A New Age of Hospitality-Tech: Investment Booms and Maturing Technologies

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SYNOPSIS

The hospitality industry presents a challenging landscape for technology development and adoption, primarily due to its complex structure and global reach. Despite these difficulties, there is a significant opportunity for transformative investments in innovative solutions that can drive efficiency, sustainability, and personalized guest experiences.

When Edward T. Drumheller was persuaded by the famous Mr Edison to try out electric lighting in his hotel in Sunbury Pennsylvania in 1883, he backed a winning technology. The magic of a winning idea often lies in its simplicity: it addresses a need we were hardly aware of. However, transforming a great, simple idea into a winning innovation is never easy. This journey is particularly challenging in the hospitality industry, where, let's face it, selling new technology is a tough task.

Firstly, the fragmented ownership model, where brands do not own the assets but operate through managed and franchise models, makes large-scale investments cumbersome and slow. Convincing various stakeholders to invest in a vision and comply with ever-changing global regulatory standards adds another layer of complexity. Additionally, the sales cycle in hospitality is notably intricate due to the diverse ownership structures. For example, selling technology to an Accor hotel in Asia requires approval from multiple layers of the organization, including corporate, regional offices, and the hotel's general manager and owner. This multi-stakeholder environment makes the process time-consuming and complicated.

Above all, historically, investment in technology within the hospitality sector has been minimal, rarely exceeding 2% of revenue. This underinvestment poses significant challenges for technology developers, making it difficult to penetrate the market and achieve substantial margins even when successful. Consequently, while there are promising start-ups, few manage to scale to the enterprise level.

Despite these challenges, the current technological landscape offers an unprecedented opportunity for the hospitality industry to invest and thrive. To survive and grow, the industry needs to reduce operational costs, enhance distribution efficiency, improve revenue management, and personalize guest experiences. According to recent surveys, 71% of customers demand hyper-personalized experiences, particularly targeting premium clientele. Let us not forget that guests are now increasingly seeking sustainable travel options, necessitating adaptation to new sustainability standards.

We are therefore at a tipping point where emerging technologies such as cloud computing, artificial intelligence (AI), big data, the Internet of Things (IoT), and robotics are maturing and becoming highly applicable to hospitality. These technologies can revolutionize operations, enhance guest experiences, and drive sustainability - paving the way for a transformative era in hospitality.

It is interesting to highlight the noticeable shift in investment models within the industry recently, with brands allocating a higher percentage of their revenue to technology. For instance, 78% of hoteliers plan to increase their technology investments over the next three years, with over 40% of these investments directed towards predictive AI. The movement towards cloud-based systems signifies a shift from individual investments to centralized, scalable solutions, indicating a readiness to embrace innovation and drive change. The industry is hungry to invest, they are looking for innovation.

As a CTO, identifying the hospitality tech winners of the future is a day-to-day concern for me: ensuring Accor remains a leader requires our senior team to be constantly aware of 'what is coming next'. Given the current landscape, two key areas for technology investment stand out: AI and sustainability.

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Artificial Intelligence

The potential for big data to deliver a better guest experience has increased exponentially now AI is a day-to-day reality. Hotels, especially those that are part of a global brand like Accor, have amazing opportunities to utilize this data to improve their service offerings.

For premium brands, data and machine learning can enable hotels to anticipate and proactively meet guests' needs, offering highly personalized experiences. Innovations such as tailored loyalty offers and personalized dining recommendations based on guest history are likely to deliver substantial value. Accor's 2022 investment in Dailypoint, which integrates loyalty and booking processes, exemplifies the benefits of leveraging AI for personalization.

For midscale and eco-brands, the focus should be on seamless service through mobile apps, self-check-in, and in-room automation. These technologies improve guest convenience and optimize daily operations. Accor's 2023 partnership with start-up Alltheway, offering online baggage collection and delivery services, highlights the industry's move towards streamlined operations.

The third area of possible interest to investors is automation: automation both of physical tasks and administrative processes through Robotic Process Automation (RPA) and AI can be transformative. These technologies can relieve general managers of cost-optimization pressures and improve overall operational efficiency. For example, chatbots can provide 24/7 service without constant staffing, and robotic room-service agents are already part of Accor hotels in Greater China.

Sustainability

This is a critical priority for guests and a potential sensitivity point, as businesses are increasingly assessed on their environmental impact. Technological solutions can drive significant sustainability improvements in hotel operations such as helping hotels cut waste, from energy to food. The AI-based restaurant forecasting tool, Fullsoon, in which Accor invested, helps reduce food waste. Smart thermostats that we have started installing in hotels, respond to a guest's presence in a room and can reduce energy use by up to 40%. Both innovations not only enhance sustainability but also reduce operational expenses, benefiting both hotel owners and managers.

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Our role as hospitality tech leaders is to deliver solutions that power our hotels and ensure they are competitive; I trust the HITEC conference serves as a pivotal platform to drive this technological transformation. By fostering a collaborative ecosystem, we can enhance customer experiences and build a more sustainable technology framework. Funding start-ups and scale-ups is crucial; innovation alone isn't enough—we need global scalability. Fullsoon is a great example. They have been successful in Paris, but how do you make it work worldwide with a global salesforce? According to me, great ideas can transform the industry only with robust investment and strategic scaling efforts. If I had one final piece of advice for investors, it would be to open to those conversations!

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