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# How Tech Can Lift Revenues, Reduce Costs and Improve the Guest Experience for Limited Service Hotels

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# Table of Contents

- 03 INTRODUCTION**
- 04 INCREASING REVENUES, REDUCING COSTS,  
SATISFYING THE CUSTOMER**
  - 04 Setting The Scene**
- 06 INCREASING REVENUES**
  - 07 Converting The Most Efficient RFPs**
- 08 REDUCING COSTS**
  - 08 Training Hard**
  - 09 Service Recovery and Optimization**
- 10 CUSTOMER RELATIONSHIPS  
AND CLIENT SATISFACTION**
- 11 CONCLUSION**

# Introduction

## LIMITED SERVICE HOTELS

The generic definition of a limited service hotel as one that offers limited facilities no longer reflects the diversity of properties which fall under this categorization. Limited service hotels can be economy, mid or upper scale, which creates a spectrum of offers and options for owners and developers to contemplate and around which guest expectations are built. Increasingly, hotels in the segment are maintaining a limited service structure but adding value by incorporating additional features such as fitness rooms, catering options and meeting space hire.

So while there might be some debate around the exact definition of what a limited service hotel is one thing is clear - the sector has established itself not only within the industry but also with the traveling public, despite being underserved by technology providers.

But as the role and function of limited service hotels adapts in response to wider changes in the accommodation, many tech providers are now looking at the sector as a potential new market.

**This paper will look at how technology can help limited service hotels increase revenues, reduce costs and satisfy the customer.**

The limited service hotel sector - however it is defined - has different needs from other segments. A property management system which has case studies and testimonials from the full service sector is unlikely to be the correct fit. A customer relationship management tool which requires staff to spend weeks off-site training before it can be implemented is probably overly complicated; a one-stop-shop solution might have an intuitive dashboard display but the hotel could be paying for modules it doesn't want or need.

There are as many startups interested in talking to limited service hotels as there are blue-chip enterprise software providers. Not all startups will survive; not all enterprise giants are comfortable with smaller clients. Not all hospitality technology specialists have products specifically for the limited service properties.

Most general managers (GMs) in the space are not experts in software procurement and very few hotels have the resources to employ a dedicated systems manager to make the decision.

The choice of partner is as important as the choice of solution. GMs in the sector ideally should be looking for someone experienced in the hospitality sector, who understands the specific needs of the limited service sector and who has the financial backing and stability to be able to build relationships for the long-run.

# Increasing Revenues, Reducing Costs, Satisfying the Customer

## SETTING THE SCENE

Many GMs in the limited service hotel sector are incentivised around the profit margins of their property, and traditionally that profitability has been seen in terms of maximizing room revenues by driving occupancy and room rates.

However, perhaps as a result of the wider hotel distribution landscape where metas and OTAs are almost setting the market rate and can skew demand in their favor, many limited service hotels are finding other ways to lift their bottom line. One way for hotels to do this is by making the most of assets other than the room. Function room hire, meetings and events, groups business and sales and catering are all potential revenue streams which warrant attention.

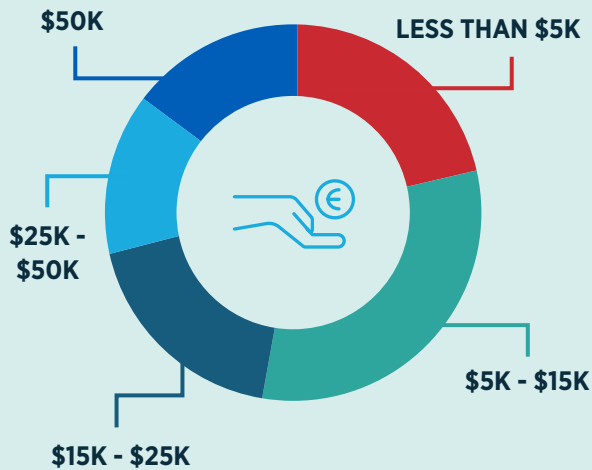
Marriott International told investors on an earnings call this May that in the first three months of 2017, group revPAR at its limited service hotels increased 10 percent year-on-year. The improvement came about via not only strong attendance at group meetings but also meeting planners continuing to add last minute food, beverage and ancillary spending to the booking.

A LinkedIn survey of hospitality professionals carried out by Amadeus in late 2017 identified the top areas of focus in 2018 for limited service hotels. Looking a bit closer at the results, respondents advised that that optimization of revenues ranks third on the limited service hotels' 2018 priority list.

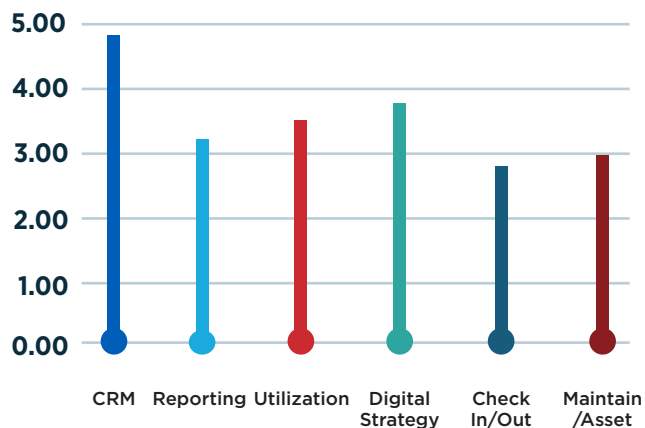
<sup>1</sup> [http://files.shareholder.com/downloads/MAR/5436449834x0x-942606/OBAFA91B-C733-406D-8A75-8122F3B0F0FC/MAR\\_TRANSCRIPT\\_Q1\\_5-9-17\\_Final.pdf](http://files.shareholder.com/downloads/MAR/5436449834x0x-942606/OBAFA91B-C733-406D-8A75-8122F3B0F0FC/MAR_TRANSCRIPT_Q1_5-9-17_Final.pdf)

## ANNUAL TECHNOLOGY SPEND

Technology can help, providing it has been developed with limited service hotels in mind. The LinkedIn survey found that the median tech budget for limited service hotels is between \$5k and \$15k per annum, with 36% of the sample's spend falling within this range.



## 2018 TECHNOLOGY PRIORITIES



## ANNUAL TECHNOLOGY SPEND

Tools used by five-star properties to yield manage bookings for a 1,000-plus-capacity gala dinner in one of the ballrooms is not appropriate for an 80-room property with three small meeting rooms.

Profitability can be achieved through a combination of increasing revenues while reducing costs, both of which are on the radar of most GMs and for which there are technology solutions available.

**But tech can also help GMs to see more clearly how “the customer experience” relates to the bottom line.**

In limited service hotels the customer is often not only the individual who might not even be an overnight guest but also the corporate client, the business or organization which has secured rooms for an off-site event, or booked the meeting room.

The importance of corporate clients is of growing relevance for those limited service hotels which see themselves as upscale rather than budget, a “hybrid” of full and limited. In the hotel development world, upscale limited service new builds are popular<sup>2</sup> because they are cheaper to build and potentially offer a better return on investment to the owners because they have been designed to be run efficiently at a relatively low cost.

Hilton Worldwide recognizes this trend in its own pipeline and that of the wider industry. Talking through its first quarter 2017 with analysts, Chris Nassetta, president and CEO, said:

**“If you look at our pipeline and compare to any of the major competitors...you’re seeing the bulk of the development go on in a limited-service space. There is a real simple reason for it...that’s where the demand growth is, that’s where the economics work and that’s why owners are investing money to build new properties in those segments because they’re getting the returns there”.**<sup>3</sup>

**With more supply coming to market, the competition in the sector will intensify, prompting hotels to think about how to differentiate.**

Technology can help optimize the on-property experience of the guest, or the service to the corporate client, creating the structure for other value-add differentiation strategies.

Transient, volume contract and group bookings remain the three main client groups for limited service hotels, each of which requires a slightly different approach (and sometimes technology) for the full profit potential to be realized.

<sup>2</sup> <http://www.nreionline.com/hotel/upscale-limited-service-hotels-are-all-rage-among-developers>

<sup>3</sup> [http://files.shareholder.com/downloads/MAR/5436449834x0x942606/0BAFA91B-C733-406D-8A75-8122F3B0F0FC/MAR\\_TRANSCRIPT\\_Q1\\_5-9-17\\_Final.pdf](http://files.shareholder.com/downloads/MAR/5436449834x0x942606/0BAFA91B-C733-406D-8A75-8122F3B0F0FC/MAR_TRANSCRIPT_Q1_5-9-17_Final.pdf)

# Increasing Revenues

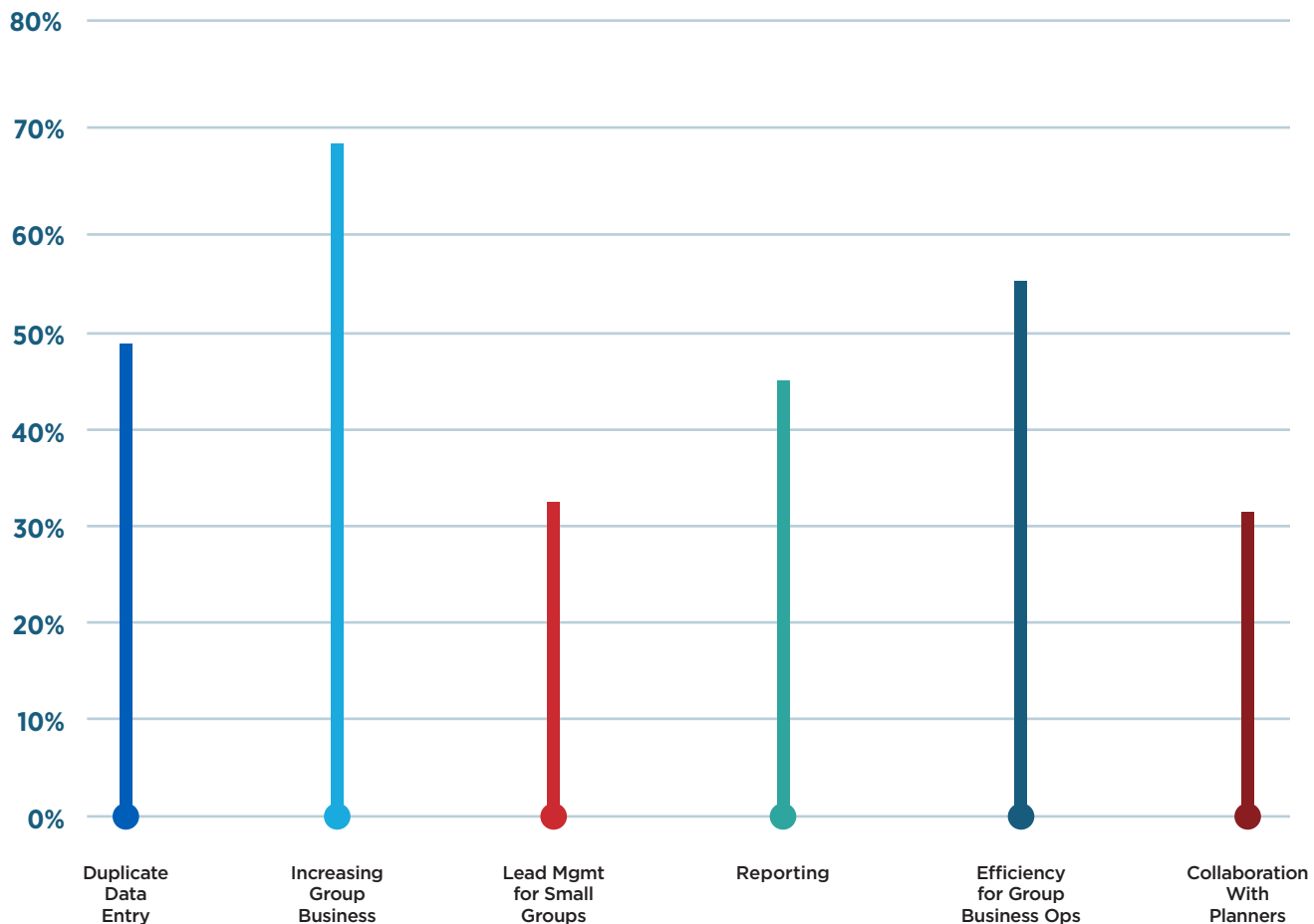
## GETTING RATES RIGHT

Room rates remains the main driver of revenues for limited service hotels and have to be pitched correctly - if the rate is too high then occupancy drops; if the rates are too low then occupancy is high but margins are tight.

Hoteliers have a choice of tools from a range of suppliers to get their rates right, but often these tools treat room rates as a standalone revenue line and fail to factor in the additional income that can be generated from a guest. Single-function tools to serve a specific departmental silo have had their day - connectivity between systems should be a prerequisite of any solution.

In the limited service space, revenues derived from sources other than the room rate include, where relevant, function room and meeting space bookings, AV hire, food and beverage, everything that falls under the sales and catering umbrella. Technology can champion these currently undermonitized assets by making them part of not only a hotel's IT set-up but also its product offering to the market.

## SALES & CATERING - TOP PRIORITIES





## Helping Limited Service Hotels Grow their Business

The Limited Service market is growing. With more supply entering the market how will you differentiate?

- \_Improve Customer Relationship Management.
- \_Enhance Online Presence and Increase Revenue.
- \_Streamline Operations to Lower Costs.
- \_Data-driven business decisions.



At Amadeus, we've spent over 30 years helping hospitality organizations adapt to changing business needs, differentiate from the competition, and share success in the industry.  
Let us show you how.

## CONVERTING THE MOST EFFICIENT RFPS

With industry attention turning increasingly to non-room revenue, the quiet revolution in events and meeting technology is coming into the spotlight. Conference hotels and full-service chains have resources to invest not only in the technology but also personnel - a dedicated meetings and events department, often with specific roles such as sales, marketing, and operations.

In the limited service sector the scale of the opportunity does not necessarily warrant full-time positions. However, hotels can now connect digitally with planners when they search, book and manage smaller meetings and functions.

Innovations have advanced the digital capabilities in the request for proposal(RFP) sector. It is now possible for a limited service hotel to make their space available to meeting and events planners around the globe on their own website or via online booking channels. Business rules can be set in place so that hotels can expose specified inventory which can be booked online automatically such as non-configurable board rooms. Packages can be added to include meal items and audio-visual equipment hire.

While automation is the key for limited service hotels to be able to manage the flow efficiently, training is invariably required to get the most out of any system. This training itself needs to be efficient because of the personnel constraints in the sector, with staff often having a variety of functions and skillsets. Tools which are tailored for small-scale meeting should be simple and free of any

extraneous functions, which mean the training can be quick, simple and targeted.

A recent study by Cvent<sup>4</sup> of 1,200 meeting planners around the world identified the most common pain points for planners once the RFP has been submitted. One-third of the sample said hotels in North America could respond more quickly, with a quarter saying hotels in the rest of the world often missed a deadline.

Other gripes included getting responses from hotels which didn't answer the questions and accuracy of pricing.

Tools with business rule capabilities can automate many of these tasks above. The same survey found that search engines, online portals and the hotel's branded website are important sources of information for planners. When the search for the venue is taking place online, it follows that many of these planners will want to book online as well.

Hoteliers are aware of this - the Amadeus LinkedIn survey found that the second highest priority for GMs in the limited service sector in 2018 was enhancing their digital presence, as shown above.

Having said that, Cvent found that the most popular source of information for planners is other planners - peer recommendations ahead of online reviews. This reinforces that the on-property experience of the planner and those attending the event must never be overlooked.

<sup>4</sup> <http://www.cvent.com/uk/company/new-study-reveals-planners-want-speed-and-accuracy-in-rfp-responses.shtml>

**Technology for operations and processes are essential, but often it is the on-property human interactions which can define the success of an event from the planner's perspective.**



# Reducing Costs

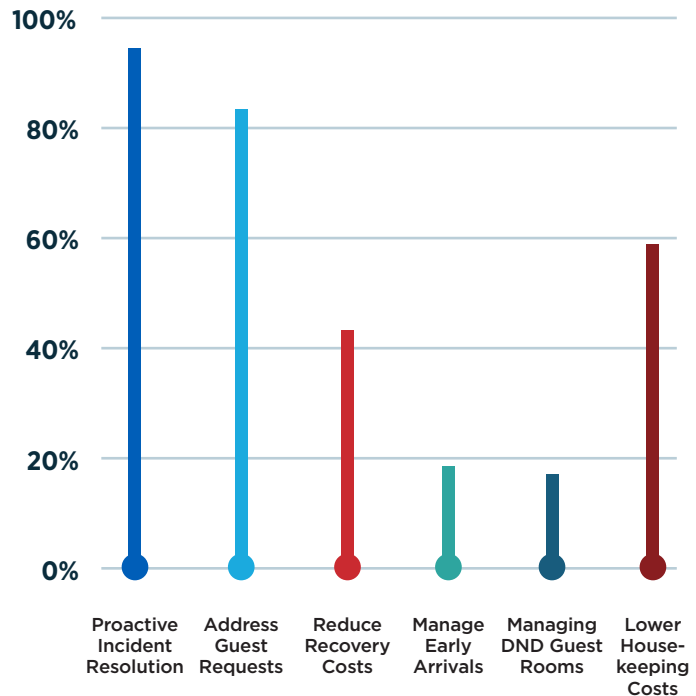
**Technology can help limited service hotels make sure that the staff they have are operating at peak efficiency. In this sector, staff often have a variety of roles and responsibilities. Many employees see the multitasking skills required in the limited service sector as an ideal introduction to the hospitality industry, an entry-level position. This can in turn create issues around retention.**

## TRAINING HARD

Labor costs are by far the largest operating expense for hotels in the US, accounting for 50% of the total according to CBRE Hotels' 2017 edition of Trends in the Hotel Industry<sup>5</sup>. The report found that non-management salaries and wages, measured as a percentage of payroll, were highest in the limited service segment at just under 70% of the total. Management salaries and wages as a proportion were among the lowest of the six classes referred to in the report. It also found that limited service properties were least likely to bring in contracted or leased labor.

<sup>5</sup> <https://www.hotelnewsresource.com/article95916.html>

## OPERATIONS - TOP PRIORITY



## TRAINING HARD

In 2015, Deloitte's Hospitality Report<sup>6</sup> noted that the hospitality sector has always had high staff turnover rates, a dynamic which applies globally. It broke down the costs associated with staff turnover into five areas, with "training expenses" featuring strongly.

The report noted: "Many hospitality companies will also need to redesign their operating models and organization structures to align roles, responsibilities, accountability and authority for effective execution and decision making."

The cost of training staff who may or may not stay with the business for the long run is a concern across all industries, leading to the often-quoted "what happens if we train people and they leave/ what happens if we don't train people and they stay?" soundbite.

Online training modules are a cost-effective way to train staff, particularly when it comes to learning the ins and outs of a new IT system. And that training can be even more effective if the system being taught is targeted to the limited service sector's needs, without extraneous features for which additional training is required but from which no additional benefits are forthcoming.

Technology now underpins and connects processes and operations, so all staff can benefit from remote learning. It is essential that front of house and back office staff, where such a distinction exists, are equally competent and familiar with systems that are increasingly being used across the entire business.

Training is also an efficient way of getting new staff familiar with how the processes and operations of a property are organized. "Onboarding" is one of the costs identified in Deloitte's report and it is important in the limited service space that new recruits are able to contribute positively within days of starting.

<sup>6</sup> <https://www2.deloitte.com/content/dam/Deloitte/mt/Documents/about-deloitte/dt-hospitality-2015.pdf>

## SERVICE RECOVERY & OPTIMIZATION

The opportunity cost of not training staff in systems is relatively easy to assess in terms of lost bookings; the cost of poor service is more difficult to pin down. Service applies to not only the representatives of the corporation which has booked the event or meeting but also the guest attending that meeting. Limited service hotels have to deliver an exceptional experience to both constituencies, and tech can help here as well.

The previous example of how the RFP process can be automated for both the planner and the property is a clear example of how tech is optimizing processes in a cost efficient way. But if the hotel or individual staff does not deliver on the day, those efficiencies in the process are negated by the poor experience. The reputation of the property and brand is damaged and there is little chance of a repeat booking.

Operations are on the front-line of customer service. The full-service hotel sector has always had access to tools which connect with the property management system, and now this level of tech sophistication is available for their limited service peers, at an appropriate price point.

Service optimization tools which can connect to other systems can benefit many areas of the on-property experience by alerting staff to issues in real time. With business rule capabilities, hotels can prioritize their response in real-time by logging the requests centrally and allocating according to defined importance.

Maintenance schedules can be analyzed to identify any recurring issues with external suppliers; housekeeping calls can be logged and used to track down and eliminate issues relating to specific rooms.

**With business rules come business analytics, allowing limited service hotels to make decisions based on quantitative insights rather than qualitative judgment calls.**

# Customer Relationships and Client Satisfaction

## CUSTOMER RELATIONSHIP MANAGEMENT

As previously mentioned, the number one priority for limited service GMs in 2018 is customer relationship management - where the hotel's customer is not only the guest but also the corporation hosting the meeting or arranging the group booking.

The on-property experience is very much about the individual guest and making sure he or she is satisfied with their experience. Falling short on the basic principles of hospitality can lead to poor TripAdvisor reviews, which can impact future business. The correlation between revenue and ratings has been well established for some time now<sup>7</sup>.

Delivering a great experience on an individual basis opens up the opportunity for cross-selling and upselling, concepts hoteliers have adopted from the aviation industry. Hoteliers in a limited service property have less “ancillary” services to sell to guests than international airlines, but every corporate booking brings new people to the property. Hotels should consider each corporate guest - someone attending a meeting or staying as part of a groups or volume contract booking - as a potential transient guest. This conversion strategy has great weight in the current climate, where it is becoming harder and more expensive to attract and retain customers.

Technology is equally constructive when it comes to the relationship between the hotel and the corporate. In the same way as the RFP technology sector has come of age recently, so too has the tech for the group booking industry.

Property management systems have traditionally been able to manage group room bookings, as in, book the block and take the payment, often using a glorified spreadsheet mindset. However, new layers of sophistication are making that traditional and dated approach obsolete.

Group bookings can deliver decent margins to a limited service property business as it is easier to book a group of 60 people for two nights than 120 different people for single-night stays. However, today's connected IT systems means that the booking can be synced with operations so that housekeeping knows when the group is arriving, maintenance can be carried out in advance, the front desk is sufficiently staffed.

Another area where technology is giving GMs a nice headache to have is the ability to yield manage group bookings. A group booking over a usually busy period for transient guests could cannibalize an existing revenue stream negatively.

Similarly, volume contracts with corporations are relatively low maintenance from the hotel's perspective once the initial terms and conditions have been agreed. But the tech on offer today can help hotels identify patterns in the contract which can be used when the renegotiation comes around.

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<sup>7</sup> <https://www.tnooz.com/article/online-reputation-directly-affects-revenue-per-room-in-hotels-so-what-to-do-about-it/>

# Conclusion

## LIMITED SERVICE HOTELS

Limited service hotels, despite being a significant part of the overall industry, have to some extent been overlooked by technology suppliers. With lower ADRs, a more streamlined product set and tighter IT budgets, the sector operates at a scale where there is little margin to share.

However, as hardware and software costs generally drop, more products and services are available at a price point which is appropriate for limited service hotels. In this context, GMs are starting to see technology as an essential tool when it comes to driving revenues, reducing cost and enhancing their relationship with customers.

The hard and soft benefits are many and varied - from using business analytics to work out which group booking will deliver the highest margins to adopting online training as a way to engage new staff quickly and keep current employees up-to-speed.

Over time, the ability of systems to talk to each other will become seamless. Systems from different suppliers will connect to each other, ending the tyranny of the walled garden sales pitch from vendors.

Hotel GMs should not be daunted by having to add IT procurement to their skillset. There are many vendors in the market, but arguably it is the ones with experience, backing and support that can form the best long-term relationship.