

BACK TO HOSPITALITY: GETTING SMARTER AND MORE PROFITABLE IN A POST-COVID WORLD

Presented by

Skift + **ORACLE**
Hospitality



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ABOUT SKIFT

Skift is the largest industry intelligence platform providing media, insights, and marketing to key sectors of travel. Skift deciphers and defines trends for global CEOs and CMOs across the travel industry through a combination of news, research, conferences, and marketing services.

ABOUT ORACLE HOSPITALITY

Oracle Hospitality brings over 40 years of experience in providing technology solutions to independent hoteliers, global and regional chains, gaming, and cruise lines. Visit www.oracle.com/Hospitality to learn more.

ABOUT SKIFTX

SkiftX is Skift's in-house content studio. SkiftX produced this report in partnership with Oracle Hospitality.

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EXECUTIVE SUMMARY

After a dramatic year for the hospitality ecosystem, the lead-in to summer 2021 is revealing signs of recovery. Global travel demand is at its highest since the beginning of the pandemic, as the industry finds itself at a promising turning point.

The impacts have been widespread. After a year of limitations and stay at home orders, consumers are showing new behaviors: a preference for self-service and contactless interactions, remote check-ins, short-term rentals, and greater vacation opportunities that merge work and leisure together.

With the growing demand comes high competition, and the battle for guests, labor, room nights, and revenue is likely to be fierce. How might hotels succeed in this new landscape and meet the emerging need? How can they evolve, adjust, and re-prioritize for greater efficiency and profit in an industry in flux? And what changes in particular will be the most crucial?

To gain insight into these questions and a more precise lay of the land, Skift and Oracle collaborated on a global research study during spring 2021, focusing on the current thinking from hoteliers and guests on the post-Covid hotel experience.

The 2021 ‘Back to Hospitality’ Report is concerned with how hotels can get smarter and become more profitable in the post-Covid world. It builds on the successful research collaboration that began in 2020, and hones in on how the current shifts might accelerate innovation, ensure resiliency and open up new business areas in the future.

The report focuses in detail at how non-room revenue may become a core attribute of the business mix, various strategies hotels can implement to compete with an upsurge in short-term rental bookings, how operations can be re-thought for greater efficiency, and what kinds of technology upgrades are required in the pursuit of greater service. The report also shines a spotlight on the geographical regions of Europe, Asia-Pacific, and Latin America, contrasting the differences in their projected growth and approach.

Drawing on insights from the expertise and experience from the report’s participants — over 500 hospitality executives and just under 5000 consumers worldwide — the report is designed to help better understand the pertinent opportunities and challenges, helping inform and guide the industry as it recovers during this pivotal rebound moment.



EXECUTIVE LETTER

Nothing is more pressing than accelerating hospitality's recovery and welcoming back guests. And we're committed to aid that effort.

Oracle Hospitality's mission is to create technology solutions that power exceptional guest experiences and make work simpler and more rewarding for employees. This outcome is needed now more than ever, as our industry strives to welcome back world travelers and meet the new market demands of a post-pandemic world.

We've always stressed the importance of accurate, relevant data to show the way forward. We believe there are lessons to be learned from all that we have endured and are eager to help you seize the opportunities that these new market dynamics will bring. That's why we commissioned Skift to conduct a global research study, surveying more than 500 hoteliers and nearly 5,000 consumers to better understand the key factors transforming our business. The result of that endeavor is *Back to Hospitality: Getting Smarter and More Profitable in a Post-Covid World*, and it delves into topics such as non-room revenue generation and short-term rental competition.

The research findings also underscore the new norm of our industry: the need to achieve more with less. What makes the seemingly impossible possible is the embrace of technology, especially cloud-based solutions that orchestrate hospitality's myriad tasks into a model of efficiency and innovation.

It's our hope that Oracle's technology and the insights of this report will serve as inspiration to elevate operations – and measure the metrics that truly matter: Satisfied guests who appreciate your efforts to welcome them back.



Alex Alt

SVP and General Manager

Oracle Hospitality

ORACLE

Hospitality

Get Back to Hospitality

Guests are ready to travel again. Greet them with technology that delivers the best guest experience.



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INTRODUCTION



2020 was a dramatic shock to the hospitality ecosystem. As the American Hospitality and Lodging Association (AHLA) noted in its 2021 [state of the industry report](#), “The hotel industry experienced the most devastating year on record in 2020, resulting in historically low occupancy, massive job loss, and hotel closures across the country.”

“2020 was the hardest hit year for the travel and hospitality industry we’ve ever had, and I think, accentuated by coming off the very strong pace that we saw both in 2018 and in 2019 globally,” said

Ben Trodd, senior vice president, sales and hotel marketing at Four Seasons Hotels and Resorts.

But as the industry proceeds into the summer 2021 travel season, optimism is returning. Markets like the US and UK — where the vaccine rollout is well under way and Covid-19 cases are falling — are seeing rebounding travel demand for leisure trips.

According to the [Skift Research March 2021 Recovery Index](#), a proprietary measure of tourism output launched to track the economic impact of the pandemic, global travel demand reached a

score of 53 out of 100 points, its highest level since Skift started tracking the metric at the start of the pandemic in April 2020. As the report notes, “March 2021 might go down as a true turning point for the travel industry.” This sentiment is echoed by recent comments from hospitality leaders like [IHG CEO Keith Barr in April 2021](#). “If a market is open for travel we are seeing surges in leisure demand,” said Barr.

It is indeed an optimistic moment for hospitality professionals as their business outlook and balance sheets once again offer a reason for optimism. But as the global recovery picks up momentum, it’s worth asking what lessons the industry has learned from a devastating year that is hopefully now behind us. As the famous maxim by [Stanford economist Paul Romer](#) makes clear, “a crisis is a terrible thing to waste.”

In fact, if the industry pauses to consider the impact of 2020, the pandemic caused significant changes in both the consumer and business environment, changes that will continue to impact hotel business strategies long after the threat of Covid-19 recedes from memory.

One example is recent changes in consumer behavior and travel habits. Thanks to a year of public health restrictions, stay-at-home measures and a [huge rise in e-commerce ordering](#), today’s travelers have new preferences for how they like to shop and interact with businesses. Consider the consumer survey data from [Skift and Oracle's 2020 Hospitality Recovery report](#), which found that more than 68 percent of travelers expected “self-service and contactless check-in options” as a key feature for future hotel stays.

Travelers are also adopting new behaviors for choosing their accommodations. Consider 2020’s surge in short-term rental bookings. According to [data collected by Skift Research](#), short-term rental occupancy levels in 2020 over-indexed against occupancy levels for 2019, while hotels were under-

indexed during the same period at just 70 percent of normal levels.

2020 also saw the introduction of new habits for how consumers spend their work and leisure time. A [November 2020 analysis by McKinsey](#), which estimated that as much as 20 percent of the global workforce might now consistently work from home, in comparison to before the pandemic, suggesting potentially significant readjustments on how those employees plan their vacations, travel for work, and select accommodations.

Meanwhile, 2020 also ushered in significant changes in how hotels operated and served guests. [Skift and Oracle's 2020 hospitality research](#) found that 50 percent of hotel executives were exploring expansions to their food service, takeout, and food delivery options. Indeed, owing to the decrease in occupancy caused by the pandemic, properties around the globe have started exploring new ways to make up revenue shortfalls over the past 12 months by getting creative about how to save money and find new ways to monetize existing assets.

Some of the innovations that came out of 2020 related to hotels evolving or updating the food, amenities, and services they offered to guests. Some [hotels partnered with co-working spaces](#) to offer temporary office space. 2020 also saw many hotel properties experimenting with new F&B models like takeout or so-called “[ghost kitchens](#),” where a hotel rents out its kitchen to third-party food businesses to complete delivery orders.

2020 also accelerated hotels’ efforts to explore new technology upgrades as they worked to create new systems to work remotely, run their properties more efficiently with fewer staff, and better meet rising guest expectations. [Skift and Oracle's 2020 research](#) found that a majority of hotels were making or considering changes to their digital messaging services (79 percent), self-service check-in procedures (67 percent), and training procedures for staff (88 percent).

These types of strategic operational adjustments are becoming critical at a time when the hospitality industry faces a [growing labor shortage](#) headed into the busy summer travel season. But with the help of smarter systems, hotel executives can do more with less while continuing to provide high levels of service to guests.

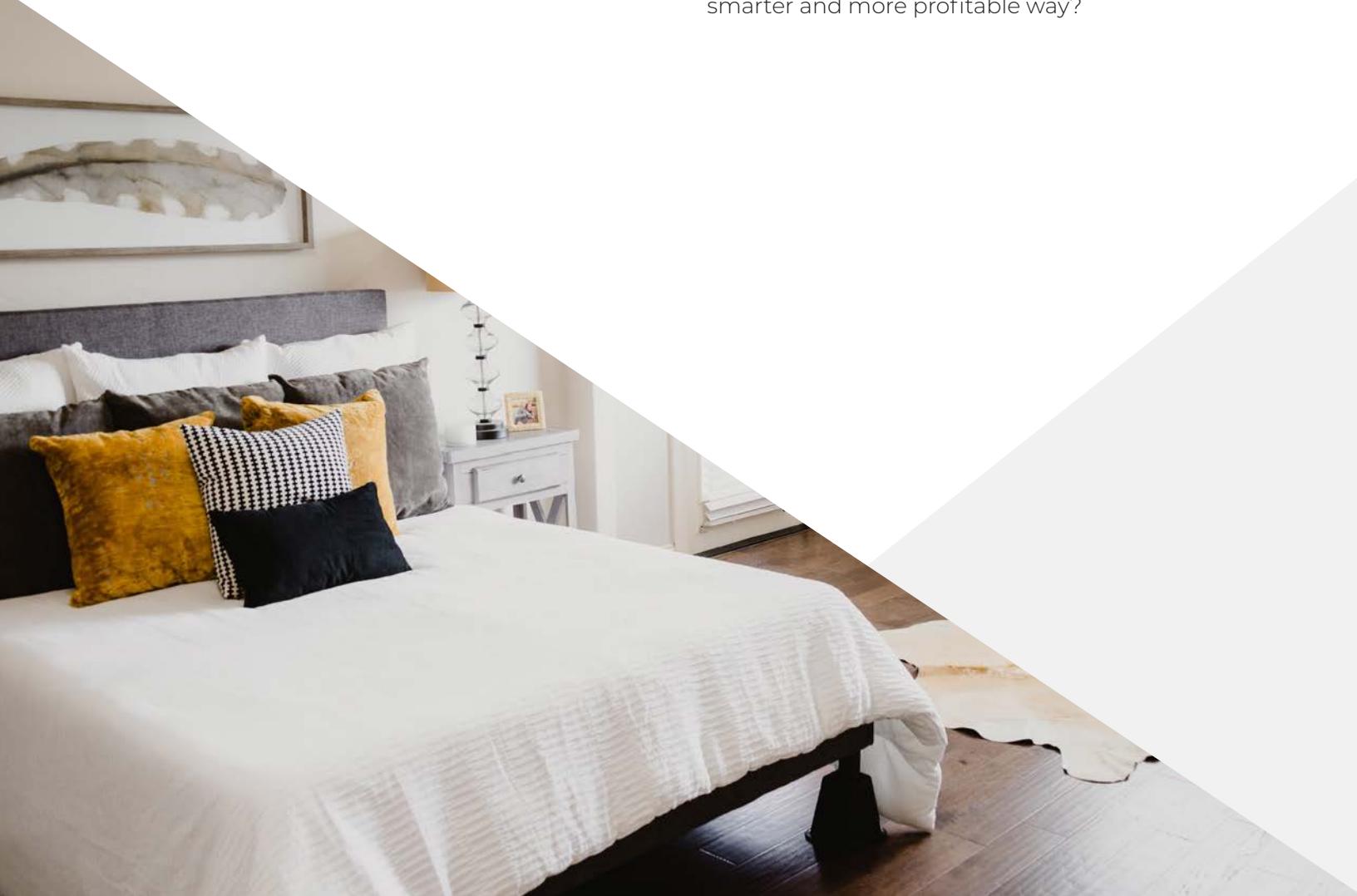
"That's going to be key when we come out of the pandemic, to provide better services," said Dan Kornick, chief information officer at Loews Hotels. "That's what my team is exploring: How can we automate things more in the backend to be more cost efficient, whether we centralize them or automate them? ... [and] how do we get to know our guests better and provide a better experience?"

If these shifts are not internalized by executives as they think about how to operate and invest post pandemic, they may face even bigger challenges

than what they saw in 2020. Just consider the following quote about the growing [impact of operational costs](#) like staffing, cited in Hospitality Upgrade, as one example:

"The cost of revenue generation will reach record highs over the next 18 to 24 months as competition for guests and room nights will be fierce. As a result, net RevPAR after acquisition costs will be severely depressed. Hotels which do not implement fundamental changes to their operating models may not survive even after travel volume approaches pre-Covid levels."

To succeed in this new environment, meet the needs of post-pandemic guests, and prepare for an uncertain future, hotels need to evolve how they do business. But what adjustments should they prioritize? Where should they invest precious time and resources to help them run their businesses in a smarter and more profitable way?



THE 2021 SKIFT AND ORACLE “BACK TO HOSPITALITY” REPORT



It's clear that 2020 ushered in significant changes in guest expectations and the standard operating assumptions of hotels. But which of these changes will be most important as the industry starts to recover from the pandemic? And how should hotel executives and owners plan their business strategies to reset and prepare for the future after such a chaotic year?

To help answer these questions, Skift and Oracle partnered in spring 2021 on a global research study to understand how hoteliers and their guests were thinking about the hotel experience as travel starts to return. Building on their [successful research collaboration in 2020](#), the project surveyed more than 500 hotel executives and nearly 5,000 consumers worldwide to understand their sentiments around hospitality in 2021 and the near future.

Recognizing that a great deal of industry research has already been created exploring forecasts of hotel demand, predicting recovery timelines, and assessing the pandemic's economic impact on the industry, Skift and Oracle agreed to focus this year's research on how the events of 2020 might accelerate innovation, ensure future resiliency, and open up new areas of business growth for hospitality. This resulted in the following four research topics:

- **Non-room revenue:** After a year in which many hotels experimented with new service offerings, the survey explores which new products and services have the most potential. It also explored how hotels could more efficiently monetize and merchandise these aspects of the hotel experience.
- **Competing with short-term rentals:** 2020 saw a significant increase in traveler demand for short-term rental properties. This year's research explored the most attractive features and amenities of short-term rentals, along with which amenities, features, or marketing strategies hotels might use in order to better compete moving forward.
- **Rethinking operations:** The pandemic forced many hotels to make tough decisions about their staffing, operations strategy, remote work plans, and changes to the guest experience. This year's survey investigated what hotels learned in 2020 to help run their business better, and which operational changes from the pandemic period they plan to continue as travel begins to recover.
- **Technology upgrades:** Technology investment typically operates on a long-term timeline for many hotels. But 2020 accelerated a variety of changes implemented by hospitality IT departments. The survey looked at the adoption of technology solutions like cloud-based software, digital tools that help facilitate collaboration, and improvements to the guest experience.

To further round out the report research, Skift and Oracle also analyzed survey responses by geographic location to identify any regional differences in business strategy or attitudes among local consumers and executives. The analysis laid out below offers a snapshot of the hospitality industry in transition as it works to evolve for this emerging future.



NON-ROOM REVENUE



The business environment of 2020 created new momentum among hotel executives to rethink their notions of profitability and revenue diversification. "Covid has forced everyone to view their assets and their real estate and try to understand whether or not there are alternative routes to generate revenue," said Laura Brinkmann, VP private equity, Europe, at Brookfield Asset Management, [in a recent interview](#).

This has created an opportunity for hotel operators to look for ways to better monetize (and market) existing hotel products and services. "There has

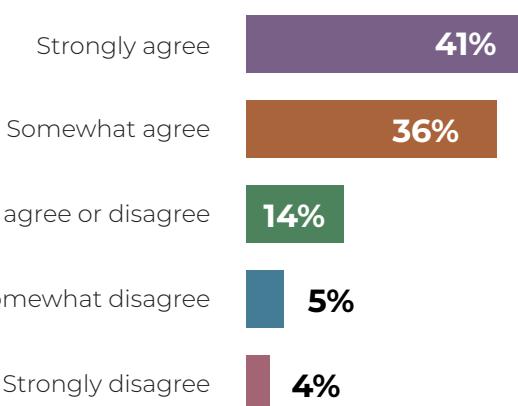
never been a better time to offer non-room products and services to hotel guests," said Jason Bryant, CEO of [Nor1](#), Oracle Hospitality. "While it's not easy to compare year-over-year in the current global situation, we saw a marked increase in guest demand for these offers in the first quarter of 2021 versus the first quarter of 2020."

Other hotel executives agree with this sentiment. "There is an opportunity to reimagine our services and offerings in the post-Covid world," said Raul Moronta, chief commercial officer at Remington Hotels.

The comments match the responses gathered from the Skift and Oracle 2021 survey. Seventy-seven percent of executives agreed or strongly agreed that their property is exploring new opportunities to add non-room revenue as a result of the events of 2020.

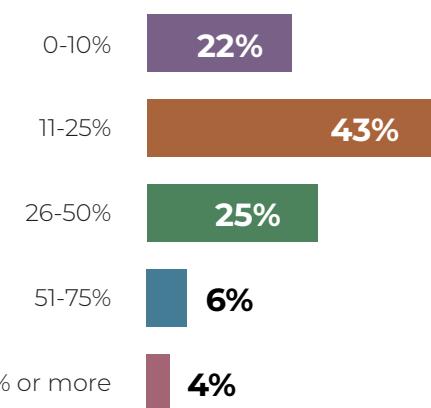
“Since 2020, our hospitality business has been exploring new opportunities to grow non-room revenue to supplement business from unsold rooms.”

Hotel Executives



What percent of your hospitality business do you predict will come from ‘non-room’ revenue in 2021?

Hotel Executives

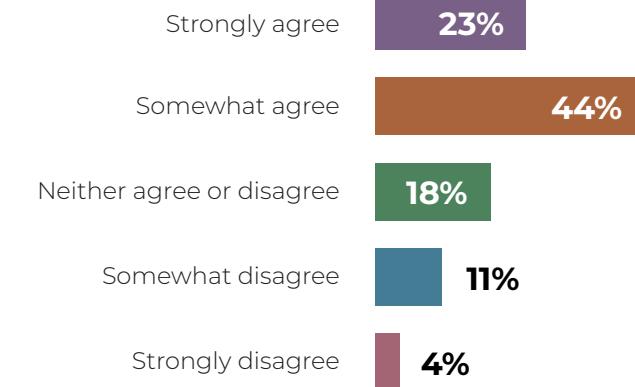


“We expect ‘non-room’ sources of revenue will represent an increasing share of our organization’s annual revenue in the next five years.”

Hotel Executives

In addition, a significant majority of respondents believe non-room revenue sources will become a more important component of their financial plans moving forward. Forty-three percent of executives said non-room sources of revenue could immediately represent as much as a quarter of their hospitality business this year (right, top). And looking ahead to the future, 67 percent of executives agreed or strongly agreed that non-room revenue will represent a growing share of their annual revenue in the next five years.

These optimistic assessments are reinforced by growing demand for non-room products and services among hotel guests. Sixty-seven percent of hotel guests said they were “very or somewhat” interested in buying products and services beyond their room, a data point that suggests an opportunity to upsell or cross-sell such items to guests as part of their stay (next page, top right).

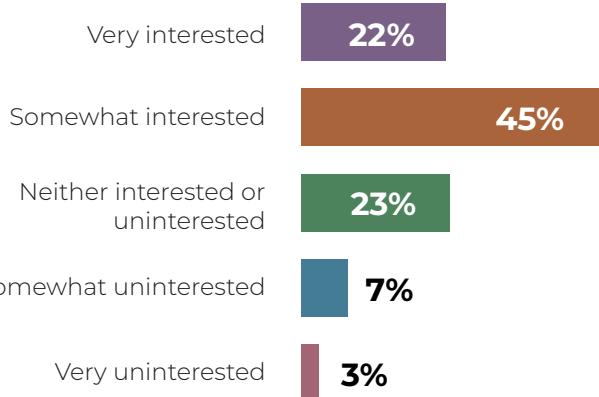


In fact, because of the celebratory nature of many post-pandemic trips, some hoteliers report they are already seeing significant increases in guest spending. “After almost a year without travel, once they arrive here, they want to celebrate,” said Eduardo Segura, managing director for The Cape, A Thompson Hotel — a luxury property in Los Cabos, Mexico. “The income per available room has increased.”



Many hotels are now selling various products and services to guests and non-guests beyond just rooms. Assuming they fit your needs, how interested would you be in purchasing these items from a hotel?

Consumers



Even if the novelty of splurging during an initial post-vaccine trip doesn't last, survey responses suggest selling non-room products is an idea with big potential. Top non-room products and services consumers have previously purchased from a hotel, or are open to purchasing in the future (next page), are food from the restaurant (91 percent), drinks at the bar (86 percent), package deals (83 percent), or tours and activities (81 percent).

In response to this demand, more hotels are re-examining where they might further diversify their offering (see page 15). Many executive respondents said they either started offering during the pandemic or previously offered services such as extended stays (66 percent), package deals (65 percent), and F&B concepts (57 percent).

There's also growing potential for hotels to revamp their strategy for hybrid meetings and temporary workspace. While hybrid event spaces (43 percent) and temporary offices (42 percent) did not score as high among hotels in this year's survey, both services scored highest among hotels "considering offering this in the future."

Have you ever purchased, or would you be open to purchasing, any of the following products or services from a hotel at your next stay?

Consumers

	Never purchased from a hotel	Open to purchasing from a hotel	Have purchased this from a hotel
Food from a restaurant	7%	36%	55%
Drinks at a hotel bar	10%	33%	53%
Tour or activity	14%	43%	38%
Package deals (room + other hotel amenities)	13%	49%	34%
Food takeout or delivery	18%	43%	34%
An extended stay (7+ nights)	18%	44%	33%
A product from a retail store inside the hotel	19%	41%	34%
A wellness or fitness service	26%	41%	26%
Car rentals	28%	40%	22%
Tickets to an event (concert, performance)	27%	45%	21%
Booked a room for a portion of a day	36%	34%	21%
Space for a business meeting or personal event	34%	31%	17%
A subscription membership to hotel services	38%	36%	16%
Temporary office/coworking space	41%	27%	13%

How this trend is playing out at properties around the world depends a lot on their location, their category and their guest profile. But conversations with various executives offer some insights.

"Hotels in some regions have been offering new programs like 'Work From Hotel,'" said George Turner, chief commercial & technology officer, IHG Hotels & Resorts. "It allows people to work flexibly in a hotel room or public spaces (where permitted by local regulations) with amenities like free Wi-Fi, food

and beverage discounts, and free printing. These could be booked for full or half day windows."

Other properties are looking at new opportunities to facilitate sales of non-room products to locals. "You think about things like our world-class spas and our fitness facilities, our restaurants, our bars, these were already very much orientated towards local guests and the local environment," said Four Seasons' Trodd. "So we continue to focus on communicating those offerings very, very carefully."

Does your business currently offer or plan to offer any of the following products and services targeting hotel guests?

Hotel Executives

	No plans to offer	Considering offering this in the future	Started offering this in 2020	Offered this pre-pandemic
Takeout and delivery food options	15%	23%	35%	22%
New food and beverage concepts (restaurants, bars, takeout kitchens)	13%	25%	28%	29%
Hybrid event services (combination virtual + physical meetings)	21%	30%	28%	15%
Temporary offices/coworking space	24%	29%	26%	16%
Package deals (room + other hotel amenities)	11%	19%	23%	42%
Book a room for a portion of a day	28%	24%	23%	19%
Extended stay accommodations (7+ nights)	11%	19%	22%	44%
Retail or e-commerce storefronts	28%	27%	17%	17%
Wellness or fitness services	20%	21%	15%	36%
Tours and activities	20%	25%	14%	34%
Subscription hotel memberships	28%	27%	12%	24%
Car rentals	41%	17%	12%	18%

Trodd also mentions that Four Seasons saw strong interest in 2020 for special takeout versions of its world-class food offerings. “In Paris at [Le Cinq](#), our three Michelin-Star restaurant, you were able to have a multi-course New Year’s Eve menu delivered to your home,” said Trodd. “That’s something that we wouldn’t have done in the past. Or if you’re in Hong Kong and Chef Tak has these just absolutely beautiful puddings, they were available to celebrate the Lunar New Year as a takeout product.”

New hybrid meeting and workspace offerings are another area of growing opportunity, especially as hotels look for ways to entice groups and

business travelers back when it’s safe to hold larger gatherings. “We have implemented a couple of broadcast studios for larger settings,” said Florian Daniel, chief information officer at Steigenberger Hotels. “We have [also] equipped rooms for hybrid meetings where we can have physical travelers connecting with their offices. So this is indeed a new product.”

Luckily, existing hotel products like Oracle’s [OPERA Cloud Sales and Event Management](#) make it easy for hotels to easily integrate unused guest rooms and temporary spaces into their sales channels to boost revenue.

Despite the potential opportunity for non-room revenue, many hoteliers still consider it a good way to supplement overall revenue, not replace it. Forty-three percent of executives said that while non-room revenue was a promising opportunity, room revenue was the primary driver of their business.

Which of the following statements best matches your opinion about the future potential for selling “non-room” products and services at your property?

Hotel Executives

It's a promising opportunity, but room revenue is the main driver of our hotel business

43%

It's a promising opportunity but needs further experimentation

21%

It was a short-term adjustment to make it through 2020

19%

It's a distraction from our main business, which is renting rooms

8%

It's a revolutionary change in how we do business

7%

Other

1%

This seems to imply that non-room revenue will serve as an excellent diversification strategy as hotels try to be more resilient in the face of future business challenges. It also highlights an emerging shift in hospitality management philosophy toward the tracking of “total revenue management,” in which metrics like [total revenue per available room](#) (TRevPAR) better encapsulate the complete guest revenue generated across all hotel departments on a per room basis, not just revenue from the room itself.

“The main advantage of TRevPAR is that it takes into account revenue from all departments, including food and beverage sales, meeting space, spas, golf, parking and even phone/internet services,” notes a [recent explainer on TRevPAR](#) from hospitality insights firm STR.

Even if a hotel isn’t ready to immediately reorient its entire revenue strategy toward non-room revenue, one way to start experimenting with non-room revenue is by means of [upsell](#) opportunities. Hotel executives should consider where in the consumer journey their properties could do a better job of cross-selling or merchandising related products and services that fit a guest’s needs. A perfect opportunity exists at the time of purchase or at check-in.

Nearly 50 percent of consumers in this year’s survey said being offered an upgrade or special offer for non-room services during pre-arrival or check-in was important.

Is being offered an upgrade or special offer for non-room services pre-arrival or at check-in important to you?

Consumers

Yes - I like being given options to improve my stay

49%

Maybe - it would depend on the trip and context

44%

No - Doesn't really make a difference for me

7%

According to calculations provided by executives interviewed for this report, these upsells can ultimately have a noticeable impact on hotel revenue, profit and average daily rate (ADR). “Our data scientists have estimated room upgrade demand at \$28 per reservation,” said Norl’s Bryant. “If you could satisfy only 50 percent of that demand, you would increase your average reservation value by \$14, the majority of which is pure profit. For a property with an ADR of \$200 and an average length of stay of two nights, this would translate into an ADR increase of approximately four percent.”

COMPETING WITH SHORT-TERM RENTALS



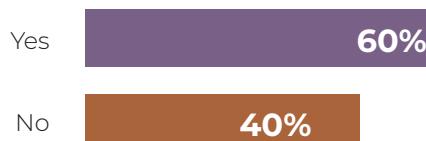
As the hospitality industry navigates out of the pandemic, they'll also need to look for opportunities to differentiate themselves from competitive threats like short-term rentals. Thanks to the growth of short-term rental demand in 2020, the urgency of a response has increased considerably. "The advantage that short-term rentals have had [in 2020] is the increased focus on leisure and a high proportion of long-term stays, which have been a big chunk of demand," said Robin Rossmann, managing director at STR, [during a 2020 webinar](#).

The continued popularity of short-term rental accommodations was also evident in the responses from this year's survey respondents. Sixty percent of consumers said they planned to stay at a short-term rental property in the next 12 months.

Still, it's important to put this demand into context. While there's been a clear increase during the pandemic and into the current recovery phase, it's not yet clear if it represents a permanent change, or a temporary shift. That's why, in order to effectively

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

Consumers



compete with that growing demand, it's important for hotel executives to understand the motivations of consumers selecting these types of properties, along with the specific property features and amenities that influence their choices.

The most important insight from this year's survey is that travelers prefer both options differently depending on their travel circumstances and trip purpose. "Many of our guests use both the hotels and [private retreats](#)," said Trodd, referring to Four Seasons' hotels and the company's own private retreats product. "It's not an entirely different guest base."

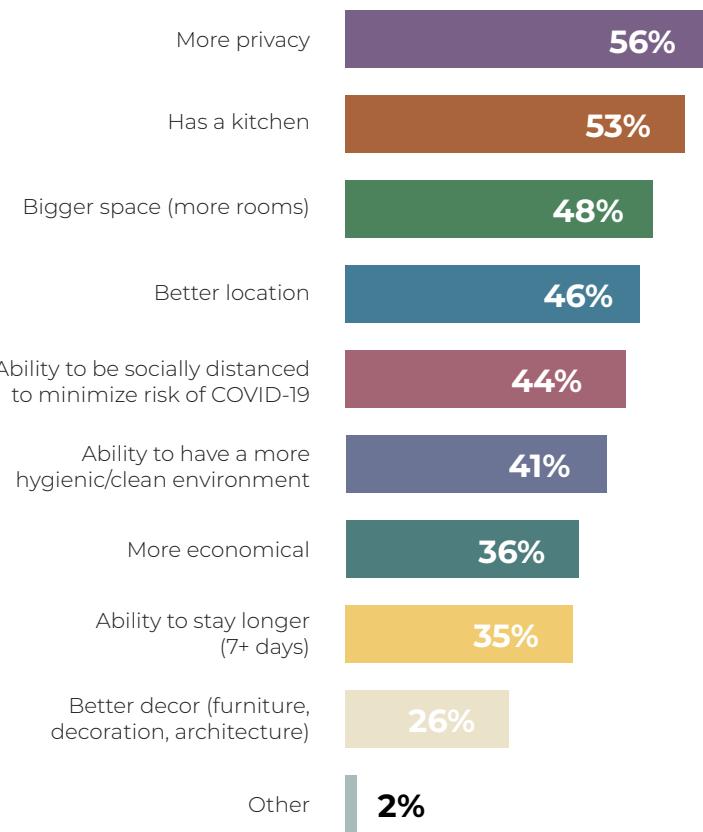
That said, when attempting to make a direct comparison, there are clear differences in amenity preferences (right, top). Fifty-six percent of consumers said they picked a short-term rental because it had more privacy, while another 53 percent said it was because their short-term rental had a kitchen. Another 48 percent said it was because it had "bigger space."

Meanwhile, when asked the same question about hotels (next page, top left), 60 percent of consumers mentioned better prices, while over half said hotels had a "better location." Another 48 percent said "upgraded amenities" like an in-room kitchen or an on-site pool would make them more likely to stay in a hotel.

How hotels respond to these differences, and with what kinds of adjustments to their experience, continues to evolve. Survey responses and executive interviews suggest hotels are exploring a range of

Which of the following features is most important in deciding to stay in a short term rental instead of a hotel?

Consumers



responses, including upgraded cleaning procedures, developing new products, services, and marketing approaches to blunt the short-term rental appeal, and physical modifications to their properties.

One of the easiest responses for hotels to counter the appeal of short-term rentals is with more cleaning procedures and contactless technology. The pandemic may be receding in some parts of the world, but research suggests safety and hygiene will remain key considerations for travelers for years to come. "What changed [in travelers' minds] is, 'I don't know if [short-term rentals] have the proper hygiene in place, so I'd rather stay at a hotel,'" said Steigenberger Hotels' Daniel.

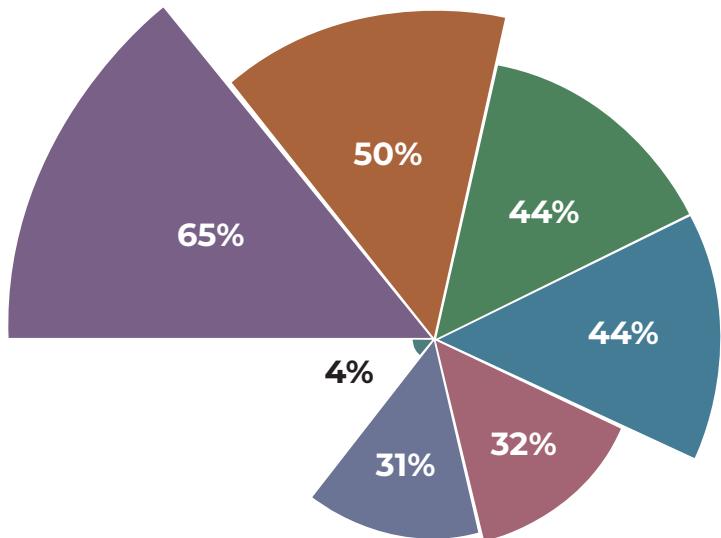
In response, 65 percent of executives are implementing new hygiene and cleaning procedures to better

Which of the following amenities would make you more likely to stay in a hotel instead of a short-term rental?

Consumers



Is your organization considering any amenity changes to better compete with short term rentals? Hotel Executives



compete with short-term rentals. Another 50 percent said they are doubling down on upgrades to contactless technology (left, bottom).

This enhanced focus on cleaning is in line with consumer preferences (next page, top). Seventy-nine percent of consumers said “company cleanliness guarantees” were very or somewhat important to their willingness to stay at a hotel or short-term rental again, while 76 percent of consumers said “trust in travel companies to offer safe travel procedures.”

And matching with the growing focus on non-room revenue, executive respondents in this year’s survey also noted that introducing new products or services was another relatively easy solution (next page, bottom right). Eighty percent of executives agreed or strongly agreed that their properties will need to develop new products and services to allow their guests to better “live like a local.”

Consider the example of boutique hotels that are now bundling blocks of their rooms as a virtual short-term rental offering for large groups. The Hotel Viking in Newport, Rhode Island, for instance, designated an entire floor of its property as a single reservation available to a large group or family. The

- New hygiene and cleaning procedures
- Upgrading digital or contactless amenities
- Longer/discounted rates for longer stays
- Promoting exclusive hotel-only amenities (restaurant, gym, pool)
- Adding more live events and social activities
- Upgrading concierge services
- Other

Of the following options, how important will each be in persuading you to stay at a hotel or short term rental again? Rank your choices from very unimportant to very important.

Consumers

	Very unimportant	Somewhat unimportant	Neither important/unimportant	Somewhat important	Very important
Company cleanliness guarantees	5%	5%	11%	27%	52%
Trust in travel companies to offer safe travel procedures	6%	6%	12%	31%	45%
Ability to socially distance from other travelers	5%	8%	16%	36%	36%
Getting away from home with my family	6%	7%	17%	34%	36%
Seeing family or friends in other places	6%	9%	18%	34%	32%
Capacity limits at the property (total # of people)	5%	8%	20%	36%	32%
Promo offers/discounts from travel brands	5%	9%	22%	36%	28%
Contactless/low touch experiences (self-serve)	6%	10%	23%	38%	23%
App-based food ordering	12%	16%	29%	29%	15%
Getting away from home without my family	19%	18%	29%	21%	13%

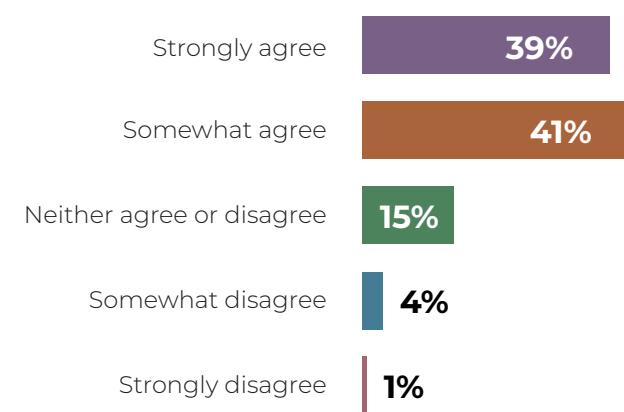
package comes complete with a spa 'to-go' kit and private cocktail hour to heighten the experience.

"Both of these experiences are private for the guest," said Courtney Hoppen, director of revenue management at Hotel Viking, in the article. "The spa to-go kit will come with instructions on how to pamper yourself, and the cocktail hour will be very similar; a bartender will provide 'knocktail' service and bring a round of beverages up to the room with instructions on how to shake or stir."

Another hotel evolving due to competitive threats is Zoku, a European-based hotel chain which is planning to transition its European properties in 2021 to a [subscription living experience](#) targeting remote workers. For a monthly price of 2,750 euros, members get access to Zoku's properties in Vienna,

"In order to better compete with short term rentals, hotels will need to develop products and services that help guests to live like a local."

Hotel Executives



Amsterdam, and Copenhagen, along with a 24/7 workspace and weekly events to help facilitate socializing with locals and guests.

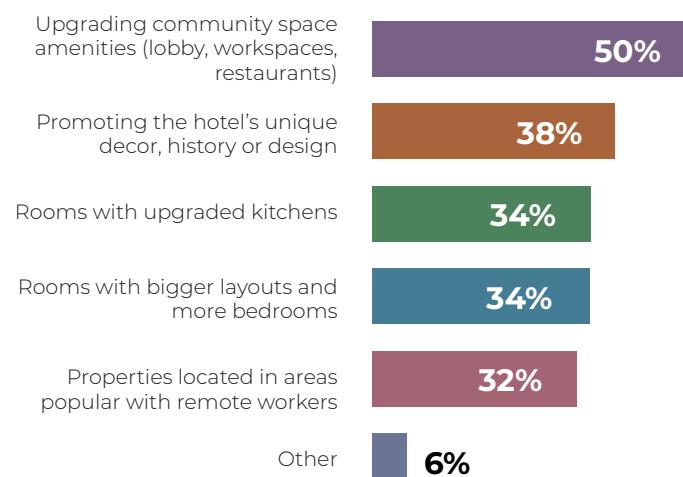
"I enjoy hotels as international spaces and because of the on-site amenities like the concierge, bars, and restaurants," said Konstantinos Ntoukakis, a digital nomad quoted [in an article describing the Zoku's new offering](#). "When you're traveling and working at the same time, you want to know that things are taken care of. Subscription living has the opportunity to capitalize on that."

This year's survey indicates there may even be willingness among hoteliers to invest in physical property upgrades as a response to short-term rental demand (below, left). For instance, 50 percent of executives plan to compete by upgrading their properties' common space amenities such as lobbies, workspaces, and restaurants.

Yet another strategy involves rethinking how hotels price, market, and package their experience. [A recent article](#) for Hotel Recovery offers some ideas, which focus less on physical changes to the property and more on changes to marketing, pricing,

Is your organization considering any of the following property or room changes to better compete with short term rentals?

Hotel Executives



distribution, and merchandising that can impact how travelers perceive a hotel relative to Airbnb.

"Hoteliers cannot match travelers' expectations for privacy, but they can offer their own range of powerful counter arguments and enticing benefits," writes the author. Among the ideas proposed are the following:

- Practice attribute-based selling based on popular amenities offered by Airbnbs in the area.
- Offer more value by packaging or bundling experiences, classes, tours, specialty rooms, and F&B options.
- Introduce new pricing options (weekly or monthly).
- Highlight the location and safety of the hotel versus an Airbnb.
- Emphasize the hotel's amenities (disability access, reliable Wi-Fi, etc.).
- Devise marketing strategies that demonstrate why the hotel is better.

As an example of this strategy, The Cape in Los Cabos, Mexico, reports great success promoting the hotel's on-site villas as a package deal during the pandemic, complete with co-working features. "The idea started from our repeat guests that wanted to come down here and work from their villa," said The Cape's Segura. "So we opened an opportunity for our rate over 10 days, a very special rate with an upgrade in one of our villas, because our villas are all equipped with larger space, a larger terrace, and a full kitchen."

Each of these nuanced responses highlights the fact there is no single solution by which hotels can counter the threat of short-term rental demand. Each property will need to develop its own response in line with local cultural nuances, target guest trip preferences, emerging lifestyle choices related to remote work, and the relative strength of its on-property offerings.

RETHINKING OPERATIONS



The previous two sections describe hotel strategies for boosting non-room revenue and competing with short-term rentals. But in order for hotels to compete with these strategies, they cannot simply assume that the pre-pandemic ways of running their business will continue unchanged. They will need to rethink their operations as well.

That's why many hotels used 2020 and the early months of 2021 to focus on streamlining their business operations to prepare for recovery. As noted in an [April 2021 article in Hospitality Upgrade](#), "... the Covid-19 recession created the biggest opportunity for hotels to re-invent operational processes in the history of the industry."

"Many of the products and solutions we have implemented were under development before the pandemic," said IHG Hotels & Resorts' George Turner. "But the need was accelerated. We had to deliver timely and cost-effective solutions for our hotels quicker than ever before."

These solutions are becoming more important at a moment when many hotels face a potential labor shortage that threatens to impede the industry's growing recovery.

So what are some of the internal changes hotels are making in order to run their businesses more efficiently and profitably, and ensure more satisfied

"We plan to provide additional training or education to our staff to support our plans to create new non-room revenue opportunities."

Hotel Executives

- | | |
|-----------------------------|---------------------|
| ■ Strongly agree | ■ Somewhat disagree |
| ■ Somewhat agree | ■ Strongly disagree |
| ■ Neither agree or disagree | |

guests, in the years ahead? In this year's research and interviews with hotel executives, topics like staff training, new marketing and distribution opportunities, and guest interaction strategies came up frequently.

"We've used this time to introduce new distribution tools, housekeeping tools, and new employee communication platforms," said Steigenberger Hotels' Daniel. "And many of [our staff] have been on part-time work, so training has been difficult. But we've used this time to really rejuvenate our infrastructure."

One important task is retraining staff, which includes rehiring furloughed workers, retraining them, and preparing them as their properties' offerings evolve. Eighty-one percent of executives agreed or strongly agreed that some retraining or education of their staff will be necessary to support new ways of operating and selling new products and services after the pandemic (see previous page).

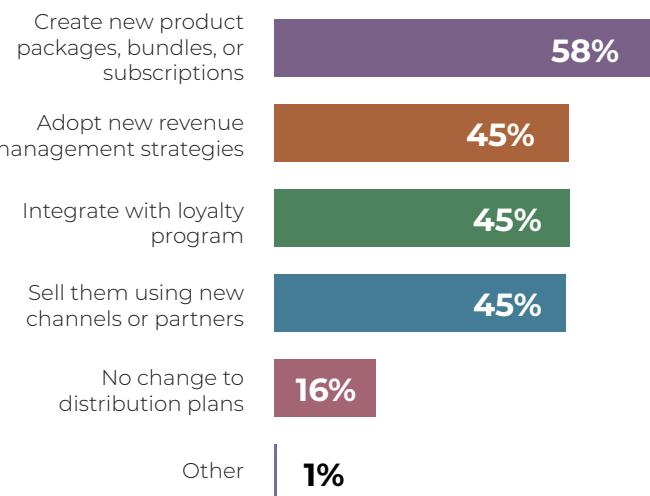
Another area of upgraded operations is in the realm of hotel merchandising and distribution. This involves reevaluating which travelers hotels target in their marketing, as well as how they sell to them. As previously noted in the non-room revenue and short-term rental sections, it may also involve repackaging what hotels already offer to make them more appealing to the ever-changing needs of travelers.

"There's always a better opportunity to promote your amenities or what you do differently," said Loews Hotels' Kornick.

For some hotels this takes the form of bundling and packaging. Fifty-eight percent of executives said they planned to create new types of bundles, packages or subscriptions to promote non-room revenue products and services (top right). Another 54 percent of executives planned to target new

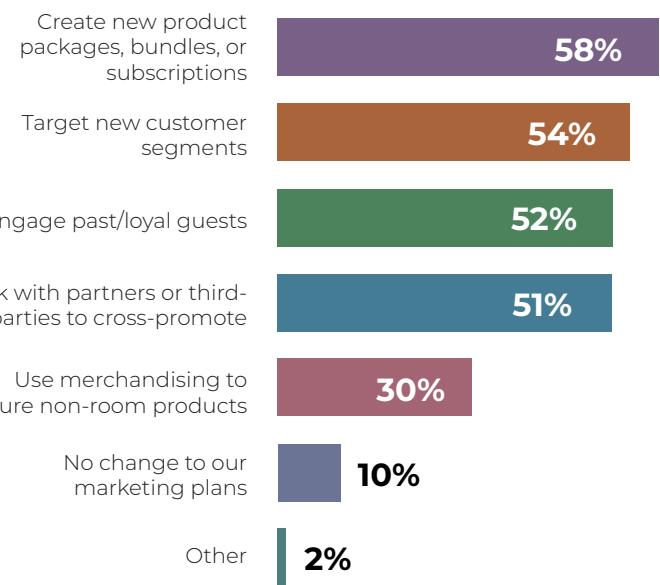
How will you adjust your company's distribution strategy to sell new non-room revenue products and services?

Hotel Executives



Which marketing strategies (if any) will you use to sell new non-room products and services?

Hotel Executives

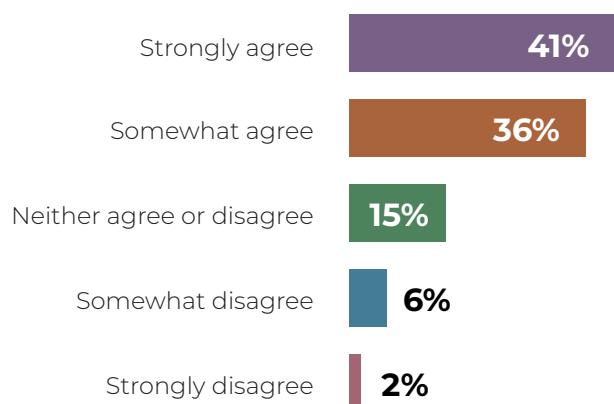


customer segments to sell non-room products and services (previous page, bottom right).

"A big theme ... for hospitality companies will be the improved timing of offers," said Norl's Bryant, in a [2019 interview](#). "Hotels are now able to tap machine learning to know precisely when to send, say, a special discount for the hotel's restaurant or

"We plan to upgrade or modernize our technology, hardware, or software systems to better support the sale, marketing, and distribution of future non-room revenue opportunities."

Hotel Executives



an invitation for a late check-out in exchange for a nominal charge, to a particular type of guest."

How hotels deliver these offers will vary significantly by property type and geographic location, but it's become increasingly clear that more integration of various solutions across operations technology and food and beverage teams is necessary to ensure that more value is captured. This also extends to the guest engagement hardware and software used by hotel staff, where point-of-sale and mobile devices can make it easier to initiate upselling opportunities in an organic and contextually relevant moment.

Yet another area of evolution will involve strategies for pricing and revenue management. As noted in the non-room revenue section of this report,

these products and upsells will need to be better integrated into holistic room-pricing decisions and cross-property estimates of guest revenue. One example cited in the non-room section of this report is TReVPAR, or total revenue per available room, which better accounts for how revenue from various departments throughout the hotel impact room revenue.

A significant minority of hotel executives agree that this type of holistic revenue strategy is an area of interest, with 45 percent indicating they plan to adopt new revenue management strategies (previous page, top right).

"We're looking at finding the right pricing strategy for everything from a pot of coffee to a beer at the bar," said one member of the Hospitality Sales & Marketing Association International's (HSMAI's) Revenue Optimization Advisory Board in a recent interview on emerging hotel revenue management strategies. "We need to figure out how to start incorporating a lot of those plans and trying to find those revenue channels that are going to drive demand from everywhere."

A refresh of hotel sales, marketing, and distribution software is also likely. Seventy-seven percent of executives agreed or strongly agreed they plan to upgrade or modernize their tech, hardware, or software to better support the sale, marketing, and distribution of future non-room revenue opportunities (left).

TECHNOLOGY UPGRADES



The pandemic reinforced the importance of using downtime in 2020 to revitalize technology systems, prepare them for new consumer expectations, and upgrade their business for the future. “Digitalization was a big differentiator [in 2020],” said Steigenberger Hotels’ Daniel. “We introduced a lot of contactless technologies, that was a key takeaway. And then obviously how quickly we could roll out the new [technologies] to our hotels.”

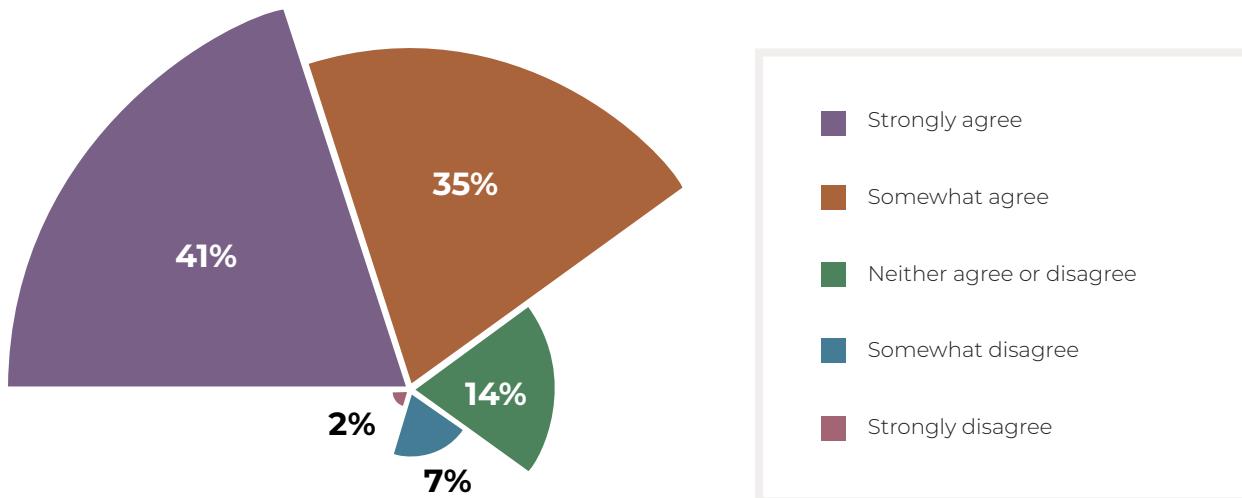
This was evident in this year’s survey, which found a shift in terms of tech investment owing to Covid-19. Seventy-six percent of executives agreed or strongly agreed the pandemic accelerated their adoption of new hotel technology (next page, top).

But how will that translate into future IT investments? One area of focus is cloud technology. The hastily improvised remote working arrangements of 2020 reinforced the importance of having technology infrastructure in place to facilitate collaboration, access data wherever it’s needed, and quickly evolve systems in response to changing business needs.

Seventy-two percent of executives agreed or strongly agreed they are exploring solutions to allow them to store data and systems in the cloud (next page, bottom right).

"The Covid-19 pandemic accelerated our adoption of new technology at our hospitality business."

Hotel Executives



Cloud technology also enables new ways for hotel management and staff to more efficiently communicate and share information with colleagues and across departments.

"We've moved everything to the cloud," said Ahmed Disokey, vice president of hotel technology at AccorInvest. "We are trying to be more flexible now in terms of integration, putting more focus on the big picture and a shift to [have staff] work remotely sometimes ... we found out that you can still be productive and are able to deliver results with no challenges at all."

Seventy-seven percent of executives agreed or strongly agreed in the continued value of remote technology like cloud-based software to help keep their property running smoothly (next page, bottom left). Even as staff return to properties at full force, the benefits of this collaboration framework are unlikely to go away.

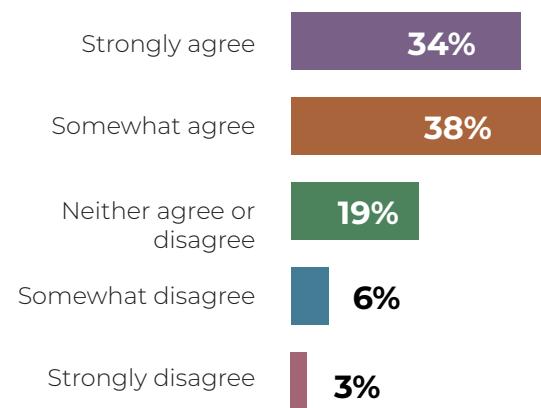
"Cloud-based software is the future, and it is the only way Four Seasons can deliver IT services to our employees and hotels worldwide," said Marco Trecroce, chief information officer at Four Seasons Hotels & Resorts. "Four Seasons was an industry

leader in cloud technologies with our first Workday [enterprise cloud management tool] implementation back in 2011. Since then, we have implemented a number of best in class cloud technologies."

Other hotel executives agree that cloud solutions will be critical moving forward. "About a year ago, we moved a hundred percent to the cloud across probably 30-plus vendors, and shut our data centers down," said Loews Hotels' Kornick. "That has been a

"Our property is exploring or actively reviewing new hotel tech solutions that will make it easier to store our data and systems in the cloud."

Hotel Executives



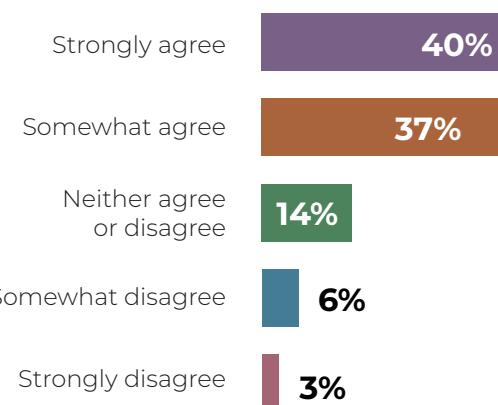
huge help for us in terms of flexibility, product rollout, staying current, security, payment, whatever we want to do. It's a lot easier now."

Aside from cloud technology, other types of software innovation are helping hoteliers facilitate easier ways to share data and coordinate their operations both internally and with key partners. One example of such a technology is an "API" (application programming interface), referring to a category of software that makes it easier for two different applications to more easily talk to one another. Oracle Hospitality's recent move to [make its REST API specifications](#) available to software partners is one example of the shift.

"We have heard over and over from customers and partners that they would like to reuse or take inspiration from our [REST API](#) specs. They want our APIs to become the industry reference and are asking us to make it possible," said Laura Calin, vice president of strategy at Oracle Hospitality. "With this update, we are making this vision of an open architecture a reality and taking APIs in hospitality to a completely new level."

"In 2020, our staff used remote technology like cloud-based software more frequently to help keep our property running smoothly."

Hotel Executives



Collaboration tools aren't the only area of interest when it comes to hotel technology. Another area of focus is technology that helps facilitate guest engagement. 2020 proved the importance of using digital engagement tools to facilitate the customer experience, not just at hotels but across all aspects of consumer-facing businesses like retail and restaurants.

Fifty percent of consumers said they expected hotels to provide contactless payment options as a change they want to see from hotels moving forward, while another 35 percent expected self-service check-in, and 31 percent expected digital messaging services to avoid contact with staff (next page, top).

"You need to communicate more now than ever to your guest," said The Cape's Segura. "We needed to implement better technology to get in contact with you prior, during, and after your stay. And when I mention 'prior,' that's to explain all the protocols and information that is new in the hotel."

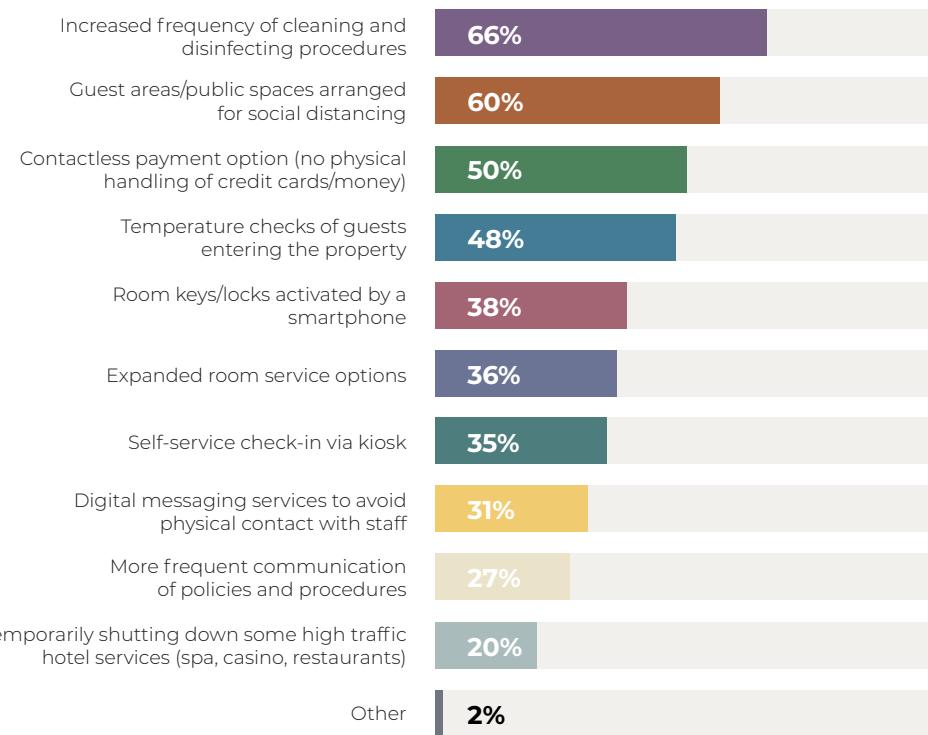
As a result, executives are looking to upgrade systems like guest messaging, marketing, and point of sale. Sixty-four percent either upgraded their guest messaging in 2020 or are considering upgrading in the future, while 68 percent said the same about advertising and marketing campaign management, while a further 58 percent cited point-of-sale devices (next page, bottom).

Last but not least, an important but often overlooked aspect of technology upgrades is the accompanying training for staff to make sure they can effectively use the new tools effectively.

"Rarely have I found questions being asked about the skill set required of the individuals using the technology, how much training will be required and what organizational processes will need to be put in place to maintain and manage the technology in the long run," said one hotel technology executive [in a recent op-ed](#).

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?

Consumers



Which, if any, of the following technology or software systems have you upgraded (or considered upgrading) to support future hotel business opportunities like non-room revenue?

Hotel Executives

	No plans to upgrade	Considering upgrading in the future	Upgraded this in 2020	Upgraded this pre-pandemic
Guest messaging	11%	35%	29%	20%
Channel management/distribution	17%	34%	24%	20%
Marketing and advertising campaign management	11%	33%	35%	17%
CRM and/or loyalty databases	22%	34%	22%	18%
Point of sale devices	15%	32%	26%	21%
Revenue management	19%	30%	26%	21%
Property management	19%	28%	24%	23%
Reservation systems	14%	28%	29%	26%

REGIONAL SPOTLIGHTS



Hospitality recovery is not proceeding at the same rate in all parts of the world. At the time of this report's publication, some parts of the world are moving toward full recovery, while other regions are still reckoning with numerous challenges as they work to get the travel industry back on track.

These discrepancies also extend to how various hotel executives and consumers around the world view the hotel experience moving forward. As is evident in the analysis below, different parts of the world illustrate marked differences in their perception of non-room revenue opportunities, their interest in short-term rentals, and their adoption of new operating strategies and hotel technology.

EUROPE

Travel demand in the European hotel market is not trending upward as quickly as in the United States and United Kingdom. That said, executives in the region see signs that recovery will happen before the end of 2021.

"I think we are looking optimistically at the last couple of months of the year," said Steigenberger Hotels' Daniel. "We will pick up late this year, like Q4. That's the current situation here in Germany, but also in Europe too. Some countries may try out different opening strategies, so our outlook is to stay cautiously optimistic."

Beyond the region's travel outlook, how did European hotels diverge from other regions in their

responses to this year's research? One good sign is that European participants demonstrated equally high interest in non-room revenue opportunities, although the services they were most interested in promoting differed from those in other regions.

On the topic of non-room revenue opportunities, 64 percent of European hotel respondents in this year's survey either started offering extended hotel stays of seven days or more in 2020 or offered this pre-pandemic — a product that was 14 percentage points higher than the same responses from global survey respondents. Sixty percent also said they either started offering package deals in 2020 or offered this beforehand, a full 10 percentage points higher than global respondents.

Does your business currently offer or plan to offer any of the following products and services targeting hotel guests?

Europe Hotel Executives	No plans to offer	Considering offering this in the future	Started offering this in 2020	Offered this pre-pandemic
Takeout and delivery food options	17%	27%	37%	14%
New food and beverage concepts (restaurants, bars, takeout kitchens)	12%	26%	31%	27%
Book a room for a portion of a day	23%	21%	27%	23%
Temporary offices/coworking space	23%	31%	24%	18%
Hybrid event services (combination virtual + physical meetings)	22%	31%	24%	19%
Extended stay accommodations (7+ nights)	12%	19%	21%	43%
Package deals (room + other hotel amenities)	13%	22%	21%	39%
Wellness or fitness services	21%	22%	19%	31%
Retail or e-commerce storefronts	30%	28%	18%	15%
Subscription hotel memberships	27%	25%	14%	25%
Tours and activities	21%	29%	13%	30%
Car rentals	40%	18%	13%	16%

Interestingly enough, European consumers did not seem equally enthusiastic about being offered more upsells or non-room products during their hotel stay. When asking travelers about the importance of an upgrade or special offer at check-in, only 41 percent of European guests said it was very or somewhat important — nine percentage points lower than guests worldwide.

Still, it's important to recognize the low interest could be a by-product of the strict travel lockdowns that have impacted the region for much of the past year. "We've been tightly regulated in the last 10, 11 months," said Daniel. "So there was really not much room to have any travelers at all here, or to try that sort of business [model] out."

On the topic of operations and technology upgrades, European hotels also ranked their progress as lagging behind that of their hospitality colleagues globally, suggesting an opportunity to further accelerate the adoption of technology in the region. Only 69 percent of European executives said the pandemic accelerated their adoption of hotel technology — seven percentage points lower than respondents globally.

ASIA-PACIFIC

Asia-Pacific was one of the first regions globally to take aggressive action to combat the pandemic. But as parts of the United States and Europe start to reopen by the start of summer 2021, many key Asian travel markets remain closed for significant travel.

"To be honest I think we all know that the hospitality industry took a big hit in 2020," said AccorInvest's Disokey, who is based in Singapore. "But in spite of all the challenges Covid-19 created, it also gave us a lot of opportunities to think outside of the box."

In spite of this lower short-term hospitality demand, the region's 2021 survey responses suggest

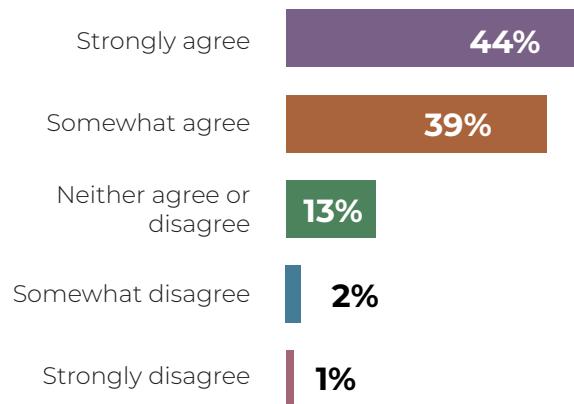
those in the region have been early adopters of many emerging hotel business and technology opportunities, with widespread embrace of the trends described in this report's preceding sections.

One area of enthusiasm was Asia-Pacific executives' assessment of 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 (below, right). 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.

Asia-Pacific executives were also more enthusiastic about various non-room products than their global peers. In line with their European counterparts, 70 percent of Asia-Pacific executives offered extended stay options before the pandemic or started offering them in 2020 (versus 50 percent globally). Sixty-seven percent of executives in the region also said the same about takeout food options — 17 percentage points higher than executive respondents in the global sample.

"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



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 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?"

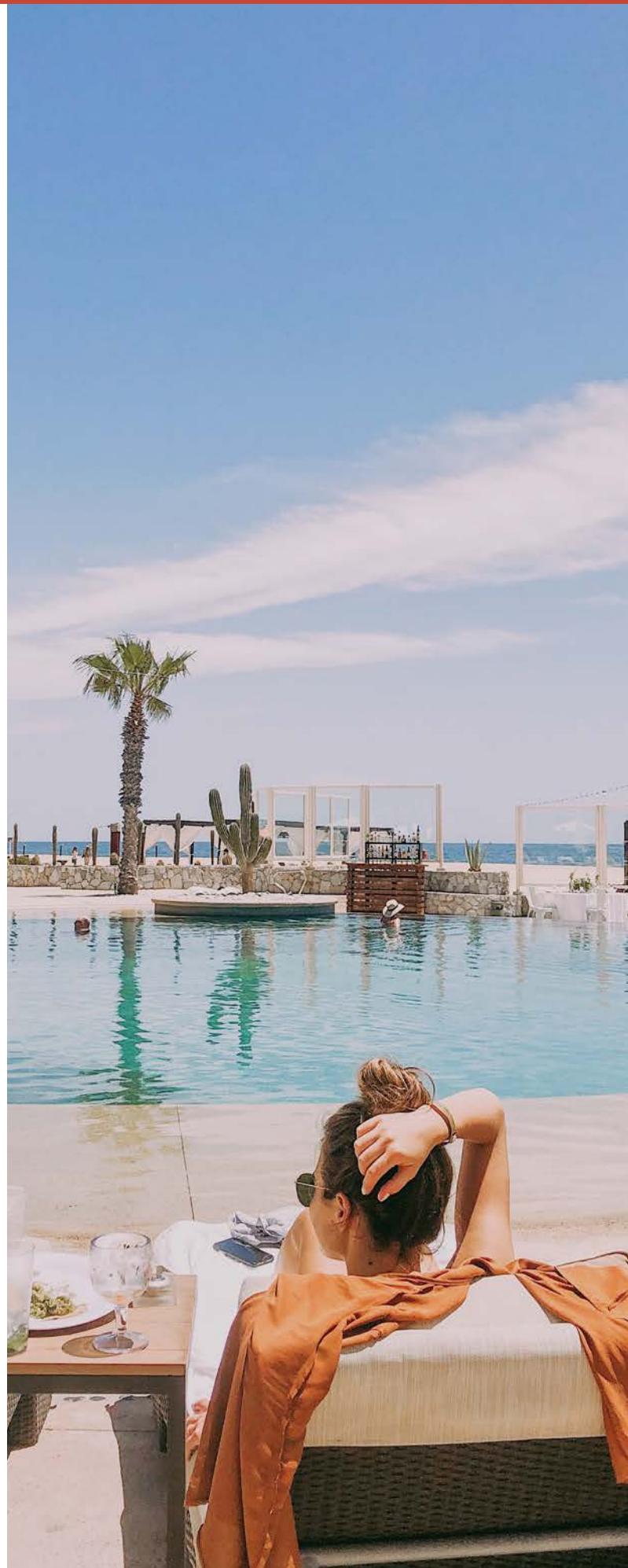
On the topic of short-term rentals, traveler demand in the region was lower than in other parts of the world. Only 54 percent of Asia-Pacific travelers reported staying in a short-term rental over the last year versus 59 percent globally, although this again could have been caused by more restrictive travel lockdown rules in the region.

Considering the potential adoption of new hotel operations strategies and technology, Asia-Pacific consumers also expressed strong interest. Forty-two percent of Asia-Pacific guests wanted self-serve options at check-in — six percentage points higher than those who said the same globally. Thirty-eight percent of Asian guests also expressed an interest in guest messaging technology, versus just 30 percent globally.

LATIN AMERICA

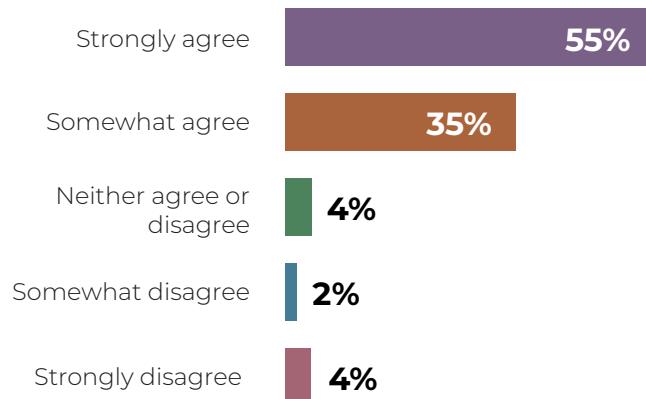
There are signs of good news emerging for the hospitality industry in Latin America. Executives in markets like Mexico report a healthy start to 2021, suggesting a renewed period of tourism growth. "We've seen very fast recovery," said The Cape's Segura. "If we compare this point in 2021 [with years past], I would say we're better off than the 2019 results."

With its close ties to other recovering economies in North America, Latin American hotel executives and travelers shared a relatively optimistic picture as



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

Latin America Hotel Executives



their region looks for ways to innovate and evolve its hospitality offerings in the near future.

On the topic of non-room revenue, 90 percent of Latin American hotel executives agreed or strongly agreed in its potential — 14 percentage points higher than respondents worldwide. This is backed up by strong traveler demand as well. Sixty percent of Latin American travelers say they are open to upgrades or special offers at the time of check-in, versus just 50 percent of respondents worldwide.

One potential area of opportunity mentioned by local executives is in-room dining. “The only big change I would probably say in our three-meal restaurant is that a lot of people would, instead of going down to the restaurant, ask for in-room dining,” said Segura. “This is huge because it’s about 30 percent of what we had in the past.”

Short-term rentals are another emerging topic of interest for Latin American hoteliers. The region’s travelers expressed significant interest in short-term

rental products over the past year, with 81 percent of respondents mentioning they had stayed in one such rental versus 59 percent globally. In response, 89 percent of local executives said they plan to develop new products and services to compete with the threat — nine percentage points above their global peers. It’s important to recognize the growing popularity of private villa inventory at hotel resort properties in the region, a factor that may help explain the popularity of these short-term options.

On the topic of hotel operations and technology, executives in Latin America expressed overwhelming enthusiasm, representing a big opportunity for technology upgrades moving forward. Eighty-eight percent of Latin American hotel executives said the pandemic accelerated their adoption of hotel technology (compared to 76 percent globally). Executives also said they were interested in exploring upgrades to their cloud technology, with 89 percent mentioning they were actively exploring cloud solutions (versus 72 percent worldwide).

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