

What Have We Learned?

The ins-and-outs of achieving
1999 results in 2005 and beyond.

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Balancing Act of Hospitality

Blending technology *within* your facility while acquiring a feel for the *outside* influences, which are rewriting the “book” on distribution, channel management, margin management and everyday execution.

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Discussion

- ▶ Recap previous days discussions.
- ▶ What was so good about 1999?
- ▶ Competition on steroids.
- ▶ What will 2005 and beyond bring us?
- ▶ Rules of Engagement.
- ▶ Business Process Management.
- ▶ Wrap Up.

On Property

▶ Recap

- Internal hotel technology and challenges:
 - ▶ Digital evolution into the hotel room.
 - ▶ Interoperability.
 - ▶ Technology - convergence home and hotel.
 - ▶ Enterprise data warehouse.

External

▶ Recap

■ External Influences:

- ▶ The Changing Travel Customer
- ▶ Travel Supply Chain
- ▶ Travel Trends
- ▶ Joint Ventures and Branding
- ▶ Case Study – Mid Market Challenges
- ▶ Case Study – Asia Market Challenges

1999

- ▶ What was so special about 1999?
 - Before 2001 and "911"
 - Before SARS
 - Before Iraq and Afghanistan
 - Before the Internet bubble burst
 - Before the global economic recession

1999

- ▶ What was so special about 1999?
 - When travel was fun.
 - When intermediary was a term of endearment.
 - When a web site was a hot item.
 - When IPO's, Mergers & Acquisitions were "IN".
 - When WWW became part of our everyday language.
 - When owning, managing and working at a hotel was FUN!!!

1999

- ▶ Average daily rates were like bad cholesterol numbers – High.
- ▶ Occupancy.
- ▶ Revenue per available room did not require creative accounting.
- ▶ Budgeting was something we did because we had a finance department.

Achieving 1999 results in 2005 is not about duplicating the past, but about understanding what has been driving you to the present and what will influence you in the future.

Competition on Steroids

Hypercompetition

- ▶ Occurs when a company tries to improve their processes by adopting the best practices of their competitors. In effect each company works harder and faster to be more efficient and their profit margins keep dropping.

Hypercompetition: Managing the Dynamics of Strategic Maneuvering @ 1994

By Richard A. D'Aveni and Robert Gunther

The 90's was the era of "hypercompetition" in which traditional sources of competitive advantage could not be sustained.

and where

Competitive advantages you enjoy today may vanish with breathtaking speed and frequency.

Traditional Business Strategy

- ▶ Build entry barriers to keep competitors out.
- ▶ Get monopoly power over buyers and power over suppliers.
- ▶ Segment the market to control competition.

Vs.

Hypercompetition

- ▶ Mergers & Acquisitions changing the face of the industry.
- ▶ Internet, intermediaries, fickle consumers.
- ▶ Escalating competition from falling entry barriers.

Drivers of Hypercompetition

- ▶ Extensive globalization.
- ▶ Appealing alternatives.
- ▶ Educated and fragmented consumer tastes.
- ▶ Invention of new business models.

Frequently set in motion by innovation that develops outside the industry.

Where Are They Now?

- ▶ Nokia (world's largest mobile phone maker)
 - 2% drop in revenues first Quarter 2004
 - 38% drop in share price in 3 months
 - Dropped off Info Tech 100 first time since 1998
- ▶ InterActiveCorp (e-commerce conglomerate)
 - Bought Expedia, Hotels.com, LendingTree, Ticketmaster
 - Acquisition issue – excessive non-cash expenses
 - 18% drop in stock price
 - Dropped off Info Tech 100 from 33rd in 2003

Where Are They Now?

- ▶ Fell off the Info Tech 100 in 2004
 - Amazon.com (still carrying \$2.9B in losses)
 - Verizon (stock slid 5%, \$3B in severance)
 - Intuit (stock slid 14%)
 - AT&T Wireless (lost 367,000 subscribers 1st Qtr.)
 - Seagate Technology (14% drop sales, 8.6% decline profits)
 - Elitegroup (sales tumbled 72% in 1st Qtr.)

Hospitality Hypercompetition

- ▶ Property management systems
- ▶ In-room technology
- ▶ Web sites
- ▶ Booking engines
- ▶ Online marketing
- ▶ Channel management

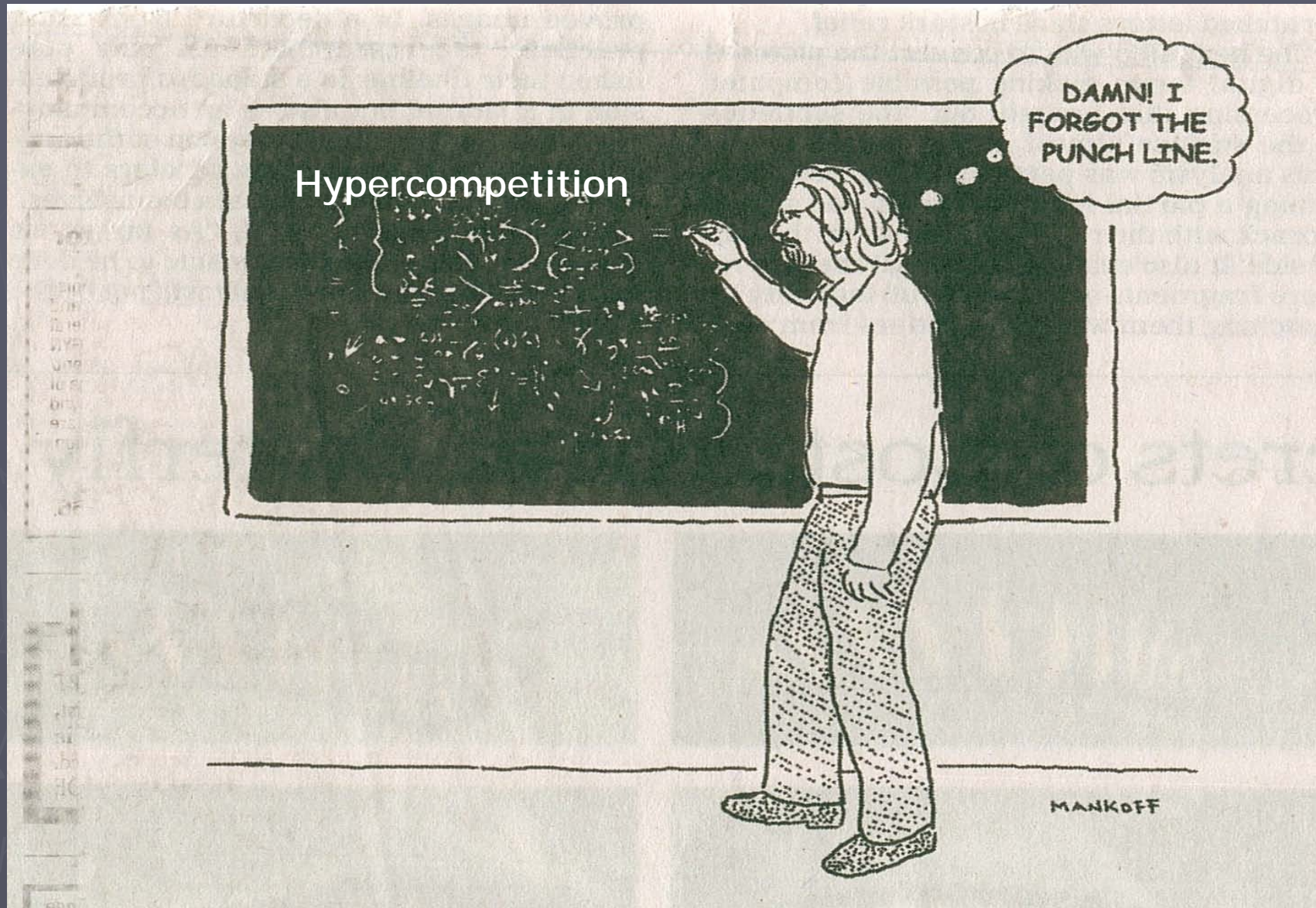
Hospitality Hypercompetition

- ▶ Intermediaries
- ▶ Price guarantees
- ▶ Customer relationship management
- ▶ Yield management
- ▶ Merchant business model
- ▶ Wireless access
- ▶ Etcetera, Etcetera,

External Influences

- ▶ Dot Com Explosion/Implosion
 - Network conversations:
 - ▶ Initial Public Offerings.
 - ▶ Wealth made and lost overnight.
 - ▶ Technology – “The Killer Application”.
 - ▶ ROI that was more transparent than the Internet.
- ▶ Technology for technology’s sake.
 - Low cost of entry created flood of solutions.
- ▶ Owner/Board member influencer.

Intermezzo



2005

- ▶ What Will Drive us in 2005 and on?
 - More of the same, but different.
 - New technology, but better.
 - Changing markets.
 - Fragmented solutions.
 - Fickle consumers.
 - The paradigm paradigm.

2005 and On

- ▶ In-house solutions will continue to evolve
 - Entry points will continue to fall.
 - Solutions offerings will exponentially grow.
- ▶ External influences will continue to effect our everyday actions.

Hypercompetition is here to stay!

Rules of Engagement

- ▶ Don't go for head-on confrontation.
- ▶ Perform strategic actions.
- ▶ Speedy implementation with accuracy and flexibility.

Rules of Engagement

- ▶ Streamline Business Processes.
 - Look, Listen and Learn – More with less.
 - Technology as an enabler.
 - Growth before hiring.
 - Complexity and multi-tasking don't mix.

Business Process Management

► Operations – Internal Focus

- Take time to review a different process each week.
 - Don't just ask how it works, get involved.
 - Fresh set of eyes can see things differently.
 - If you use outside services:
 - Get involved with major decisions, don't accept recommendations – see for your self.

Business Process Management

- ▶ Online Marketing – Internal Influences
 - Message, Message, Message.
 - Does the site reflect the Hotel's characteristics.
 - Technology is the enabler not the driver.
 - Fresh is good, redesign is costly.
 - Walk non-industry & competitor web sites.
 - ▶ View site flow and navigation (Look and Learn)

Crossing Boundaries of Time and Space

24/7/365

Business Process Management

- ▶ Online Marketing – External Influences
 - Media erosion.
 - Media is multiplying.
 - Focus on audience NOT on distribution.
 - Content is #1
 - Create value with experience message.
 - Youth believe in trustworthiness.
 - ROI beyond investment.
 - ▶ Done tastefully and appropriately.

Business Process Management

- ▶ Online Marketing – External Influences
 - Reach audience with multiple channels.
 - You need the attention of the online viewer, but attention is limited.

Attention comes from passion

Passion comes from logic & emotion

Retain Attention Restore Value

Business Process Management

▶ Marketing & Sales

- Focus message on experienced based ads.
- Look at your message across channels.
- Educate staff on marketing message.
 - ▶ If different across channels, explain why (keep them informed).
- Ask for feedback from staff.
 - ▶ Listen to their feedback which comes directly from guests.

Rules of Engagement

▶ Media in General

- Engage – Entertain – Interact.
 - ▶ Internet has 73% penetration, only 4% behind TV.
- “Click-Throughs” are passé.
- Internet is medium of the future.
 - ▶ New market growing who only know media with the Internet.
- “Kill Application” = Entertainment.
 - ▶ It drives passion.
 - ▶ We live in a site/sound/motion world.

Rules of Engagement

If you cannot turn yourself into your customer, you probably should not be in the business.

Rules of Engagement

- ▶ Don't go for head-on confrontation.
 - Don't react to competition – stay the course.
- ▶ Perform strategic actions.
 - Don't focus on establishing a sustainable advantage.
 - ▶ Costly and soon ineffective.

Rules of Engagement

- ▶ Speedy implementation with accuracy and flexibility.
 - Complexity and multi-tasking don't mix.
 - Plan, Review, Educate and Inform.

Wrap Up

▶ Hypercompetition

- Will continue to be a factor.
- Lead by example – Plan, Execute, Interact.
- Don't react!

▶ People

- Educate, inform, solicit feedback from employees.
- Know your online customer – create experienced based message.

Technology is required to overcome some barriers, but education is the primary solution.

Wrap Up

▶ Product

- Look at how your product is portrayed.
 - ▶ Across channels.
 - ▶ By employees.

▶ Process

- Technology changes process.
- Employees execute processes.
- Processes create successful technology.

*In the “always-on” world,
business success depends
more on enterprise visibility
than ever before...*

Success in 2005 and Beyond

- ▶ Focus on fundamentals.
- ▶ Planning and understanding.
- ▶ Education, execution, and follow-through.

Thank You

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