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Driving profitability in 2024:
STRATEGIC TRENDS SHAPING HOSPITALITY

Driving Profitability in 2024:
Strategic Trends Shaping Hospitality

As we move further into 2024, the global hospitality industry continues to show promising signs of recovery, with demand steadily inching back to pre-pandemic levels. The resurgence of travel presents a golden opportunity for hoteliers to strategically position themselves for success by staying ahead of emerging trends.

In this optimistic market outlook, there lies a wealth of untapped opportunities as well as potential challenges that await hospitality businesses, particularly hotels. It is crucial for industry players to keep a keen eye on key trends shaping the landscape in 2024, ensuring they are well-equipped to adapt and thrive in the evolving market dynamics.

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Remarkable compounded

7% growth rate in 2023[2]

$4,699.57 billion in 2022[2]

The global hospitality market

$5,816.66 billion growth by 2027[2]

Both STR, a leading hospitality analytics firm under CoStar, and SiteMinder, an Australian- based hotel tech company, are anticipating a surge in global room demand as travellers gear up for future vacations[3].

Hotel average daily rates (ADR)

4.9% growth over the next 12 months[4]

These strong numbers point to brighter prospects for hotel operators and other players in the industry.

Market overview

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What about inflation?

Hospitality, as one of the sectors that has been directly impacted by both economic and socio- political developments, needs to act faster to fight back pressures from rising food costs, commodities, wage costs, and labour shortages.

However, Skift, a tourism news and research site, thinks a little bit of inflation might be a good sign. It quoted Frank Del Rio, President, and CEO of Norwegian Cruise Line, saying, "Inflation means prices go up, and it's good to see that we, too, are seeing the positive side of inflation, which is pricing power."[5]

Added to this, Seth Borko, Senior Research Analyst at Skift Research, pointed out that though airline and travel lodging prices are still down compared to pre-pandemic rates, statistics show that demand is gradually returning. Borko also believes that this inflation is anything but good for the travel industry.

Economy hotels have taken advantage of this opportunity to win over price-sensitive travellers as they switch to more affordable stays. Interestingly, luxury hotel chains, upper-midscale, and upscale hotels also seem to benefit from this inflation, perhaps as an excuse to raise prices for a less price-sensitive clientele.

Key hospitality trends
to watch in 2024

We expect several trends to shape strategies and operations over the coming year as the industry enters a new phase of recovery. Here are some areas TRG believes hoteliers need to pay attention to

Workforce empowerment

Perhaps the biggest challenge over the past two years was not customer attraction but staff retention.

Hospitality is well known for being one of the most hostile environments, with plenty of aggressive guests and ever-changing regulations. Many service workers have been in the industry forever, and it only took a pandemic for them to reflect on the meaning of work-life balance. The result? The industry loses a huge number of staff across the business.

Reduced and limited service because of the staffing crisis certainly could lead to sustained margin growth and, of course, customer dissatisfaction. Though the number of job openings is rising, the industry still struggles to find workers. Employees are being paid now more than ever, but money alone is not enough to retain talent.

To address the challenge of staff shortages, numerous hotel groups have implemented solutions such as offering complimentary or affordable accommodation options[6]. In addition to providing flexible benefits, they have focused on developing more robust career progression opportunities that empower staff to advance with ease.

How else can staff be empowered? For each hotel member to provide exceptional experiences that result in repeat visits, they must always have access to relevant and up-to-date insights about guests, which can be done with appropriate data solutions capable of streamlining and automating their daily tasks.

Digital transforming the industry

With a wide array of technological solutions now considered standard practice, from mobile check-in/check-out to AI-powered customer service and data analytics, the digital revolution has become an integral part of daily operations.

This transformation is not just necessary; it allows hotels to create seamless and tailored travel experiences for each guest in today's era of hyper-personalisation.

Revenue management

According to Duetto, **82.3%** of hoteliers are using a revenue management system (RMS), up from **67.6%** in its 2022 survey[6].

The role of revenue management within the industry is unquestionable:
• Optimise hotels' pricing power and adjust room rates to reflect labour and productivity expenses
• Review and adapt pricing to maximise the length of stay and day-of-week trends
• Examine the total revenue potential of group bookings versus short-term guests willing to book higher room rates plus ancillary spending earlier in the booking window
• Review and control the buying down options on booking channels, especially when approaching the 30-90 day booking window
• Optimise earnings by increasing rates for upgrading rooms at the time of purchase or upselling at check-in to protect prospects

With the rapid adoption of digital solutions, there is now an abundance of tools available to hoteliers, enabling them to develop, automate, and optimise revenue management strategies.

While an RMS can enhance revenue optimisation, its true potential lies in its integration with a property management system (PMS).
Not only can it help hoteliers reduce manual workload, but the RMS and PMS integration also helps improve the accuracy of real-time pricing recommendations and enhance the guest experience.

With the continuous and extensive embrace of cloud-based software in 2024, the transition of both RMS and PMS solutions to the cloud is inevitable.

Digital transforming the industry

Generative AI

Today, from the planning of the trip to checking in and out to the moment the guests return to their homes, the entire hotel guest experience journey can be facilitated by Artificial intelligence (AI) to ensure a superb guest experience.

Chatbots and virtual assistants, powered by constantly evolving Generative AI models, are now more sophisticated and efficient at handling complex guest inquiries in significantly shorter timeframes.

- **Virtual assistants:** Familiar virtual assistants like Siri, Google Assistant, and Alexa in smart devices are transforming the hospitality industry. Guests can easily communicate requests to the device, which then relays messages to staff, streamlining customer service.
- **Travel experience enhancers:** AI-powered chatbots can assist or in some cases stand in to replace front-desk personnel to provide fast 24/7 responses by utilising existing data to address individual queries. They can also upsell hotel services and tailor offerings to guests' preferences, turning guest inquiries into insights for better future experiences.
- **Promotion offers:** By feeding AI with current offers, trends, and customer knowledge, hotels can automate marketing and sales functions. This, along with predictive analytics, helps forecast future needs and react to sudden changes like bad weather or flight cancellations with flash sales to prevent losses.

A wide range of other solutions, like analytics, can also incorporate AI technology to improve decision-making processes. This allows hoteliers to optimise room pricing, proactively identify maintenance issues before they escalate, and replace guesswork with data-driven insights for more informed decision-making within the industry.

Businesses can anticipate a surge in AI adoption in 2024 and beyond.

Digital transforming the industry

Open APIs

As the hospitality industry evolves and embraces innovative technologies, the seamless integration of systems has become a top priority. Application Programming Interfaces (APIs) serve as the essential link between different software platforms. It acts as the bridge that enables smooth communication between disparate components through a defined set of protocols and standards.

Not just in hospitality, APIs' role has proven its increasing significance across different industries by streamlining operations within a property, fostering collaboration, and allowing teams to efficiently monitor daily activities from a unified interface with ease. This, in turn, allows businesses to establish a connected and innovative ecosystem.

In hotels, APIs enable PMS to integrate seamlessly with various platforms, such as restaurant and spa booking systems, revenue management, channel management, and more. Additionally, APIs facilitate connectivity with online booking platforms for managing listings, rates, and bookings, as well as linking with messaging apps, social media channels, guest review sites, and beyond.

They are the linchpins of the modern hospitality technology stack.

Digital transforming the industry

Data analytics

What businesses worldwide generate the most daily is an abundance of data. Effectively harnessing this wealth of data requires specialised analytics tools to extract valuable insights and seamlessly integrate them into relevant software or departments for further processing. From recommending room upgrades based on past stays to offering customised dining options, data analytics enable hoteliers to anticipate and exceed guest expectations. Moreover, modern, robust data analytics also allows for analysing and highlighting patterns in guest behaviours, enabling hoteliers to optimise pricing strategies, maximise revenue, and drive profitability.

Adopting data analytics is now imperative for hotels aiming to excel in a progressively digital and data-driven environment.

How can analytics help hoteliers? For instance, analytics in hotel revenue management provides visualisation and enables decision-makers to grasp where their hotels are priced compared to other competitors. It combines the actual rates, the competitors' rates, and the recommended rates which are based on the projected demand data.

By looking at this visualisation, revenue managers can swiftly identify which dates and which specific hotels are overpriced or underpriced.

When information is visualised this way, revenue managers gain insight at a glance. Without the analytics capabilities of a Business Intelligence solution, hoteliers would have to spend a huge amount of time looking at each hotel individually. And for each hotel, they would have to go through every single date to identify issues (overpriced dates) or opportunities (underpriced dates).

Digital transforming the industry

Property management

62% of hoteliers in a recent Hotelgix survey (a leading provider of cloud-based property management systems) are gearing up to transition to the cloud within the next six months[7].

Why does going cloud-based make sense? Over the years, property management systems (PMS) have gained popularity in the global hotel industry, and for good reasons. The first and foremost is cost savings.

With a traditional, legacy PMS, the hotel bears all the costs, from implementation to maintenance and updates. Cloud-based solutions eliminate these costly expenses. All maintenance, upgrades, and storage are done in the cloud and supervised by a team of cloud professionals. With the cloud model, businesses pay for what they use on a subscription basis, making it more cost-effective and flexible for scaling up or down and expanding into new territories without the need for specific hardware or costly customisation.

Today, SaaS is the default software delivery model for even the most complex business systems, and businesses large and small across all industries, including hospitality, have embraced it.

Additionally, cloud PMS allows hoteliers to connect with other best-in-class third-party solutions that are also in the cloud via APIs. The integration makes it effortless for hoteliers to enhance operational efficiency across departments and elevate the overall guest experience.

Looking to extend your hotel's capabilities even further? Imagine combining PMS with augmented reality (AR) and virtual reality (VR) technology to achieve total immersive guest experiences and operational efficiencies. From virtual walk-throughs of hotel rooms and amenities to immersive virtual tours of local attractions and nearby landmarks, these technologies elevate the guest experience to new heights.

However, seamless integration of AR and VR into the hotel's PMS is only one of the many different ways hoteliers can leverage technologies to elevate the guest experience and increase the bottom line.

Sustainability takes centre stage

Sustainability has become a top priority for both consumers and businesses in recent years. Travelers, restaurant patrons, hotel bookers, and shoppers today want to know that the companies they work for follow environmentally, socially, and culturally sound practices.

75% younger generations actively support sustainable practices and are ready to take action. [8]

51% baby boomers are willing to invest more in sustainable products and services. [8]

Millennials and Gen Z have a profound influence on sustainability trends, driving demand for greener hospitality solutions. Their preferences are pushing hotels to adopt more sustainable practices and technologies that contribute to a greener planet [9]. They are willing to spend extra money on service providers that promote environmental initiatives and take responsibility to reduce their carbon footprint. Hotels that proactively implement impactful green initiatives focusing on waste reduction, energy efficiency, and sustainable design are not only meeting the demands of conscious consumers but also setting themselves apart in a crowded market.

For instance:

- **Hyper-local:** Sourcing ingredients from local farms, integrating local materials, art, and cultural history into hotels' architecture and interior design [9]. This approach not only enhances the guest experience by providing a unique local flavour but also uses eco- friendly materials that contribute to sustainability efforts [9].
- **Circular economy:** Partnering with local charities to redistribute surplus food, thereby supporting community welfare and reducing waste [10]. This initiative demonstrates a commitment to social responsibility and sustainability.
- **Sustainable tourism and cultural preservation:** Collaborating with local conservation organisations to offer eco-friendly excursions and promote the preservation of cultural heritage [11]. These efforts are vital for maintaining the ecological and cultural integrity of the destinations they operate in, providing guests with meaningful and responsible travel experiences.

However, simply labelling a hotel as "green" is not enough. What is truly required are meticulously crafted plans that include stakeholders, partners, and suppliers who share the same mindset and are committed to embracing the common goal of sustainability.

What do these trends mean for **hoteliers?**

After surviving the unprecedented challenges of the past few years, the hospitality sector is well positioned for profitable growth ahead, riding on strong fundamentals. While macroeconomic uncertainties remain, the indicators point to immense recovery opportunities for forward-thinking hoteliers. Adopting the key trends around talent, tech, and sustainability will prove pivotal for those optimistic about 2024 and beyond.

However, bear in mind that the empowered and technologically adept workforce of the future requires supportive leadership development. Hotel property management, revenue management, analytics, and AI can optimise performance but demand agile systems integrated via open APIs. Moreover, responding to the sustainability imperative necessitates strategic capital investments and operations overhauls.

Nevertheless, now is an auspicious time for hospitality businesses globally to reset, rethink, and reignite operations with a visionary mindset.

For a global hotel chain, managing revenue across thousands of properties presents a formidable challenge. Thanks to the advancements in modern data analytics and Business Intelligence solutions, hotel chains have made significant strides in revenue optimisation.

Further resources

Modern Solutions that Empower Hotels to Overcome Challenges Today
Hoteliers need agile solutions that can grow with the business while also ensuring they can meet changing regulations and market demands with ease. Read more →

Hospitality resource portal
TRG's dedicated resource portal for Hospitality businesses offers the latest IT solutions.
You can also connect with our team of experts by filling out the on-page request for a demo form. Check it out →

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