

Challenges Facing Hospitality In The Next Five Years – An Inhospitable Environment

Over the next five years, the hospitality sector will contend with a number of challenges.

Aside from developing and investing in/ using innovative technologies, businesses will need to consider the impact of socio-economic factors. In many locations, the hospitality sector is heavily reliant on foreign workers. One of the major challenges, particularly for the UK following Brexit, is encouraging more domestic employees to take on hospitality roles. According to a Fourth Analysis survey of December 2016, British workers make up 57 per cent of UK hospitality workers. The survey found that the prominence of foreign labour is more pronounced in certain sub sectors than in others. In restaurants, for example, only 29 per cent of UK hospitality workers are British.

As well as questions over the demographic of employees, there is wider uncertainty surrounding employment. Despite employing more than 200 million people worldwide, there is evidence of stagnation in hospitality. Although the industry is expanding and becoming more complex in its demands and processes, wages remain

the same. And, while automation and robotics may allow employees to focus their efforts on providing stellar customer service, there are still those who will be replaced by machines.

Another major challenge for established hospitality businesses is coexisting with online intermediaries. Sites like TripAdvisor and Booking.com have positioned themselves between company and consumer, and the dynamic is complex to say the least. Koen Bentvelsen, Marketing Manager at cloud based hospitality startup 4Suites, describes it as a love hate relationship.

“Online intermediaries provide a lot of bookings for these hotels, the commissions that hotels pay are really large. Hotels would like the bookings without the intermediaries, but they can be really profitable for a hotel as well? When people find a hotel on a site like Booking.com, they also check the website of the hotel to check pictures and get a feel for the hotel. This is where a lot of hotels are stepping in; they’re trying to increase the conversion rate of their website to increase the amount of direct bookings. So yes, it’s a relationship with tension.”

In the face of globalisation, competition is only set to intensify. Hospitality companies are likely to experience global growing pains in the form of different regulations, locations, languages and cultural considerations. It may also be difficult for larger organisations to let go of insular strategies and adopt a more collaborative style of working that suits international expansion.

Along with globalisation comes the need to recognise the importance of sustainability. However, as the aim of most hospitality companies is to build enjoyable and carefree experiences, sustainability often falls by the wayside. Paul Frampton, CEO of hotel smartphone creator Tink Labs, explains that it is challenging for hotel chains (and presumably other luxury hospitality brands) to introduce sustainable solutions.

“There is a struggle because hotels want to delight their guests,” says Frampton. “Most hotels will encourage you not to throw your towels on the floor to be washed unnecessarily, but the reality is that it is down to behavioural change. Hotels do what they can, but they don’t want to bombard their guests. It’s a significant challenge that is easier for someone like Unilever to take a lead on, because they can change the products they produce, examine the supply chain, stop using as much plastic, and invest in new production methods.”

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Paul Frampton, CEO, Tink Labs

Sustainability isn’t purely about doing good. It’s about listening to the preferences of consumers and realising that, especially in younger generations, demands have shifted considerably.

“A millennial audience travels very differently. It is all about the experience, so they travel more frequently for shorter periods, they are mobile natives, and they care a lot more about the world and how it develops for the future. For example, vegan food is becoming more popular. That’s why talking to your guests, and understanding them through data and their journeys, has to be the place to start.”

Perhaps the biggest challenge, however, will be building the capacity to gather relevant data and use it effectively. Most businesses can collect data, but stockpiling huge data stores is inefficient and can use up unnecessary resources. The quality of

the information will dictate the quality of the insights it produces. But how do you work out what is really important?

Once relevant data has been selected, the next part of the process is to get it to the stage where it reaches the customer. Employees at the point of service need to understand and use data for it to have a meaningful impact.

Gathering and using data in the right way is difficult enough, but data security is an entirely new obstacle. Cybersecurity is a formidable problem for all businesses, not just those in the hospitality sector. However, the extent and detail of hospitality data makes these companies a real target for hackers.

Thomas Jackson, partner at Phillips Nizer LLP, explains that the industry's extraordinarily rich data market brings with it a much higher risk of identity theft. This is particularly the case, he says, "when the breach involves dates of birth, passport numbers, travel itineraries, and other kinds of discrete data that one would not expect to see in a typical payment system."

A worrying example of just how vulnerable hospitality businesses are came in 2018, when the records of 500 million Marriott International customers were compromised in a mass data breach.

"There are a number of aspects of the Starwood Marriott breach which are quite remarkable," Jackson comments. "The first is the scale of the breach – over 500 million individual records were compromised. The second aspect is the detail and extent of the data that was compromised. The problem that we are seeing is endemic to hotel reservation systems and other large reservation systems, but certainly the hospitality industry is particularly at risk because they aggregate such vast amounts of data on their guests and retain them for such long periods of time."

The third aspect, he says, is the time that it took for the breach to be discovered. The records had been accessed at least four years ago, suggesting that even the most powerful hospitality giants can fall prey to hackers.



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