



HSMAI SPECIAL REPORT

# Strategic Innovation in U.S. Hotel Companies

*Original Research for Hospitality Sales, Marketing,  
and Revenue Optimization Professionals*

Conducted for HSMAI by  
Ecole hôtelière de Lausanne (EHL)



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*By Robert A. Gilbert, CHME, CHBA, President and CEO,  
Hospitality Sales & Marketing Association International (HSMIAI)*

**F**irst things first: While this HSMIAI Special Report is a product of the pre-coronavirus world, its insights and conclusions are more relevant than ever to an industry that is looking for creative solutions to this unprecedented situation.

Made possible with the support of HSMIAI Organizational Member companies, this project is the culmination of a long, deliberate process. Two years ago, attendees at the first Curate event — our Executive Insights Forum exclusively for Organizational Members — identified a lack of innovation as a priority issue facing hospitality sales, marketing, and revenue optimization professionals. They wanted to know how innovation can be embedded within an organizational culture and how it evolves inside and outside travel and hospitality companies. We went on to explore innovation at subsequent Curate programs and to produce a variety of content and other resources on the topic.

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From there, we decided that the logical next step would be to conduct original research into innovation as it's practiced — or not practiced — by U.S.-based hotel companies, and turned to Ecole hôtelière de Lausanne (EHL), which recently completed a similar project for the European hospitality industry. (You can find that study, *Hospitality Innovation Industry Report*, at [https://industry.ehl.edu/hubfs/II-Infographic-and-Documents/EHL-Hospitality\\_Innovation\\_Industry\\_Report\\_2018.pdf](https://industry.ehl.edu/hubfs/II-Infographic-and-Documents/EHL-Hospitality_Innovation_Industry_Report_2018.pdf).) EHL's Carlos Martin-Rios and NYIT-Vancouver's Elisa Chan led a team that teased out some powerful results that are highly applicable in today's crisis environment, where the traditional models that have defined sales, marketing, and revenue optimization have been upended.

COVID-19 is changing how we all do our jobs, and many of these changes are likely to be long-lasting if not permanent. Responding to and recovering from it will require true innovation — rethinking our priorities, reimagining our best practices, reengineering our systems, metrics, and processes. It's my hope that this report inspires you to see not just the challenges but the opportunities that lie ahead.



### ABOUT HSMAI

Hospitality Sales & Marketing Association International (HSMAI) is the hospitality industry's leading advocate for intelligent, sustainable hotel revenue growth. HSMAI provides hotel professionals and their partners with tools, insights, and expertise to fuel sales, inspire marketing, and optimize revenue through programs such as HSMAI's ROC, Marketing Strategy Conference, Sales Leader Forum, and Adrian Awards. HSMAI offers organizational and individual membership, with more than 7,000 members in four global regions — the Americas, Asia Pacific, Europe, and the Middle East. — [hsmai.org](https://hsmai.org)

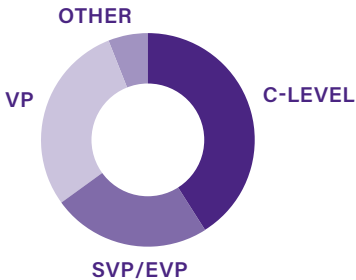
# GOALS AND METHODOLOGY

The goal of this project was to explore strategic innovation in hospitality sales, marketing, and revenue optimization (SMRO) at hotel companies based in the United States, including challenges, needs, and best practices. To do this, we took a threefold approach:

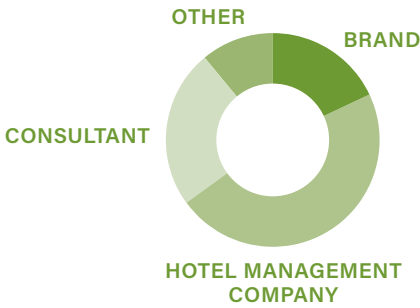
1. Extensive review of academic literature to uncover issues at the macro-strategic level: innovation strategy design and implementation, challenges, and opportunities.
2. Focus groups and opinion polls with total of 130 HSMAI members — leaders in hospitality SMRO — to discuss key innovation topics, including at two live HSMAI events: Fall Curate 2019 in Palm Beach, Florida, and the 2019 Chief Sales Officer Executive Roundtable in Frisco, Texas.
3. In-depth interviews with 17 key industry experts to measure consensus on disputed topics.

The hospitality leaders we surveyed represent more than 5,500 hotel properties in more than 100 countries, and work in positions as follows\*:

SENIORITY	
C-level	41%
SVP/EVP	24%
VP	29%
Other	6%



COMPANY	
Brand	18%
Hotel management company	47%
Consultant	24%
Other	12%



\*Due to rounding, not all percentage totals equal 100%.

## KEY FINDINGS

Our research produced three primary findings:

1

**There is little strategic innovation:** Innovation in SMRO is risk-averse, focused on the short term, and convoluted. It's big on tactics but light on strategy.

See page 7.

2

**Silo thinking impedes strategic innovation:** Despite sharing common innovation challenges, there are few synergies across the SMRO disciplines.

See page 13.

3

**The solution is personalization and data management:** Predictive personalization by means of social media data emerges as the key innovation in data management strategy.

See page 15.

## Strategic Innovation

...is about reimagining your growth strategy by:

- identifying breakthrough growth opportunities
- accelerating business decisions
- creating near-term, measurable impact within the context of a longer-term vision

...is both a process and an outcome:

- Innovation can draw from internal resources (**closed innovation**) or outside knowledge (**open innovation**).
- Innovations are defined in terms of their degree of newness or radicalness. Solutions that are new to an organization are counted among **incremental** innovations, while **radical** innovations provide solutions that are new to the world.
- **Reactive** innovation does not anticipate the need for an intervention. **Proactive** innovation constantly seeks to find great ideas.



# General Vision

1. SMRO innovation in property management and ownership:

**Property Management**

**Incremental** innovation should be provided by owner (**external**) for **short-term** output (e.g., hotel sales).

**Ownership**

Mostly **incremental** innovation focused on **end users** (customers) drawing on **outside knowledge** (technology suppliers).

2. Innovation across functions:

**Sales**

**Innovation is reactive** — internal and incremental due to prevalent short-term budget and planning vs. long-term orientation.

**Marketing**

**Innovation is proactive** — faster content creation (**internal** and **external**) intertwined with opportunities to include **radical** objectives.

**Revenue Optimization**

**Mixed innovation** — some **open** sources with an **incremental** approach; technology and data pose both opportunities and threats.



## Future Scenarios

Our study participants identified three future scenarios that could inspire innovation in SMRO:

### Co-creation of brands

Customers are more important than marketers themselves when it comes to influencing a brand's reputation.

### Organization

SMRO should join forces to form a new, strategic unit to facilitate collaboration across existing departments and foster discipline-specific innovation.

### Personalization

Commit to data science and technology to conduct forecasting and improve pricing by segment.

## KEY FINDING 1: THERE IS LITTLE STRATEGIC INNOVATION

# Types Of Innovation

Most SMRO practitioners' view of innovation is focused on technological developments. But hospitality experts recognize a wider spectrum of innovation opportunities, including non-technological forms of innovation:

### Technological Innovation

- Products/services
- New technology/technical equipment
- Process

### Non-Technological Innovation

- Management methods
- Organizational structure/practices
- Business model
- Marketing strategy/methods

Our study participants offered examples to illustrate different types of innovation:

#### SERVICE

To enhance the scalability of services offered by measuring and learning from innovation investments, then leveraging them quickly and efficiently to franchisees.

#### PROCESS

To practice process-oriented (as opposed to outcome-oriented) innovation by thinking differently at each step of the way.

#### ORGANIZATIONAL

To tackle skills gaps in the marketing team to enable organizations to optimize their technological solutions.

#### TECHNOLOGY

To develop an acute awareness of technology and be able to shun overhyped ones (e.g., chatbots).

#### STRATEGY

To form strategic alliances with different entities such as management companies, owners, brands, OTAs, and academia.

## Success Factors

Experts believe that successful innovation depends on these key factors:



### Prosumers

value creation,  
personalization,  
cobranding



### Integration

Strategy, systems,  
technology, functions,  
delivery



### Leadership commitment to innovation

change management,  
abandonment of a one-  
size-fits-all approach



### New skills

think beyond operational,  
introduce the next  
generation of metrics and  
KPIs

# The Virtuous Circle Of Opportunities



## The Problem

Our study participants report that SMRO leaders are not prepared to take any risks and implement formal innovative practices. Short-term priorities collide with demands for long-term planning at the levels of leadership, individual people and skills, and within and between departments.

As a result, innovation in most SMRO teams is:

- Unstructured
- Reactive and incoherent
- Unpredictable
- Unsystematic

## Barriers to Strategic Innovation

### Leadership

Lack of commitment

### People/skills

Lack of alignment

### Intra/intercompany

Lack of collaboration

KEY FINDING 3: THE SOLUTION IS PERSONALIZATION AND DATA MANAGEMENT

Many of our study participants think that **personalization enabled by machine learning** will disrupt SMRO, with **predictive personalization by means of social-media data** emerging as the key innovation in data management strategy.



Study participants forecasted three disruptive scenarios:

1

Search strategy will lead not only to hotel direct sites but also to channels that package components of a trip. Whether it is through artificial intelligence, voice search, or bots, hotel sites will intuitively know the purpose of a trip and the idiosyncratic needs of the customer based on a few simple questions. Responses will be processed by machine learning and systematically generate the best possible solution for the search.

2

As technology evolves, there will be more opportunities for virtual work and fewer in-person meetings or travel to trade shows to meet hoteliers. The evolution of communication technologies and virtual workplaces will affect MICE business globally. Internally, it will also foster organizational flexibility and enable the full integration of SMRO teams. *(NOTE: Since this research was conducted, the coronavirus pandemic has made this scenario even more likely.)*

3

Hotels will focus on increasing their visibility as a pivotal business by offering service platforms that provide guests with personalized experiences that go beyond hospitality products. They will form close ties with the community, other brands, and/or multiunit firms, and will strengthen partnerships with smaller companies in order to position their brand around enriching local communities.

## THE FUTURE OF STRATEGIC INNOVATION

Some gaps exist between academic literature on hospitality innovation and the SMRO leaders who participated in our study, including these possibilities:

### Sustainability

How to ensure a sustainable future? For example, framing green consumer behavior, sustainable growth and sources of revenue, and the creation, promotion, and sales of sustainable products/ services.

### New ways of monetarization

On-demand services and payment solutions will lower consumers' inclination to pay for things that are packaged at an all-inclusive rate.

### Hospitality beyond hotels

Just as ridesharing had likely reduced car ownerships and in turn vehicle sales, the sharing economy has affected the hospitality and tourism sector. How can hotels ride this wave by repurposing their existing business or extending beyond accommodations?



## ABOUT THE AUTHORS



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With 20 years of research experience in innovation management and sustainability, Dr. Martin-Rios has been involved in national and international projects with senior executives to develop individual innovation strategies and sustainable management systems and practices. His experience encompasses knowledge-intensive service firms, including top management consulting firms, airlines, global hospitality companies, and food-service firms around the world.



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Before joining NYIT–Vancouver, Dr. Chan worked at EHL, where she taught in the bachelor’s, master’s, and executive training programs. Her research focuses on service marketing, including service technologies, service failure and recovery strategy, and consumer and employee experience.

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