishman Hotel Corporation, automating many of the processes in revenue management, such as pricing and restrictions, is a top priority for 2023.

However, Swafford believes more needs to be done to encourage the digitalization of the industry, including providing platforms that easily convert the data into usable information for operators.

Focus on Total Revenue and Profitability

Looking ahead to what she believes will be the most important trends in revenue management in 2023, Swafford believes hotels need to push forward with a focus on technology and profitability.

"Continuing the incorporation of forward-looking, real-time data for both the hotel and competitive set for strategy development and continuing the momentum towards driving TrevPAR and ProfPAR instead of just a RevPAR focus," were her two major trends.

Data is central to the Tishman Hotel Corp revenue strategy for the year ahead. And while the markets are still uncertain, Swafford said it is difficult to identify what will be the optimal strategies in terms of pricing, distribution, and managing costs.

"For convention hotels and cities, group is and will always be the focus; city center hotels are looking for business travel recovery, while destinations will continue to rely on group with a mix of leisure. OTAs will continue to be a consistent generator for all transient types of business and leaned on as a resource to drive volume in the lower demand days of the week and times of the year," she said.

"I think we're still in recovery mode in the sense that we don't quite understand how the trends will eventually level off. Until then, I don't believe channel cost will be as much of a factor as volume and pricing," she added.



"I imagine some of the tech spending will slow in anticipation of a recession, however, I believe automation that will streamline efficiencies and costs will continue to be robust."



Suzanne Swafford,
SVP of Revenue Management,
Tishman Hotel Corporation

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management systems
based on a pool
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