

ORACLE

Strategies for Hospitality Recovery

| Spotlight on Asia-Pacific





Overview

Asia-Pacific was one of the first regions globally to take aggressive action to combat the Covid-19 pandemic. But as parts of the United States and Europe start to reopen, many Asian travel markets remain closed for significant travel. But despite the challenges, hotel executives and operators in the region see signs for optimism when asked about the region's prospects for recovery.

"With vaccinations on high drive, and hopefully the third wave not setting in, we may see a possibility of vacationers coming to hotels on weekends and then slowly even on weekdays," said Khushru Siganporia, IT director for The Indian Hotels Company, a chain which operates well-known brands like Taj Hotels.

Others agree that the pandemic has encouraged them to innovate and think differently about how to make their properties more resilient and profitable in the future.

"In spite of all the challenges Covid-19 created, it also gave us a lot of opportunities to think outside of the box," said Ahmed Disokey, vice president of information technology at AccorInvest, Singapore.

Even with lower short-term hospitality demand, Asia-Pacific's 2021 survey responses suggest that those in the region have been early adopters of various business and technology opportunities, with widespread embrace of the trends described in the report's major sections.

Here are some key highlights from Asia-Pacific hotel executives and guests from this year's Skift and Oracle research.

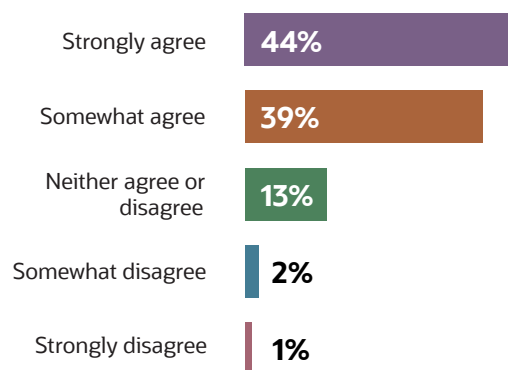
Non-room revenue opportunities

The business environment of 2020 created new momentum among hotel executives to rethink their notions of profitability and seek new sources of revenue diversification. As hotels looked for ways to make up lost room revenue during the pandemic, many discovered an emerging strategy focused on exploring new ways to monetize and market existing hotel products and services.

Asia-Pacific executives were enthusiastic about the potential of non-room revenue. Eighty-three percent agreed or strongly agreed their business has been exploring non-room revenue opportunities — seven percentage points higher than globally. Seventy-five percent also agreed or strongly agreed that they expect non-room revenue will make up a growing share of their organization's revenue in the next five years, versus just 66 percent globally.

“Since 2020, our hospitality business has been exploring new opportunities to grow non-room revenue to supplement business from unsold rooms.”

- Asia-Pacific Hotel Executives



Asia-Pacific executives were also more enthusiastic about exploring various non-room products than their global peers. Seventy percent of Asia-Pacific executives offered extended stay options before the pandemic or started offering them in 2020 (versus 50 percent globally); 73 percent offered package deals (versus just over 50 percent worldwide). Sixty-seven percent of executives in the region also said the same about takeout food options — 17 percentage points higher than respondents in the global sample.

The growing interest in non-room sales found in the survey also aligns with comments from executives in the region, who note they spent the last 12 months experimenting with new business models to help bolster revenue at their properties.

“We needed to find a new business model here,” said AccorInvest’s Disokey. “Could we do delivery? Could we deliver food to the customer in their rooms or homes? Could we open new and innovative packages for the local residents instead of relying only on travelers and tourists coming from overseas?”

Despite the enthusiasm for non-room revenue, it is likely to remain subordinate to the core revenue focus on the rooms themselves — 39 percent of Asia-Pacific executives reaffirmed that this was their main priority, similar to perceptions of their global peers.



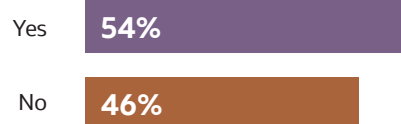
Short-term rentals

As the hospitality industry navigates out of the pandemic, they'll also need to look for opportunities to differentiate themselves from competitive threats like short-term rentals. With the growth of short-term rental demand in 2020, the urgency of a response has increased considerably.

Short-term rentals, however, do not appear to have made the same inroads with consumers as is the case in North America, Latin America, or Europe. **Only 54 percent of Asia-Pacific travelers reported staying in a short-term rental over the last year versus 59 percent globally,** although this again could be due to more restrictive travel lockdown rules in the region.

Do you plan to stay at a short term rental property in the next 12 months?

- Asia-Pacific Hotel Consumers



“Most of the people who use Airbnb (are) international,” said Syed Irfan, director and group financial controller at Sydney’s Great Southern Hotel Group. “But with Covid-19, no international people are coming in, so we don’t find much [demand for short-term rentals] at the moment.”

This may help explain in part why executives from Asia-Pacific are somewhat less focused on developing new products as a way of competing with short-term rentals (76 percent versus 80 percent globally).

Whether or not short-term rentals will align more with European and Latin American market trends remains to be seen. In the short term, enduring uncertainty around travel restrictions, which differ from country to country in the region, will likely call for deeper within-region analysis.

Technology upgrades

For hotels, the pandemic reinforced the importance of using downtime in 2020 to revitalize their technology systems, prepare for new consumer expectations, and upgrade their business for the future.

The momentum for technological innovation in Asia-Pacific is supported by strong interest from the region's guests. Forty-three percent of Asia-Pacific guests wanted self-serve options at check-in — seven percentage points higher than the global response. Thirty-eight percent of Asia-Pacific guests also expressed interest in guest messaging technology, versus just 30 percent globally. Additionally, 54 percent wanted to see more contactless options (like payment), slightly higher than the global response of 50 percent.

This aligns with the perspective of executives in the region, who noted they had to prioritize where and how to invest during a year with diminished revenues.

“Investments in IT are curtailed, so we are making investments only in absolutely essential or mandatory needs,” said Sigamporia of The Indian Hotels Company. “We invested in technologies for touchless both for our guests and employees to make our environment safe for everyone.”

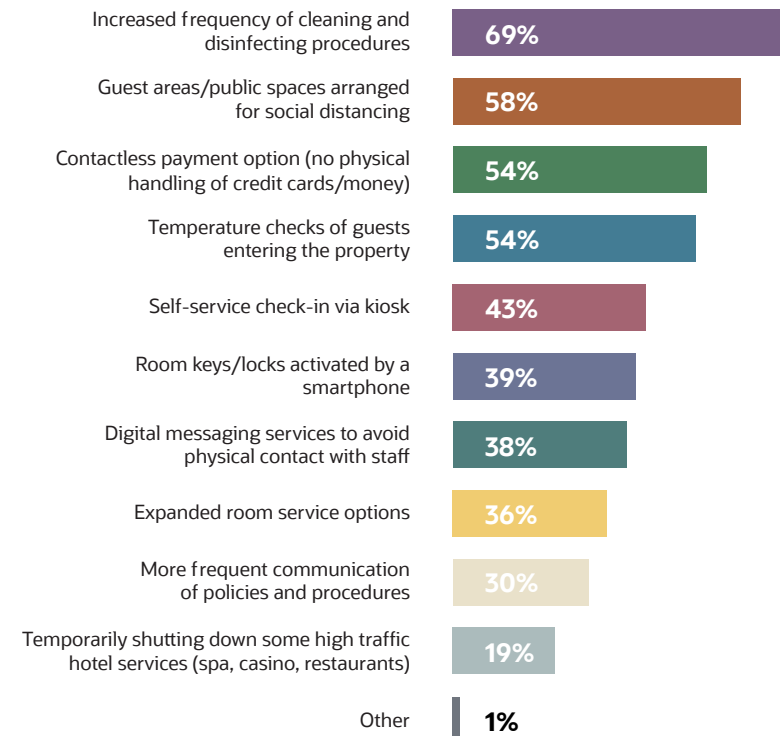


In this year's survey, 72 percent of Asia-Pacific executives also mentioned that they were working on new technological upgrades around their marketing strategies (against 67 percent globally), while their enthusiasm for new messaging and point-of-sale (POS) technology was on par with the global direction.

The one divergence seemed to be around shifting towards cloud-based solutions — only 66 percent of executives said they were actively exploring such options, as compared to 72 percent among their global counterparts.

Which of the following changes to the hotel experience (if any) do you hope to see from hotels once you're willing to travel again?

- Asia-Pacific Hotel Consumers



Operational changes

The previous sections describe hotel strategies for boosting revenue, repositioning against short-term rentals, and investing in technology. But for hotels to implement these strategies, they will also need to take a closer look at how to run their properties most efficiently and profitably.

That's why many hotels used 2020 and the early months of 2021 to focus on streamlining their business operations to prepare for recovery.

Overall, Asia-Pacific executives were slightly less focused on revamping operations post-Covid compared to their global peers (72 percent versus 77 percent globally).

Nonetheless, there were points of difference. A keen area of interest in this space seems to be focused on loyalty program integrations — 59 percent of Asia-Pacific executives reported a renewed focus on loyalty products as a means of drawing in increasing demand; 14 percentage points higher than the global average.

Given the current restrictions in some parts of the region (especially Australia) — and the likelihood of more travel 'bubbles' emerging in the region as the Covid threat dissipates — it makes sense that more operators are boosting brand integration as a core means of keeping customers engaged with their brands, now and in the years ahead.

How (if at all) will you adjust your company's distribution strategy to sell new non-room revenue products and services?

- Asia-Pacific Hotel Executives



To learn more about how hotels are evolving their recovery strategies in 2021 and beyond, make sure to download the full [Skift and Oracle report](#).
