

All the new technologies are good for the Hungarian Hospitality Industry?

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Abstract

A new segment, new technology, new expectations of quality appeared on the international hospitality market. Millennials have become the fastest growing customer segment. High quality service is the only way to ensure loyal customers for hotels. Innovative technology is a must have: electronic /mobile check-in time is here. Reputation Management is the focus of guest reviews and comments. Know your guests, satisfy their needs and create your services around them is the best recipe of a successful hotel operation. Due to new technologies, and changes in guest behaviour, consumers' satisfaction is everything, but not easy.

One of the most important priorities in education is, to be able to provide the most up-to-date information to our students about their future professions. Recent changes in the hospitality industry should be followed as well as the appearance of new legislative provisions, or latest technologies, for instance. This paper presents a pilot study which included six in-depth interviews with hospitality professionals from which an overall picture of 50 Hungarian hotels was gained.

Key Words Innovative technology, Millennials, OTA's, Reputation Management, Real Time Marketing

INTRODUCTION

In recent years, consumer behaviour in the international hospitality sector has changed dramatically. The 'new' consumer the **Millennials** has become the fastest growing customer segment within the hospitality industry. Millennials, as the member of the newly formed consumer society, always has the problem with shortage of time. Therefore, all the solutions that are effective and fast mean the way to success. As a result, the importance of up-to-date information has increased. According to Rauch (2014) this consumer segment is interested in utilizing technology to do things that many others have become accustomed to doing manually: checking in to hotels, making up their restaurant and bar bills and looking up places to eat, shop and play, to name a few. In addition to wanting technology, Millennials have no problems speaking up. If what they are looking for is not handled to their liking, they will turn to Twitter, Facebook, Yelp or TripAdvisor to voice their complaints (Rauch, 2014).

If the hospitality industry wants to react immediately to the arising demand, they should be aware of the new emerging trends.

2. 1. INNOVATIVE TECHNOLOGY

This new segment of Millennials is very demanding and expects high quality services from commercial accommodations. Therefore, **customer service** is strongly highlighted among the new trends in the hospitality industry in 2015. In the past years, the adaptation of the tools of electronic and information technology in the tourism industry forced the customers as well as the suppliers to keep learning. Due to the rapid changes in technology, the role of new online tools like social media and mobile applications formed a very strong influencing power on the customers' decision making procedure on travelling. "High tech, high touch" (Naisbitt, 1982) is the service, the e-tourist wants from hotels. Buhalis and Jun (2011) say, E-tourism represents the *paradigm-shift* experienced in the tourism industry as a result of the adoption of ICTs and the Internet

Innovative technology became one of the most important issues in the operation of hotels. Electronic check-in can be done either by mobile phone or by an Apple watch. But what is electronic check-in exactly? Most hotels are offering it as a part of their "Loyal Guest" programme. Customers registered as Preferred/Privileged guests are sent key cards equipped with the latest identification technology that uses radio frequencies. On the day of a guest's confirmed arrival, a text message is relayed to his mobile device, carrying basic figures like room number, timing, etc. Upon his actual arrival, client does not need to confirm his stay at the Front Desk. He simply moves to his room and applies the key-card. (Sanghi 2014)

1.1. Guests can use their mobile phones as the key to the hotel room

Hilton Worldwide launched digital check-in with room selection technology, now available at more than 3,700 hotels, and worldwide by the end of this year. This technology empowers Hilton HHonors members to check in via their HHonors profile on desktop, mobile or tablet and choose the exact

location of their room - right down to the room number. (Hilton Worldwide,2014). Starwood is already offering mobile room key in a number of Aloft, Element and W hotels. Mobile room keys bring the following benefits to both the guests and to the hotel (according to the brands and the door lock companies): Seamless Check-in, Reduced load on Front Desk, Convenience & Choice of Service for the Connected Guest, and Increased TripAdvisor Scores (*Kinsella, 2015*)

1.2.Apple Watch is the new hotel room key

The upcoming new Apple Watch (apple.com./2015) is a possible game changer for travelers everywhere: the era of losing a hotel cardkey may soon be gone. “Starwood hotels is developing an app for the Apple Watch that will allow hotel guests to use it to unlock their rooms. In honor of the recently revealed Apple Watch™ Accor is launching an Accorhotels iOS app available starting at the end of April”. The Accorhotels app for Apple Watch™ will be available in ten languages and works in connection with the smartphone app. In addition to promoting hotels and destinations, the app will allow users to manage current bookings. (Accorhotels app for Apple Watch (2015) If the hoteliers want to satisfy the guests’ demand they have to be aware of the latest technologies. The most online specific products are the services of the tourism industry. Since the emergence of the Internet, travel planning (e.g., travel information search and booking) has always been one of the main reasons that people use the Internet. (Buhalis, 2003). The cost of tours can be high, consequently, good prices always play an important role in the planning and selection of a holiday destination. Nowadays on-line travel agencies (OTA’s) with their good prices and special travel packages come before hotels’ websites in popularity. (Veres and Grotte, 2009)

2. ONLINE TRAVEL AGENCIES (OTA’S) VERSUS DIRECT BOOKING

How to increase revenue and at the same time decrease the costs of OTAs is the question here. Distribution channels play a very important role in the hospitality sector. However, the commissions the hotels pay to the Online Travel Agencies can range from 15-30% and that causes problems by reaching the targeted REVPAR. So, the solution is to increase direct hotel bookings. The reach of OTAs has risen by 45% since 2008 in spite of the fact that travelers booking directly on the website is cheaper for hoteliers. The answer is simple; it has nothing to do with the travelers or the OTAs, but it is to do with the hotel website. (Patak, 2014). OTAs like TripAdvisor, Expedia and Booking.com will clearly be listed on the first 4 results, when you look up accommodation. Patak (2014) says, that having an easy-to-navigate, effective and attractive website wherein everything from rates to rooms to services and packages are clearly highlighted. An excellent website with all important details and strong booking engine are the key to reclaiming victory over OTAs. But, according to Matur (2014) as OTA commission checks continue to rise, small and mid-sized hoteliers are increasingly considering TripConnect as a viable platform to generate direct bookings.

3. REPUTATION MANAGEMENT

According to Yu and Singh (2002) one of the major challenges for electronic commerce is how to found a relationship of trust between different parties. Creating trust is non-trivial, because the traditional physical or social means of trust cannot apply directly in virtual settings. In many cases, the parties involved may not ever have communicated before. Reputation systems seek to address the development of trust by recording the reputations of different parties. For reputation management, Tripadvisor is one of the most important platforms in the hospitality industry. But online comments and reviews can come e.g. from Facebook, Yahoo, Yelp and Expedia (OTA) as well. Rauch (2014) suggests that hotels use only one tool instead of different ones for managing a property's reputation process. Based on his opinion, one of the means is Revinat as a complete, one-stop solution for reputation management instead of the cumbersome process of logging onto each platform and spending an exorbitant amount of time on a crucial yet time consuming aspect of the hotel industry. Engaging with guests and responding to their needs publicly through these forums can go a long way in driving future bookings to the property.

3.1 But what is revinate all about?

Revinat, a San Francisco-based technology company that is reinventing the hotel guest experience, has launched inGuest in Europe. inGuest brings together reservation (PMS) data and stay histories, with preferences, social media activity and guest feedback to surface comprehensive rich guests profile on a single platform. For the first time hoteliers can truly understand their guests and engage with them more effectively before, during and after their stays, increasing guest satisfaction and revenue. (Revinat.com, 2015)

As we can see above, apart from good quality service and interactive communication with potential guests, flexibility is a key issue for hoteliers these days. A good marketing plan for a given period of time is a must for each hotel. However, the fast changes in the macro environment requires flexibility from hotels. Real time marketing is the answer for this challenge.

4. REAL TIME MARKETING

According to Trackmaven (2015) "Real Time Marketing is marketing that is based on up- to- date events. Instead of creating a marketing plan in advance and executing it according to a fixed schedule, real time marketing is creating a strategy focused on current, relevant trends and immediate feedback from customers. The goal of real time marketing is to connect consumers with the product or service that they need now, in the moment." Through social media (e.g. Twitter, Facebook, etc.) sites, companies can gain information about their segments. With this knowledge, in a few minutes, hotels can easily define their up-to-date marketing messages. But, the content must be valuable for the potential guests. If, hoteliers strategically structure their advertisements to reflect a current event (e.g. Formula1 after party, fashion show, etc.), their service may become more appealing to guests. The application of this type of marketing must take place on a regular basis and include guest-generated content. Whether it is Facebook or another social media tool, guests should be able to contact the hotel with an expectation that they will receive a response in a timely manner. Video campaigns (e.g. Flip to) on social media, when done properly, are proving to be successful for hoteliers looking to

generate guest engagement. Flip.to allows hotels to connect with guests from the moment they make a reservation and to create a unique experience upon arrival. (Rauch, 2014). Gary Vaynerchuk, a well-known Internet entrepreneur and author, famously said, “Content is king, but marketing is queen, and runs the household.” Creating great content for your website and/or blog is helpful, but good content alone will not drive the results a hotel desires. A quality content marketing strategy sets a purpose behind the content. Despite the importance of content for SEO, it will only drive results and increase brand awareness when deploying content with a custom marketing strategy. (DeVoren and Herweg (2015).

5. PILOT STUDY: RESEARCH METHODS AND FINDINGS

As part of a pilot study to explore the opinions of Hungarian hospitality professionals about their knowledge and use of technology in hotels, six in-depth interviews were undertaken in summer 2016. This enabled the researcher to gain insights into the practices of 50 hotels on the Hungarian market. “Selling the Right Room to the Right Client at the Right Moment and the Right Price. On the Right Distribution Channel with the best commission efficiency” (Landman,2011). This is the task either of the General Manager, depends on the size or policy of the hotel, and/or the Revenue Manager. They are the ones who should be well informed about the latest and the most efficient technological solutions in the sector. Therefore, I chose 6 professionals, from different types of hotels (independent hotel, thermal&wellness hotel, city hotel, small and big size hotel, hotel chains) who altogether represent 50 Hungarian Hotels. These hotels have very strong positions on the Hungarian Hospitality market. My In-depth interviews were conducted face-to-face, and over the telephone to get a deeper insight to these specific new technologies.

5.1.The interviewees

- 1. Director of Central Reservation and Revenue Management of Danubius Hotels Group:** I gained overall information about the 10 hotels in Budapest (2 have separate revenue and sales due to the brand Hilton and Radisson), 10 hotels in the Countryside, and 24 hotels abroad, concerning my topic of new technologies. The company is on the market since 1972, and has a very strong position. (Later Danubius)
- 2. Cluster Revenue Manager of Mamaison Hotel Andrásy Budapest, Residence Izabella Budapest, Starlight Suites Hotel Budapest.** (3 hotels in Budapest) Mamaison Hotels & Residences brand is the part of the CPI, Czech **hotel group**, that operates total of 28 hotels in 5 countries. (Later Mamaison)
- 3. General Manager of Opera Garden Hotel & Apartments (Budapest)** – independent small hotel with 35 rooms, high score on TripAdvisor (9.2), with its own mobile application system. (Later Opera Garden)
- 4. Revenue & E-commerce Manager at Buddha-Bar Hotel Budapest Klotild Palace.** – 5 star special hotel – Buddha Bar concept. Here in Budapest it belongs to the Mellowmood Hotels Group. (Later BuddhaBar)

5. **General Manager of Aquaticum Debrecen Thermal & Wellness Hotel**** - Countryside-** It provides a very special tropical environment and a Mediterranean Aqua Park inside the hotel. (Later Aquaticum Debrecen)
6. **Head of online hotel and tourism division at BDO Ltd.** (The company gives advices and assistance ont he fileds of hospitality investmnets, revenue management and online marketing) (Later BDO)

5.2. Apple Watch and/or Mobile Phones are the new hotel room key

All the interviewees in the pilot study had heard about this technology, but none of them use it. According to **Mamaison** this can be a special tailor-made service for a guest, but for the hotels from a financial point of view it is a great challenge. Return on Investment (ROI) is the key issue for the management. All the professionals agree with the issue of ROI, and **BuddhaBar** says that the number of mobilephones' reservation are still not so high here in Hungary. On the other hand for a newly opened hotel it would be a good chance to apply this technology. **Danubius** says that the application of the technology depends on the segments of the hotels. This technology is good for big city hotels, but not for the countryside ones. Most of their Millennials who come to Budapest, are not demanding for high tech, but parties and cheap prices. **Aquaticum Debrecen** agrees with Danubius about the different needs of the segments. It is not worthwhile investing in such a technology in the countryside. **OperaGarden** says that for small independent hotels apart from the financial issue, the present technical condition of the hotel and staff training are also playing a very important role. According to **BDO** this technology is good for well-known hotel chains and newly opened hotels, but ROI is not measurable.

5.3.OTAs versus Direct Booking : TripConnect

Mamaison and Aquaticum Debrecen do not use this technology, it costs a lot (costs: business listing on TripAdvisor & CPC (ClickPerClick)). **All the participants** agreed that this solution at the moment is good for the OTAs only, due to the amount of their rooms and strong financial background. They pay very low price for CPC, but hotels pay a lot. **Buddha Bar** uses TripConnect, because the hotel operates on very high average rates, and therefore the ROI is also high. **Danubius** uses this service only for 3 hotels in Budapest, later on they wish to have it for all the hotels in Budapest, but not for the countryside. **Opera Garden** has just stopped TripConnect, because of the costs and the bad ROI. For small independent hotels this is not a good. solution, they would need support from TripAdvisor. According to **BDO** this technology is good for well-known hotel chains, but not for individual hotels.

5.4.Reputation Management: Revinate: InGuest

The representatives of the hotels neither heard nor use this technology. **Mamaison** says In Guest is not good for small and middle size hotels, due to the lack of human- and financial resources, and technical background. **Buddha Bar** and **Opera Garden** agrees with Mamaison, they do not want to use this technology in the future. Apart from the lack of resources, **Buddha Bar** says there is an ethical issue here: who can tell where the line is between privacy and taylor-made service? **Aquaticum Debrecen** has exactly the same oppinion about this question. According to **Danubius**, InGuest could increase reputation. **BDO** says, hotels in Hungary has serious challenges at the moment (eg.: lack of human resources), they are not ready for such a technology.

5.5.Real Time Marketing

Real Time Marketing: All the participants say that real time marketing needs a lot of time, a good professional team, and strong financial background. Hotels do not have capacity for this. **Buddha Bar and Danubius** outsource these tasks. **BDO** adds that the management of the hotels need measurable facts for ROI, and the activity of real time marketing can not be measured.

6. SUMMARY

In recent years, consumer behaviour in the international hospitality sector has changed dramatically. The 'new' consumer the **Millennials** has become the fastest growing customer segment within the hospitality industry. This new segment is very demanding and expects high quality services from commercial accommodation. Therefore, **customer service** is strongly highlighted among the new trends in the hospitality industry in 2015. **Innovative technology** has become one of the most important issues in the operation of hotels. Electronic check-in can be done either by mobile phone or by an Apple watch. Distribution channels play a very serious role in the hospitality sector. How to increase revenue and at the same time decrease the costs of OTAs is the question here. A good marketing plan for a given period of time is a must for each hotel. However, the fast changes in the macro environment requires flexibility from the hotels. Real time marketing is the answer for this challenge. The application of this type of marketing, must take place on a regular basis and include guest-generated content. Simply creating original content will not keep the SEO strategy current in 2015. As part of a pilot study to explore the opinions of Hungarian hospitality professionals about their knowledge and use of technology in hotels, six in-depth interviews were undertaken in summer 2016. This enabled the researcher to gain insights into the practices of 50 hotels on the Hungarian market. All the interviewees in the pilot study had heard about the "AppleWatch and MobilePhone as roomkey" technology, but none of them use it. The participants agreed that TripConnect at the moment is good for the OTAs only, due to the amount of their rooms and strong financial background. The representatives of the hotels neither heard nor use InGuest. The management of the hotels need measurable facts for ROI, and the activity of real time marketing can not be measured.

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