

Disruptive tech driving business - The travel tech case study

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The hotel and travel industry should look to provide unique experiential offerings to customers in their attempt to respond to technological disruptions threatening the sector.

Rom Hendler, founder and CEO of InnoVel and the previous senior vice president at the world's largest integrated resorts company, the Las Vegas Sands Corporation, told a Gordon Institute of Business Science (GIBS) forum that hotels would have to shift their focus from location to experience. "The travel and hotel industry is an experience industry. The choice of room accommodation is not only based on cost and location, but on unique experiences," Hendler said.

Experience as a differentiator

The hotel industry has been among the most disrupted by the advent of new technology. Distribution channels Expedia and travel fare aggregator Booking.com, as well as the sharing economy brands like Airbnb and HomeAway have dramatically altered customer expectations and demands.

"The hotel industry has also become commoditised, as you can buy most of it online.

"At the end of the day hotels are selling an experience, not a product, and you have to be able to differentiate."

Hendler likened the dramatic changes in the hotel sector to those disrupting retail due to the prevalence of dominant online players like Amazon, who have forever altered the online shopping landscape. "For retailers, if you're not on Amazon, it's like you don't exist anymore. The internet is commoditising most products."

As a result, customer experience has become very important for product differentiation by store-based retailers. Hendler believes Apple is the retail leader in combining the online and offline experience: "They make the trip to the store worthwhile. There is a reason for going there, not just because you couldn't find the product online or because it was cheaper."

Tech challenges to the hotel and travel industry

Large global hotel brands such as Marriott, Hilton and the InterContinental Hotels Group have been disrupted in recent years by technological innovations.

"To be honest, the business model of large hotel brands is really broken and they are struggling," Hendler said. Established hotel brands have responded with attempting to buy smaller sub-brands and creating loyalty programmes to compensate.

Online distribution, which is dominated by Expedia and Booking.com, have totally changed the game for large hotel groups, Hendler said. "Each one of these spend about \$2bn in online advertising each year, and is the segment which spends the most money in the world on online advertising, especially on Google."

Hotel brands have also been fundamentally disrupted by review websites such as Trip Advisor, which have changed the concept of customer reviews. These sites allow people searching for accommodation to filter hotels by customer reviews and independent ratings, and then compare their prices. "This is a huge change for the brand proposition - people no longer need the promise of the brand, as they have the actual facts from the reviews of thousands of people."

The sharing economy offered in the hospitality space by Airbnb and HomeAway has altered customer expectations of travel accommodation. "People want a unique experience, but they still want consistency in the service they receive, which was always offered by the large brands," Hendler explained. Brands need to still deliver on consistency, but should pay particular attention to their experiential offering, which will be shaped through the entire length of the guest's stay.

The future of the hotel brand

Future leaders in the hotel sector are likely to come from the technology and marketing functions, and not from within operations, Hendler said.

"Technology will play a critical role in experience design and the delivery of it. Experience design is very unique and is where hotels still have an edge," he said.

Hotels can respond to the threat of technology by optimizing their real estate to provide tailored experiences for guests and local communities. Hendler gave the example of a boutique hotel in Barcelona which has installed a bakery in the lobby, to bring in locals and create a distinctive atmosphere. Other hotels in Las Vegas have transformed their lobbies into nightclubs to optimise their use of real estate.

The use of emerging technology, such as LED screens to change experience and space without renovating physical space is becoming more common, as is augmented and virtual reality. "People are beginning to be able to book hotel rooms using virtual reality, which enables them to see and feel like they are in the hotel, before make the booking. Technology is becoming a really important part of the design of the experience."

Ultimately, the hotel industry's response to the threat of disruption will depend on how agile the group is, especially the senior management team. "Hotel brands are going through disruption and know it, but are slow to react. Disruption always comes from the outside, and is not going to go away. They need to continuously be aware of what is going on out there."

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