



One to One: Marketing in the Interactive Age Philippines '98

M A N I L A
36th ANNUAL CONGRESS

Congress Report

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From the President

Today's marketing landscape is undergoing a revolution. Technological innovations, such as data warehousing and mining packages which put guests at the centre of business, have changed the face of hospitality marketing. Leading-edge hospitality companies are developing technology-driven marketing solutions to store and mine data, help drive profitability, bring properties closer to their customers and exceed guest expectations.

Increasingly consumer-driven, the hospitality industry must now cater to the new "segment of one" and direct its marketing to the needs of the individual customer.

The 36th Annual Congress of the IH&RA, which convened in Manila, aimed to assess the impact of the new rules of marketing on the hospitality business. More than thirty-five speakers, all of them experts in their field, shared their perspectives for doing business in a changing world and provided invaluable ideas for building competitive momentum.

This report provides you with the highlights of their presentations. It includes analysis – straight from the experts – of current marketing issues, upcoming trends, and evolving consumer needs. We hope it will help you spice up your marketing strategies, boost market share and keep customers coming back.

Thank you to our sponsors, whose backing helped make the Congress a real success. And thanks to our speakers for sharing their knowledge and ensuring us such a rewarding learning experience.

If you'd like to find out more about the changing face of hospitality, why not join us at next years Congress in Durban, 17-21 October 1999, where the focus will be on new management issues. We'd be delighted to see you there.



A stylized, handwritten signature in black ink, appearing to read 'E. Pfeffer'.

Eric E. Pfeffer
President
International Hotel & Restaurant Association

About the IH&RA

The International Hotel & Restaurant Association (IH&RA) is a global network of independent and chain operators, national associations, hospitality suppliers and educational centres in the hotel and restaurant industry in more than 150 countries.

The IH&RA is the voice of the industry with a global role in representing, protecting, promoting and informing its members to enable them to achieve their objectives.



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Keynote address: Navigating the new realities of Asia



Robert Broadfoot
Managing Director
Political & Economic Risk
Consultancy Ltd

Robert Broadfoot

Asia in 2003

- Still four main regions, but relative position of Greater China will be enhanced
- New technology like the Internet will develop more of an 'Asian dimension'
- Other technological changes will push certain functions out of Asia to Australia,

US and Europe

- New infrastructure boom just starting in which internal financial resources play a more prominent role

A leading expert in risk assessment and scenario planning, Robert Broadfoot provided visionary insight into alternative futures for key countries in Asia, identifying the signposts businesses should look for to better anticipate change.

Robert Broadfoot

Broadfoot predicted that Asia will not be on a solid road to recovery before 2003. It will still involve four main regions but Greater China will enjoy an enhanced position. As markets open, technology will play an increasing role and the Internet will develop a greater Asian dimension, overcoming its current English language status. He forecast that some businesses, like computers and telecommunications, would move out of Asia.

Infrastructure development, for which Asia was estimated to need US\$1.3 trillion in the past but did not have the financial infrastructure to support, would resume but depend more on internal financial resources than foreign money.

Broadfoot forecast various scenarios for China. It could either be overcome by systemic deficiencies, or stay ahead of them. The external environment could become highly favourable, or highly unfavourable. At the moment, the systemic problems were becoming more acute. How it handles Hong Kong will also be important, because if it does not, China won't be able to raise capital on the global money markets.

He classified Japan as another country that 'has to get it right'. At the moment, it faces the choice between making substantial or superficial reforms. He felt the government was not instituting enough substantive reforms. However, getting Asia right means getting China and Japan right.

Three major signposts for the future were whether China would devalue the renminbi, the huge need for it to improve its housing situation, and the outcome of Japanese banking reform which is so far inadequate. The Chinese decision on devaluation was crucial and would also be highly political. He figured that a devaluation was inevitable unless it was blocked by opponents of reform.

He noted the various big picture forces that were pushing and pulling within Asia, between internationalism and nationalism, and between taking a gradualist approach to economic reform or administering shock-therapy to asset values. Finally, sorting the winners from the losers would "depend largely on whether reforms are served as hot as they are cooked." He listed the various countries and graded them according to the level of confidence in their political and economic future.

The official opening



Eric Pfeffer
President
International Hotel & Restaurant
Association

In his welcome address to Congress delegates, Eric Pfeffer outlined the global events and issues that continue to impact hotels and restaurants as they enter the new millennium.

Eric Pfeffer

Themes of IH&RA Congresses tend to be timely, Pfeffer said. In 1997, the Amsterdam conference focused on finance and was followed this past year with a spate of merger and acquisition activity and the establishment of Real Estate Investment Trusts (REITs). This year's topic, marketing, was just as relevant as hoteliers struggle to do profitable business despite the impact of events, including the current financial crisis which has vastly reduced travel projections in Asia, environmental and health concerns, and terrorism.

On the economic front, volatility in international stock markets has led to construction projects and renovations being put on hold and consumer travel plans shelved. As of January 1999 many of Europe's national currencies will convert to the Euro and the tourism industry, especially the hospitality sector,

will be among the first to display prices and accept payment in the new currency.

Pfeffer pointed to the change in industry structure. Mergers and acquisitions have created mega-chains seeking to improve their economies of scale. "Our business feels the impact on a daily basis, forcing us to adjust and change and communicate more specifically with our customers, suppliers and regulators."

Advocating expanded use of technology within the hospitality industry, Pfeffer said, "It's time that the hospitality industry takes a leadership role in using current and new technologies to show consumers stability, added value and advantages." The IH&RA's technology show, EURHOTEC, goes a long way to achieving this, but a greater push is required at international level.

Representatives from the Philippines host committee described how the tourism industry is responding to the Asian economic downturn, and predicted that tourism will be a major driver of economic and social progress as the region moves out of the crisis.

His Excellency, Joseph Ejercito Estrada

President Estrada noted that this was the first international tourism gathering to be held in Manila since he assumed the presidency and the second time that the Philippines was hosting the IH&RA congress. Referring to the economic turmoil in the country, he quoted a local journalist as saying that the Filipino was no stranger to crisis. "From one administration to the other, there was always some political upheaval, economic downturn or natural calamity that imperilled the unity of the country and the Filipinos' resolve to survive. It is our belief that from difficulties shall emerge opportunities and successes."

President Estrada pointed to various projections that the Philippines would be among the first to snap out of the Asian economic turmoil. He pledged that his administration would provide the

"Tourism shall be a major vehicle in the pursuit of economic progress. It shall be a tool to restore confidence in the Philippines. And it shall help relieve poverty and will boost the administration of social equity through community-based tourism initiatives," he concluded.

Larry Cruz

Cruz thanked the IH&RA for choosing Manila as the venue for its 36th annual congress, and Philippines President Joseph Estrada for sending a special representative to officiate at the opening, as well as members of his host committee. He noted that despite the economic crisis, the Filipino people would never flag in being their "charming best to visitors, welcoming friends and guests and offering everything there is on the table."

"Tourism shall be a major vehicle in the pursuit of economic progress and a tool to restore confidence in the Philippines"

needed policy adjustments to keep the structure of the Philippines economy fundamentally sound and ensure that the path to recovery is gradual but generally smooth.

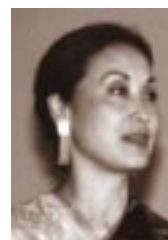
The President gave a broad account of the country's tourism industry, especially the healthy growth projected in the hotels, resorts, inns and pension houses. In the first quarter of 1998 alone, the Board of Investment had approved tourism projects worth 12.26 billion pesos, accounting for another 2,204 rooms beyond the existing 17,000 rooms nation-wide. Hotels employ 48.9% of the people working in tourism.

He outlined the 'covenant' concluded recently between the Department of Tourism and 30 private sector tourism-related organisations covering 11 objectives for the development of tourism, including image, marketing, budgets, infrastructure, transport, destination development, legislation, investment, labour relations and manpower, peace and order, environmental concerns and consultative mechanisms.

Regardless of all the difficulties being faced by the Philippines and its tourism industry, Cruz said that the Filipinos' willingness to please, "an eagerness not commonly encountered in other parts of the world," would help the country's hospitality industry survive and flourish well into the next century and into the next millennium.

"We hold the optimistic view that all these Asian woes... will come to pass sooner rather than later, with us at the forefront of the recovery. Our people have the skills and the competence to face the challenges of the future, and what's more, the products to sell. We have a political environment that ensures the stability vital for investment and economic growth."

He applauded the Philippines government's commitment to alleviating poverty through pragmatic economic and business policies. "It is not surprising that in spite of the difficulties, the country remains upbeat on the future. We in the hospitality industry share that optimism."



Gemma Cruz-Araneta

Secretary of Tourism

representing

His Excellency

Joseph Ejercito Estrada

President of the Republic

of the Philippines



Larry Cruz

President

Hotel & Restaurant Association

of the Philippines

Changing customers, changing strategies



Dr. Marvin Cetron
*President, Forecasting
International*

Futurist Marvin Cetron provided fascinating insight into some of the global social, economic, political and technological trends that will shape the hotel and restaurant industry into the next century.

Cetron presented “Ten Hospitable Trends for the Hospitality Industry”, which provide the probable context in which the world’s hotels and restaurants will continue to flourish in the first years of the new century. He emphasised the hospitality industry’s success during the last decade despite its struggle to overcome some difficult challenges. In the years ahead, the global population will continue to grow and change, science and technology will tighten their hold on business and society, and the world will knit itself ever more tightly into a single market. As a result, both opportunities and trials will abound.

1 Global economy – exceptional for the next four years

Though global stock markets are reeling in the aftermath of the financial crises in Asia and Russia, underlying economic conditions remain strong in Europe and America. Interest rates are low in the United States and relatively low elsewhere, capital is readily available, and employment is stronger than it has been in years. All these point to continuing prosperity in the years ahead.

2 Technology dominates economy and society

Discovery grows exponentially, as each new finding today opens the way to many more tomorrow. Thus the single greatest force for change in the 20th century can only grow more powerful in the 21st. The only factor slowing this process will be a shortage in trained, creative scientists, engineers, and technicians to exploit all the opportunities available.

3 The population of the world will double in 40 years

Over population due to high birth rates is slowly coming under control in much of the world. Now better health care is promoting population growth. Childhood deaths are declining as Third World lands begin to improve sanitation, supplies of clean water, and other public-health essentials. In the developed lands, healthier diets, more exercise, the decline of smoking in the United States and the trend toward preventive medicine are extending life expectancy.

4 Time is becoming the world's most precious commodity

Forecasters once imagined that computers would make it possible to cut the work week and give us more leisure. Instead, the opposite has happened. Companies have cut employee rosters, often dramatically, leaving more work to be done by fewer people. At the same time, rising costs and stagnant wages have driven former stay-at-homes into the labour force. Entrepreneurs, whose numbers are growing rapidly in the United States and have begun to expand elsewhere, work even longer hours than the rest of us.

5 Values and lifestyles are changing

Technology brings new opportunities, but conflicts with tradition. Telecommunications bring news of distant lands. Western ideas infiltrate conservative cultures in Asia and the Middle East, often triggering a “fundamentalist” backlash. These and many other pressures are eroding the values and lifestyles of previous generations. In their place, a new, opportunistic, technology-oriented eclecticism is beginning to appear throughout the developed world, among the intellectual and economic elites of some developing nations, and the under-40’s. Consumer needs are changing under this pressure.

6

Life-long learning will become essential

Technology and communications are rapidly changing the way we live. New discoveries in science build at an exponential rate, while consumer products based upon them proliferate even more rapidly. Within a few years, new technologies create entire new industries, while the industries they replace wither and disappear. As a result, members of the generation now entering the labour force can expect to have an average of five entirely separate careers before their working days are over.

7

Concern for environmental issues continues to grow

As rainforests disappear and evidence of global warming builds, it is becoming ever more difficult to ignore our impact on nature and its impact on us. At this point, the question is not whether we will change to accommodate the environment, but how radically we must change, how quickly we must act, and how much it will cost us. This will not be an easy transition. As the US continues to resist changes that could retard its economy and Third World lands assert their right to the same energy-consuming, polluting luxuries the West has long enjoyed, environmental controversy can only grow in the years to come.

8

Generations x and ".com" will have major effects in the future

There are approximately 50 million people in Europe between the ages of 15 and 24. Another 30 million are between 25 and 29. The under-30 cohort represents about 22% of the European population. They have grown up with computers, mass media, and advanced telecommunications. As a result, their values often differ sharply from those of their Baby-Boom parents. They will present unique and difficult challenges for both marketers and employers in the years ahead.

9

Institutions are undergoing a bimodal distribution

In one industry after another, the big get bigger, thanks to economies of scale. The small prosper by providing high levels of service in niche markets. The middle-sized, lacking either advantage, are either squeezed out or absorbed by larger competitors. This has been the single most powerful trend in business for the last twenty years, and the consolidation has yet to run its course. It is particularly strong in the hotel industry. This trend is seen among hotels, retail stores, restaurants private banks, hospitals, airlines, and many other industries.

10

Service, service, service replaces location, location, location

Competitive pressures are making it ever more difficult to distinguish one hotel – or restaurant – from the rest, especially at the level of the global chains. As soon as one offers a product or service that attracts customers, competitors match it and try to improve upon it. The result is a rising standard in basic products and services. Increasingly, what distinguishes one provider from another is attention to detail. This is the battleground on which hotels and restaurants will fight the competitive wars of the early 21st century.

The revolution in marketing rules: from mass marketing to one-to-one



Dr Chekitan Dev

Associate Professor
of Strategic Marketing
School of Hotel Administration
Cornell University

IH&RA Think-Tank on Marketing

Key challenges:

- Manage distribution costs
- Analyse customers
- Rethink the business model
- Kontrol technology
- Evaluate new media opportunities
- The next big thing

= **MARKET**

Smarter customers... aggressive competitors... demanding owners... new technologies... In a session which built on the findings of an IH&RA Think-Tank on Marketing held prior to the Congress, Dr Chekitan Dev revealed how these trends are changing the rules of the marketing game and predicted how hospitality services will be marketed in the 21st century.

Dr Dev gave a rundown of the new marketing paradigms emerging for the next millennium and the way the hospitality industry is evolving. The pace of change was so rapid, he said, that many of the changes he was outlining would be over-written by 1999. At the same time, this gave companies a tremendous opportunity to discard some of the old concepts of doing business and rethink what they need to do and how they do it.

For example, companies no longer want to be market-driven but market drivers. They want to make the rules, not follow them. Another buzz-word, 'unique selling proposition', was being replaced by 'value-added proposition' which required putting a value on time and the need to get more work done in the time available. Baby boomers are no longer looking for the meaning of life but a life of meaning. Companies like Virgin Atlantic are setting new standards in value-added services.

The message conveyed to customers is also having to change. In previous sales training, the focus

was on imparting the benefits of a product. Now, the customer wants solutions. And the solution has to be the best, fastest, biggest and cheapest, or else he is going somewhere else. Companies are also rejigging their messages accordingly, as in the case of IBM's slogan, 'Solutions for a small planet.'

Companies are also creating new ways to sell products. Dr Dev cited the example of a bar in Munich that was located opposite the stock exchange and had configured, with the help of rows of vertical light-bulbs, the prices of its drinks. Depending on how many drinks are ordered, the prices go up and down, and are indicated on the lightbulbs. The bar is packed all the time and there is a queue at the door.

He also forecast that the current monologue model of market research would be replaced by a dialogue model that would allow constant feedback to be given on a regular basis, often on-line. Establishing dialogue with the customer is the critical component. Companies can save a lot of money by doing less conventional market research. Anderson began by charting the rotating fortunes

Chekitan Dev

	Old Paradigm	New Paradigm
Focus	Marketing Driven	Market Driving
Positioning	Unique Selling Proposition	Value-Added Proposition
Message	Benefits	Solutions
Research	Monologue	Dialogue
Customer	Transaction Value	Lifetime Value
Competition	Benchmarking	Leapfrogging
Branding	Market by Market	Global/Instant/Virtual
Development	New Products	Work In Progress
Service	Hours of Operation	24-7
Promotions	Interruption Marketing	Permission Marketing
Advertising	Prime Time/Space	On-demand
Distribution	Travel Agents	Disintermediation
Structure	Teamwork	Network
Pricing	Revenue Management	Demand Management
Tracking	Market Share	Mind Share
Measurement	Customer Satisfaction	Customer Intimacy
Performance	RevPAR	ProfPAC

Competing in a changing marketplace

Scott Anderson led an interactive session designed to identify new marketing concepts and ways of using one-to-one marketing to build business.

of the 'Hospitality Golden Triangle', in which each corner represents either 'finance', 'employees' or 'guest'. He said that in the early 1970s, it was the guest who was at the top corner, which turned in the 1980s to put the employees on top and has now turned again to put finance on top.

However, he forecast that the guests would again be in the top corner in the age of one-to-one marketing and that all the new emerging yield management and distribution tools were designed to put more focus on loyalty and generation of customer satisfaction.

Anderson gave a detailed analysis of the power of global distribution systems and concluded by noting that the hospitality golden triangle would soon turn into a hospitality golden circle under which no single corner would be on 'top' but that guests, employees and finance would all benefit from providing dedicated customer service through one-to-one marketing. He described one to one marketing as "marketing the right thing to the right person at the right time with the right value". To achieve it, hotels would have to create a data warehouse, design data mining systems and then decide which tactical communications tools they plan to use to reach the customer.



Scott Anderson
Executive Vice-President
Sales & Marketing
Cendant Corporation

Webonomics: better business through the web

New developments in interactive Web technology have generated huge potential for the marketing of hospitality products and services. This session focused on clarifying the match between the characteristics of the tourism product and the capabilities of the Web, and also provided practical guidelines on how to plan, develop, publicise, promote and maintain an effective tourism Web site.

O'Connor and Horan showed exactly why the Internet was a perfect vehicle for the distribution of travel products, overcoming problems of cost, currency and volume of information, even while bypassing traditional channels of distribution. They noted that the profile of Internet users suggests they will be well-inclined towards buying travel products on the Net. It is also a major boon for marketers: "With newspaper advertising, your marketing efforts are sitting in a dustbin the next day – a Web-page continues working for you until you remove or change it."

Web pages can be personalised, and responses monitored. Some hotel groups are designing a series of Webpages so as to monitor precisely which ones are being looked at more often than others. Internet bookings cost about 20% less than those processed through a Central Reservations Office. They noted the pitfalls and differences from traditional 'one size fits all' marketing approaches, a concept that can be counterproductive for Web marketing.

The speakers took delegates through the entire process of developing a Website, one of the most important aspects being the initial analysis – gathering and comparing information about the Web and especially the target audience that one is seeking to reach.

"This can have a great deal of impact on what information should be provided to a user about a particular product or topic. Similarly, analysing the web's purpose in light of other new developments, such as the contents of a competitor's web, must be an ongoing process. This stage finds answers to the six main questions – Who? What? Why? Where? How? When?" From that point on, one moves on to planning the website and designing it, before 'publishing' and promoting it. Thereafter, it needs to be improved and updated constantly.

The full text of the Webonomics presentation is available via the IH&RA Website, www.ih-ra.com



Peter O'Connor
Assistant Professor
Institut de Management Hôtelier
International



Patrick Horan
Lecturer
Dublin Institute of Technology

Winning with your best customers



Robert A. Gilbert

MODERATOR

*Executive Vice President & CEO
HSMIAI*



John Cahill

*Senior Vice-President Information
Technology
Inter-Continental Hotels & Resorts*



Michael Ferrier

*VP Operations & Strategic Sales
Asia Pacific
Micros-Fidelio International*

Three speakers from different backgrounds shared solutions for capturing the right customer data and transforming the central database into an essential source of marketing intelligence.

John Cahill

Of all the major changes taking place in the marketplace, perhaps the most important is that the customer now knows the meaning of 'lifetime' value, Cahill said. Not only is the customer king, but he knows his current value and also expects added value. Neither segment nor mass marketing can prove adequate to reach this type of customer. Competition is extensive, it is both local and global, information is ubiquitous, change is rapid, as is competitor response, new media channels are appearing, and marketing funds are both finite and fragmented.

In the face of this, Inter-Continental's approach to customer management is divided into three tiers: Alliance Databases, Global 2000 and the Six Continents Club. Alliance databases give Inter-Con access to more than 15 million potential customers in travel and non-travel areas, including financial, retail, telecommunications and media. From airline alliances alone, Inter-Con has generated 677,600 room nights in global mileage awards, and there was considerable potential for exploiting those further.

One tier up, Inter-Con had a total of about two million occasional guests with over 12 million stay records in its database of Global 2000 guests. Inter-Con has access to their reservation records, travel agent data, frequent flyer information and spend information, all of which can be used for data analysis and mining. Some of the information can also be shared with partners and alliances.

The Six Continents Club of about 250,000 members constitutes the top tier of the target market. These hold considerable promise for further marketing efforts to maintain loyalty through continued research, even while maintaining the global integrity of the programme and the exclusivity of the membership. For Six Continents Club members, the short-term object is to move from mass to tailored communication based on known travel patterns, known needs or past behaviour and, more importantly, incentivise further loyalty/spend levels.

To gain overall success, a comprehensive customer management strategy had to be integrated with both the overall business and technology strategies, together with a strong belief in the value it generates vs. the cost it involves. There has to be a long-term commitment as well as willingness to change.

Michael Ferrier

John J. Cahill

Factors Influencing Customer Choice

Product Differentiation

- Portfolio / Network
- Brand Image

Operational Excellence

- Physical Product
- Service
- Channels of Distribution

Customer Intimacy

- Understanding Needs
- Recognising loyalty

Property management systems introduced in the late 80s and early 90s to capture guest history and marketing data have graduated into more sophisticated databases and are evolving further to incorporate data right across hotel groups. According to Michael Ferrier, "The level of success achieved when deploying technology has largely come down to how effectively hotels or hotel groups utilise it," citing the quality of the data that goes into the computer systems, management of the databases, selection of the correct profile during reservation, accuracy of reporting and effectiveness of mailings and other marketing programmes as examples. "Hotels are still not fully appreciating the importance of these controls in maximising return on investment in the technology."

Michael Ferrier

Centralisation of marketing/guest data

- Consistent service level across the group
- Standard pricing across the group
- Guest recognition
- Awareness of special needs and preferences
- Guest membership schemes and awards
- Sales force automation
- Group wide reporting & analysis

Centralisation of hotel operations

- Reduction in hardware, software costs
- Reduction in manpower costs
- Reduced maintenance & overheads
- Improved data security
- Central guest & reservation database

He said that as hotel groups focus on providing the same high standards of customer service right across their properties, two trends are evolving in the hospitality industry: (1) Centralisation and deployment of marketing and guest-related data across the group (2) Centralisation of hotel group operations in cities, regions or destinations. By centralising guest/marketing data, hotels can provide constant service levels and standard pricing across the group, higher levels of guest recognition, they can link in with membership schemes and

Even if all these problems could be solved, the independent hotel would be able to market to its existing customers but have little opportunity to identify additional customers. So how can independent hotels achieve this? Partner marketing offers a way out. He cited the Amex example, saying that in collecting, analysing and utilising customer data, Amex “goes beyond the normal requirements of data protection legislation in each market so as to ensure that our Cardmembers privacy is respected in full.” He said that by examining their spending



Hans Lindh
Director, Lodging Industry
American Express Establishment
Services

“No industry gets a better opportunity to do database marketing and chooses to do so little about it, as the hotel industry.”

awards, and automate the sales force and group-wide reporting and analysis. In turn, by centralising their hotel operations, they can reduce hardware /software and manpower costs, improve data security and operate a central guest and reservation database.

Micros-Fidelio is responding to both these trends with the development of appropriate products suited both to hotel groups under a single management structure or a group of non-aligned hotels wishing to share resources. Either way, the basic need is to provide customer service and generate guest loyalty. Based on this, the hotel database is arguably the most valuable asset the hotel has in building this loyalty and encouraging repeat business.

Hans Lindh

Lindh set out by saying that getting the database marketing right is an integral part of yield management and a pre-requisite for attracting customers. Despite the various technological means available to make better use of guest data, he said, “No industry gets a better opportunity to do database marketing and chooses to do so little about it, as the hotel industry.” While the hotel industry is otherwise so automated, the most strategic of all guest information (name, address, details and preferences, etc.) is reliant on manual input. The greater the manual input, the greater the margin for error.

behaviour and doing market research, “we know what turns our Cardmembers on.” Consequently, “We have developed technology that is capable of processing and interrogating the mountain of information we collect and use it to build business for our merchant partners through relevant and targeted promotions.”

He described the Amex Cardmember as a profitable customer, spending 13 nights in a hotel per quarter, of which four nights are spent on week-end/leisure, and five nights abroad. According to Amex hotel partners, Cardmembers spend 10-35% more than other guests. Amex also runs its own rewards programme. He went on to outline some of the recent promotional marketing activities with European lodging partners. He concluded, ‘As valued business partners, hotels and restaurants of all sizes and characteristics have access to our most important asset – our Cardmember database – by way of numerous communication vehicles we have in place.’

Navigating the channels of distribution



John Cahill

MODERATOR

*Senior Vice-President
for Information Technology
Inter-Continental
Hotels & Resorts*



Christine Toguchi

*Director of Marketing
Asia-Pacific
REZSolutions Inc.*



Daniel Connolly

*Doctoral Candidate
Virginia Tech*

As new global distribution channels continue to change the face of travel bookings, three leading experts provided an overview of the current distribution landscape, and shared their views on reaching the 'segment of one' through both new and existing channels.

Christine Toguchi

Thanks to advances in technology, the techniques and tools used today to effectively market hotel products and services may be different, better and new, but judging by the rate of growth in hotel booking transactions on the GDS's, consumers are not likely to start shifting onto the use of the Internet quickly, so keep your eyes and your marketing dollars on the GDS's, said Toguchi.

She said the current trend of mergers and alliances is not limited to hotel and airline companies – the GDS's are also consolidating. Sabre increased its share of the Asian market by consolidating with Abacus and later signing a partnership with Axxess. Galileo is still quite dominant in the US and Australia, and discussions are under way between Amadeus and Worldspan. Unless you understand who you are reaching and which markets may be influenced by specific GDS's, marketing opportunities on the GDS can be expensive, she said. Figures can change quickly with mega consortia signing new contracts with GDS vendors.

Citing figures from Andersen Consulting, she said in 1996 the US accounted for over 70% of Internet users. However, while US Internet users are forecast to increase by over 30%, Japan will grow 82%, the rest of Asia 79%, Western Europe 56% and the rest of the world by 78% by the year 2000. By then, the US market will represent 50% of global users.

How will hotels market effectively and efficiently through GDS's, the Internet and sales reservation centres? Utilising new and high performing technology will be critical, Toguchi said. A key component of one-to-one marketing will be the ability to capture the right data on customers. Powerful PMS's and Revenue Management Systems, and data-warehousing and data-mining tools will become a marketer's best friends. Even more important will be the ability to integrate all these systems into a hotel CRS and into an overall strategy for improved customer service and maximised revenue performance.

Daniel Connolly

Global Distribution Systems are thriving despite the growing array of distribution options available to the travel industry, Connolly said. They remain well placed to generate new revenues, reduce costs and overheads and drive customer, employee and shareholder satisfaction.

He said GDS's had been watching with considerable interest the projections for growth in on-line hotel bookings which are projected by the year 2001 to reach nearly 17 million trips totalling more than 2.8 billion dollars, according to Forrester Research. He described the GDS's as the hotel's 'nervous system,' and as the potential initial point of guest contact as well as the primary vehicle for data collection, storage and dissemination. They can also act as the keeper of the room inventory and the principal sales tool.

The distribution processes were being affected by numerous issues, he said. Airline GDS's had a 'stranglehold on hotels,' travel agents are weakening as intermediaries, transaction costs are high and data inconsistencies are resulting in discrepancies in room availability and rates. Significantly, he said, there is a "defensive rather than pre-emptive use of Information Technology."

In response, GDS's are reshaping themselves by bypassing airline GDS's, reducing the role of travel agents and the commissions paid, taking advantage of emerging smart agents and capitalising on the rising popularity and capabilities of the Internet, complete with multimedia, voice capabilities and push technology. More change is yet to come as technology graduates on to internetworked environments, and the tendency for do-it-yourself bookings and voice-interactive commands increases.

Daniel J. Connolly

Distribution – Observed Trends

- Rising costs of distribution (25-35%)
- Increasing number of rooms sold by intermediaries
- Growing number of requests for discounts
- Feeling of lost capacity control
- Growing interest in electronic commerce

Developments Reshaping GDS

- Reducing the role of travel agents and commissions paid
- Bypassing airline GDS
- Growing Use of Intranets
- Rising popularity and capabilities of the Internet, complete with multimedia, voice capabilities, and 'push' technology
- Emerging smart agents

Eric Christensen

Hotel associations have very valuable roles to play in helping their members harness the distribution and reservation power of the Internet, said Christensen. He cited the examples of the Hong Kong Hotel Association using the Internet to process reservations for their members at Hong Kong airport, and the California Hotel and Motel Association partnership with the California Travel Industry Association to form Golden State Reservations, which is referred to by the California Department of Tourism's US\$12 million advertising programme.

Christensen said that in five to 10 years, the Internet will be THE dominant distribution channel as consumers and intermediaries move to the Web for better rates, searching options, e-mail promotions and database comparison shopping, including customer feedback. Bookings over the Internet will grow from less than one per cent today to 35% of the total in that period.

He cited several examples of how e-mail promotions are being used to deliver results, such as by America Online, the Tahoe Seasons Resort and the San Diego Hyatt (see table). It's not just more people getting on-line, more people are BUYING on-line, he said. Of the estimated 150 million public users of the Internet in 1998, 30 million made purchases over the Internet, of which 2 million made on-line hotel reservations. These figures are projected to rise respectively to 300 million, 80 million and eight million by the year 2000.

He also discussed how WorldRes was moving in line with the times as it had been built specifically to serve accommodation providers, not airlines, and designed to take advantage of the Internet's low cost, graphical capabilities and interactivity. In addition, WorldRes could also market and sell hotels directly to consumers and businesses via the Web. Hotels join for free, work with WorldRes directly over the Internet, and only pay for transactions received through the network.



Eric Christensen
Chairman, WorldRes Inc.

Eric Christensen

E-Mail Promotions Deliver Results!

	Tahoe Seasons Resort	Hyatt, San Diego
Date of offer	May '98	August '98
Promotion	35% discount during Spring	40% discount during Fall
E-mails sent	7,000	8,000
Target audience	Selected Tahoe or California	Selected California
Number of net reservations	19	40
Response rate	0.3%	0.5%
Net incremental revenue	\$2,300	\$6,200

Internet's Impact on Hotel Profitability

How a hotel uses the Internet may be the single most important factor impacting that hotel's relative profitability over the next 5 years

- On-line bookings will make up bulk of net incremental new revenue
- The Internet can help significantly lower distribution costs
- Harnessing the power of one-to-one marketing will be a major differentiating factor

What hotels should be doing today

- Promote on-line bookings from both hotel company and individual property Websites
- Build up databases of current and potential guests for launching one-to-one marketing programs
- Evaluate relative distribution on both major travel web sites and special niche sites
- Work with your local hotel association and tourism authority to make sure that your destination marketing drives destination-based reservations

Closing the look-to-book cycle



Michael D Olsen

MODERATOR

*Director of Research, IH&RA
Professor of Strategic Management
Virginia Polytechnic Institute
and State University*



Jack Geddes

*Managing Director
Sales & Marketing Asia
Radisson Hotels Worldwide*



Pete Brady

*Managing Director
BusinessMeetings.com*

A high percentage of customers and travel agents now research hospitality products via the Internet and CRS/GDS – but book directly with the hotel. Three panelists identified ways of moving guests from looking to booking on-line.

Jack Geddes

Today, customers using the Web for travel planning are looking for deals. They understand that suppliers are cutting costs through this channel and expect savings to be passed on to them, as well as being rewarded for making the booking themselves. With that, Geddes outlined Radisson Hotels' strategy for receiving 100% of bookings electronically as against the current status: 62% through the GDS, 37% over the phone and 1% over the Internet.

He pointed out that the first effort to move travel agents from telephone to electronic channels by using reward incentives was launched in 1992. So far, over 190,000 travel agents from 94 countries had enrolled and redeemed US\$13 million in rewards. Now, he said, it was time to move guests from telephone to electronic channels, mainly over the Radisson website which now has real-time reservation capability and a direct interface to the Radisson central reservation system. To attract more bookings, weekly hot deals are offered, bookable only on the website. This helps incentivise customer to book on-line through the Radisson website and also generates incremental business for hotels by selling 'distressed' inventory.

Geddes said today 40% of total monthly bookings over the website are *Hot Deals Rates* and that bookings are up 323% over 1997. User visits are up 31%, customer profiles are up 248%, net room nights are up 262%, room revenue is up 297% and ADR is up 8%. The conversion rate from lookers to bookers was only .006% in 1997 but rose to more than 2% in 1998.

Radisson's latest move is to promote the *Hot Deals* to 21,000 e-mail subscribers and do cross-promotions with partners that take in more than 600,000 weekly e-mail shots. These are combined by offering triple mileage points. In June 1998, Radisson launched *E-scapes*, the hotel industry's first-ever e-mail service offering notification of vacation packages that match a customer's stated travel preferences. The result: on-line bookings shot up by 1,000 to about 6,000 in July 1998.

Pete Brady

In explaining the concept and creation of BusinessMeetings.com, a website for meeting planners, Pete Brady highlighted its simplicity and said, "We did not set out to create a service in which the technology is so clever that it defies understanding by its user. The idea was to make technology the servant of the human, not the other way around. We therefore developed the site to be not only the first port of call for the meeting planner but also the inevitable one."

In doing so, BusinessMeetings.com adapted technology to meet the fundamental needs of people seeking information, ie. Where they can find out about a product or service, What information they need to gather about that product and its competitors, Whether they are going to go ahead and make that purchase, How they can action the information and complete the transaction and, How often will they stay loyal after they have tried the product once.

He noted that while this has been a century of amazing technological change, "what is fascinating is not the technology itself, but the ability of human beings to absorb and adapt [it] to their own needs and to the needs of society. This society is now seeking 'choice' in all things, especially information-based choice."

"Instead of discounts, new technology allows us to make our offers more personalised and meaningful"

Martin Petersen

Hotels have a wonderful opportunity to use Internet-based service providers to access vast new markets and generate bookings at a delivery cost of little more than 1% of room revenue, said Petersen. He said the chances of reaching on-line bookers is also rising exponentially with the huge growth in the number of Internet users, estimated at 102 million today and expected to multiply seven-fold in three years. "People do make bookings on the Net, and the travel industry is going to be a big player in this new market."

To take advantage of this audience, the following steps are imperative:

- Have a professionally designed Website that is unique, classy and distinctive
- 'be professional, look professional.'
- Have your hotel included in and hyper-linked to as many other Websites as possible.
- Don't just give information and display rack rates, whet people's appetite, make them want to book into your property.
- Ensure that the hotel can be found can through one of the many search engines.
- Get into the Intranets of major corporations and multinational companies via services like hotelBANK.
- Provide instant confirmation facilities
- Research shows that 80% of those booking travel over the Net are white collar, 25-56 years old and male, people who are not going to wait for an e-mail confirmation.

All these Internet-based solutions offer huge opportunities for independent hotels, he said, citing as an example his own company's development of a destination management site in the Philippines resort of Boracay. Local hotels feared the marketing power of a soon-to-be-open multinational chain property and "decided to use us to piggyback the [chain's] advertising and offer alternatives for people whose interest had been raised by the [chain]." He advised hoteliers to 'watch this space' as more such opportunities open up.

Martin Petersen

*Managing Director North Asia
Fidelio Software Ltd.*

"People do make bookings on the Net, and the travel industry is going to be a big player in this new market."

Workshop for corporate executives and industry suppliers



Andries de Vaal

MODERATOR
Partner
Deloitte Consulting



Chekitan Dev

FACILITATOR
Associate Professor of
Strategic Marketing
School of Hotel Administration
Cornell University

What are your customers actually worth? Dr Chekitan Dev, associate professor of strategic marketing at Cornell University's School of Hotel Administration led an interactive forum designed to assess the lifetime economic value of a customer and highlight the importance of customer retention.

Knowing the lifetime value of your customer starts with an appreciation of the difference in revenue potential between repeat business and new business, customer retention and customer acquisition. It also requires application of marketing principles throughout the organisation – a breakdown in the marketing chain between different departments will lead to dashed customer expectations, said Dr Dev.

He pointed out that dealing with high turnover, whether of employees or customers, is a costly business. Understanding its impact on the bottom line and finding ways to enhance the value of relationships – with both staff and customers – is therefore critical. Dr. Dev cited research reported in the Harvard Business Review: if customer turnover is reduced by 5%, customer value can increase by 75%.

Turning the \$150 customer into a \$1,000,000 customer

Dr. Dev gave an example of the revenue potential of one, short-stay customer if he was to become a regular guest at the hotel: an initial four night booking at \$150 a night brings in \$600. If the guest spends an additional \$400 on F&B during that stay he is worth \$1000. If he comes back 10 times a year his value increases to \$10,000, which over 20 years becomes \$200,000. As a satisfied customer he will probably recommend the hotel to another 4 people, which if they also become loyal guests will generate a further \$800,000. Add that to his value, and the total lifetime value of our guest becomes \$1,000,000.

Drawing on the above analysis, Dr Dev presented his model for calculating the lifetime

value of a customer as a function of six variables: Periods Remaining, Referrals, Overall Group Size, Frequency of Visit, Income Potential and Time Spent (length of stay), or taking the first letter of each variable, PROFIT.

He said each member of a hotel's staff must understand the potential that arises from that initial telephone call from a prospective guest, and the role they play in helping develop the relationship long term. He stressed the importance of ongoing research into customers and their needs, and said that even in times of economic difficulty when there is a need to drive short term business, the most effective short term marketing solution has to be part of the long term picture.

He then challenged workshop participants to come up with creative solutions for developing the lifetime value of their customers, focusing on maximising the potential of each of the six 'PROFIT' variables. He concluded by encouraging delegates to incorporate the lifetime value model into their business planning process.

Lifetime value of a customer

Lifetime value is increased by working on a combination of some or all the following variables

- Periods Remaining
 - Referrals
 - Overall Group Size
 - Frequency of Visit
 - Income Potential
 - Time Spent (Length of Stay)
- = PROFIT**

1998 Horwath Worldwide Hotel Industry Study



Andreas Vögl

Managing Partner
Horwath Consulting Austria

Key findings from the 1998 Horwath Worldwide Hotel Industry Study, published in association with the IH&RA, were presented by Andreas Vögl, Managing Partner, Horwath Consulting Austria:

The 28th edition of Horwath International's Worldwide Hotel Industry study contained information from more than 3,000 hotels worldwide representing more than 720,000 rooms. New, sophisticated software allowed Horwath to substantially expand its research. Luxury hotels

constituted 28% of the sample, first class 34%, mid-price 24% and economy properties 11%. More than 2,500 hoteliers provided input into the survey which also included assessments of the situation in various parts of the world.

Source of business: The study found a huge disparity in the source of business between foreign and domestic travellers. While in Europe the ratio of foreign to domestic travellers is almost exactly 50:50, in Africa and the Middle East it is 78:22 and Asia 76:24. In South America, Australia and New Zealand, the ratio switches to 40:60.

Composition of market: The percentage of repeat business ranges from 46% in South American hotels to 29% in Asian hotels. Business travellers also comprise a high 45% of the market in South America to a low of 21% in North American hotels. In Asia, tourists and tour groups comprise 45% of the total market with business travellers coming in at 35%.

Average daily occupancies (AOR) and rates (ADR): The AOR worldwide was estimated at 67% and ADR at 89%. Asian hotels had the highest of both: 72% AOR and US\$105.67 ADR. European hotels recorded 64% and US\$84 and North American hotels 70% and 94%.

AOR and ADR of chain and independent hotels: The performance of chain-affiliated hotels outstripped that of independent hotels worldwide. Respectively, their AOR was 67% and 63% and ADR US\$89 and US\$78. The average daily revpar was US\$60 and US\$51.

Advanced Reservations: Overall, 35% of all hotel reservations worldwide came through direct inquiry while 65% came through intermediates. The highest percentage of direct inquires, 39%, came in Australia and New Zealand and the lowest, 29% in North America. Asian hotels had the highest percentage of bookings through travel agents, 29% and Latin America the lowest at 17%. Asian hotels also had the highest percentage of bookings through the Internet and websites, 2.3%, as against only 0.4% of hotels in Australia/New Zealand.

Payment Method: A large proportion of hotel bills (38%) are still being settled by credit cards, followed by other forms of credit sales at 34%. Global hotels reported 23% of total sales in cash. The highest percentage of settlement by credit cards was in North America (52%) and the lowest in Africa/Middle East (32%). Visa card was used for settlement of 37% of the total, followed by American Express with 25% and Mastercard /Eurocard with 23%.

Other highlights:

- The average length of stay worldwide for each guest was 2.8 days by foreigners and 2.4 by domestic guests.
- Of all the responding hotels, 31% expected the occupancy to increase in 1998 while 28% predicted an increase in 1999. In addition, 11% expect occupancy to stay the same in 1998 and 13% in 1999.
- About 20% of total contributors world wide were planning renovations during 1998 while the number of hotels planning renovations fell to 14% for 1999.
- The increasing importance of environmental matters in the hotel industry is demonstrated by the fact that 40% of all respondents indicated that they are using quantitative performance measures for environmental issues such as energy and water consumption, waste disposal and waste water volume.

IH&RA members may obtain a free copy of the Horwath Worldwide Hotel Industry Study by sending a fax to (33) 1 40 36 73 30 or e-mail to infos@ih-ra.com

Andreas Vögl

Horwath Worldwide Hotel Study

	Worldwide Results, Advance Reservation in %						
	All Hotels	Africa and the M. East	Asia	Australia and New Zealand	Europe	Latin America	North America
Direct Inquiry	35.1	31.8	31.0	38.9	38.9	31.9	29.5
Intermediates	64.9	68.2	69.0	61.1	61.2	68.1	70.5
• Own Reservation System	14.0	12.2	14.4	12.7	10.8	23.8	23.6
• Ind. Reservation System	5.3	7.2	4.9	6.4	5.8	4.5	4.1
• Travel Agents	19.8	23.6	26.5	20.9	18.7	17.1	17.3
• Tour Operators	18.1	16.5	13.9	14.6	19.0	11.6	16.9
• Hotel Representatives	4.3	4.2	4.8	4.2	3.7	5.2	7.0
• Transportation Company	2.0	2.7	2.2	2.9	1.7	3.9	0.7
• Web Site, Internet	1.4	1.8	2.3	0.4	1.5	2.0	0.9
Total	100	100	100	100	100	100	100

Forces driving change in the casual theme restaurant industry



Michael Olsen

*Director of Research, IH&RA
and Professor of Strategic
Management
Virginia Polytechnic Institute
and State University.*



Dr Jinlin Zhao

*Coordinator
Hospitality Management
Western Carolina University*

This session included presentation of the findings of new IH&RA research on the issues and trends impacting the restaurant sector, with a special focus on industry developments in key Asian countries.

Michael Olsen

The casual theme restaurant industry is facing a number of growing challenges, said Dr Olsen. These include restless, demanding consumers, growing complexity of the human resource environment, a declining natural resource base and the drive of technology into the work and home environment.

Under each, Dr Olsen listed the evolving psychographic changes, noting especially the arrival of a 'reflective consumer' who is turning increasingly to spirituality to come to terms with the world and growing conservatism to address the paradoxes of life. He referred to the trend towards a less macho world, growing demands for safety and security and growing expectations for higher levels of just about everything.

Tracking the human resource environment, Dr Olsen mentioned the long problem of balancing skills level vs. employability, the changing nature of

work that is making things more demanding, more intellectual and more expensive per unit of labour input. He cited job stress and even violence in the workplace. Moreover, the industry faced the challenge of preserving the natural resource base, including air and water supply, land use and the entire question of sustainable development.

The Scale & Structure of the Global Restaurant Industry

Dr Olsen and Dr Jeong-Gil Choi gave a detailed statistical rundown of the global restaurant industry, noting that among the 11 regions they had divided the globe into, the average size of the restaurant industry ranged from 4,723 restaurants in the Caribbean to 698,040 in Northeast Asia. The number of restaurants in Northeast Asia represents 43% of total restaurants world-wide. China is the largest market in terms of number of units.

Average employment in restaurants ranges from 38,620 in Central America to nearly 3.8 million in North America. The average revenue for the industry ranges from US\$183.42 million in Central America to US\$118.6 billion in North America (which represents 51% of total global restaurant revenue).

Dr Jinlin Zhao

Dr Zhao said that political and economic reform in China had now led to over 90% of the restaurants being in private hands. Against this, Chinese lifestyle and eating habits are changing. Among the major macro forces driving change, Dr Zhao mentioned the 1995 enactment of the food safety and sanitation law, guiding principles of Chinese fast-food development and the classification of restaurants and hotels.

Dr. Jinlin Zhao

China Restaurant Industry – Current Status

The industry breaks into two major markets

- Domestic (eat-out, domestic traveller)
- Overseas visitors

For domestic markets (1996):

- Outlets – 206 million, employee – 7.75 million
- Total revenue – 202 billion yuan, 28.2% increase on 1995
- Services: traditional, food court, buffet, grocery plus, fast-food
- Ownership: private, state, collective
- Domestic traveller – 643.7 million (97)

Michael D. Olsen

Global Restaurant Industry Highlights

- In 1997, the total estimated number of restaurants in the world was 8.066 million
- The total number of worldwide restaurant employees was 48.243 million.
- About 52 percent of total employees were full-time equivalents.
- The total estimated sales for the worldwide restaurant industry was US\$703.929 billion

Restaurant Industry Forces

Competitive methods

- Price
- Cost advantages
- Adaptation to local tastes
- 'Creative' eating-out
- Technology – for various purposes
- Brand name development

Regional Trends

- Eating out market classification
- Changing eating patterns
- Sanitation and food hygiene

Macro Forces

- Population growth
- Political and economic reforms
- Changing lifestyles and habits
- Social class systems
- Adoption of western lifestyles
- Air and water pollution
- Ecological movement – varying degrees

He cited the fact that food is cheap and affordable in China and that as eating habits change, there is a growing adoption of foreign food. The restaurant industry itself is broken up into two major markets: domestic and overseas. In 1996, the domestic market generated 202 billion yuan, up 28% over 1995, and employed 7.75 million people. Of the overseas market, the total of 5,201 hotels in 1997 reported total revenues of 81.2 billion yuan of which F&B generated 32% of the total. Hotels employed 1.36 million people in 1997, up from 876,700 in 1993.

As for future opportunities in the Chinese restaurant industry, Dr Zhao identified the potential for brand-name development, mergers and buyouts amongst chain establishments, management training, standardisation and application of new technologies.

Dr. Jeong-Gil Choi

Investment Opportunities - Korea

- Targeting hospitality equipment market
- Targeting hotel-restaurant market (hotel construction boom)
- Targeting mergers and acquisition (Korea's M&A market valued at \$32.6 billion)
- A new trend: food supply factory
- World events (ASEM in Year 2000, World Cup in 2002)

Dr Jeong-Gil Choi

Dr Choi gave a broad overview of the economic and financial changes taking place in Korea. Up until 1996, before the economic crisis started, growth in the Korean restaurant industry had been constant. In 1997, the country had 560,000 restaurants, 52% of which were in Seoul and Koyonggi province. They chalked up total sales of US\$28.75 billion and employed about one million people. Eating out constituted about 7% of disposable income. The industry is also extremely labour intensive; sales per employee were US\$28,750, much lower than the US which had a corresponding figure of US\$50,718 in 1998.

Answering the critical question of how the economic crisis is impacting on the restaurant sales, Dr Choi quoted the president of the Korea weekly restaurant business newspaper as citing three reasons for declining sales: fewer customers using restaurants to entertain; reduction of the average cheque due to lower disposable income; and decreasing group dining. He said the bankruptcy rate is 30-40%.

As changes sweep through the industry, restaurant operators will have to deal with the shortage of qualified management, hygiene and low demand for advanced technology. Investment opportunities will open in the supply of hospitality equipment, mergers and acquisitions and the hotel-restaurant market. Many of these will leave restaurateurs to forge stronger relationships with local developers, joint ventures, 'arms-length' franchise-agreements and trademarks and licensing.

Amit Sharma

The Indian restaurant industry is also undergoing major changes in line with the growing population and economic development. It is classified as high-growth, even though highly-fragmented. There was some tremendous dynamism in the industry as epitomised by the push and pull forces at work between five-star hotel vs. non-hotel eating outlets and between multinationals vs. local chains and operators. Sharma noted that home food consumption takes up to half of total food expenditure, with vegetarians accounting for over 60%.

A major industry force driving change was the expanding scope of operations towards shopping malls, recreational complexes and food courts, delivery services and institutional catering. He also referred to the diversity of the workplace in terms of gender, caste, religious and social values. In view of limited financial resources, there was a high dependence on personal resources or external financing.

Sharma predicted that future opportunities would lie in the channels for mass consumption for people with limited disposable income, such as catering services among the world's biggest railway network and movie houses.



Amit Sharma
Doctoral Candidate
Virginia Polytechnic
& State University



Dr Jeong-Gil Choi
Doctoral Candidate
Virginia Polytechnic
& State University

Presentation on Pan-Pacific Hotel Manila



Andrew McBurnie
General Manager
Pan Pacific Hotel, Manila

Andrew McBurnie presented the group's newest property, which is based on an entirely new operational concept – butler service.

Andrew McBurnie

McBurnie unveiled what he called the concept of the future in Asian hotel management, a flat, efficient, economically astute structure that allows the Pan Pacific, Manila, a 250-room hotel with 30 F&B outlets to operate with 170 employees. Not only does this translate into good business sense for the owners, it creates a corps of multi-skilled employees who never contest the politics of promotions, because there aren't any, but rather devote their full energies to generating guest satisfaction.

The outsourcing of the F&B outlets is critical.

The same revolutionary concept applies to operations. In traditional hotels, the management structure is hierarchical starting from the GM downwards to the resident managers, assistant managers, department heads, supervisors, etc. In the Pan Pacific, there is only a steering committee of five people. Operations managers and the rest are butlers who do everything from cleaning the rooms to providing concierge and business-centre services.

The hotel's management philosophy is to hire the best and brightest, tell them clearly what is expected

Overall, outsourcing generates 60–65% of the Pan Pacific's Gross Operating Profit, as against 35–40% in other hotels.

McBurnie said that while F&B outlets generate only 20% of an average hotel's profit, managements focus 70% of their energy on F&B management. In the Pan Pacific Manila, all 30 F&B outlets are outsourced while remaining in the same complex as the hotel building, creating a huge food court patronised by both locals and hotel guests. The room service menus reflect this diversity.

The hotel does not lose control when it outsources because it chooses its suppliers carefully and maintains quality control by retaining the right to revoke guest signing privileges, banqueting business, co-branding and co-marketing privileges. Overall, outsourcing generates 60–65% of the Pan Pacific's Gross Operating Profit, as against 35–40% in other hotels.

of them, give them the tools and authority required and then get out of their way. The butlers operate under a self-directed work team ethic with no supervisors. The Steering Committee identifies the What, and the butlers take care of the How-to. When guests want anything, they just contact their floor butler, rather than housekeeping, room service, the concierge or the front desk.

The butlers are rewarded on the basis of their competency, with each new skill they acquire earning them more money. They decide their own pace of learning. This allows the entire hotel concept and resources to be centred around the guest, not around the administration or operation. "Our people will grow more quickly than in a traditional environment and would become the pre-opening task-force in any future development," he said.

Food safety – an international issue

A flaw in food safety can devastate the most dynamic restaurant marketing plan. A high-powered panel of experts shared their views on the importance of this issue and addressed what can be done to improve food safety standards.

Belen Rillo

Today's fast paced lifestyle is leading many more people to eat at restaurants. But how safe is the food in such establishments, asked Rillo. She outlined 2 stages for control of food safety:

1. At the food processing or manufacturing stage, there should be rigid implementation of Quality Assurance (to include Hazard Analysis Critical Control Points, or HACCP), sanitation and pest control procedures. Handling of the products from storage to transport to receipt at the restaurant should be monitored.
2. In the restaurant kitchen, the same degree of control procedures as in the manufacturing plant must be practiced. Adherence to procedures is a must.

To elevate the level of awareness and compliance to food safety standards, three key issues need to be addressed:

1 Education of food handlers (in the complete supply chain):

Food handlers must be given a set of procedures and understand WHY they have to follow them – why store food at a certain temperature or cook at a certain time-temperature combination? They have to understand their critical roles in assuring food safety. Management, too, should take adherence to such procedures seriously. Equal emphasis must be given to sanitation and pest control. Everyone involved in the food preparation cycle must undergo basic and applied training programmes.

2 Regulation and its enforcement:

No food safety campaign can work without the support of the government's regulatory body (the BFAD in case of the Philippines). The food service industry must be re-oriented to the Food Code, and there should be more dialogue between the regulators and practitioners who can provide practical inputs to ensure uncompromising food safety. To protect consumers at all levels, regulators must enforce safety standards at all food service establishments – big and small.

3 Coordination and cooperation among major sectors:

Government representatives, particularly the food regulating body, the food service industry and academia must cooperate to improve enforcement. Consumer awareness levels on safety hazards and nutritional information need to be raised, but the question still remains: how much information should be a restaurant provide to the customer?

Yoshinaga Doi

Pointing to the increasing number of food poisoning cases in Japan, Doi called for the establishment of global standards and a common certification system among global food service professionals.

He said that Japan and the rest of the world have seen a growing popularity of ethnic foods such as Thai, Vietnamese and Chinese because they are inexpensive and represent different cultural flavour. "Considering the fact that a variety of ingredients are imported from many different countries, we need to establish global standards for handling food materials in a safe and sanitary fashion in various stages from distribution to cooking and serving. I would like to propose that the restaurant associations of each country or each territory should actively exchange more information with each other... and discuss how to establish a common certification system for safe food materials, based on the HACCP concept or other reliable standards for food safety."

Doi said that in 1997 alone, there had been 1,700 cases of food poisoning in Japan of which vibrios parahaemolyticus and salmonellae accounted for about 60% and E:Coli O157:H7 for an additional 8%. He noted that foodservice providers are having to become more alert in serving safe and sanitary food to their customers. "If we correctly recognise our responsibilities and properly respond to our customers, we will be able to obtain more trust from them and our business opportunities may increase."

Doi also noted that because the government, in view of the current economic problems, could not be expected to field more foodservice inspectors, it was important for the industry itself to become more self-regulatory. The Japan Foodservice Association has been holding a series of workshops and seminars and undertaking a number of other communication activities to keep its members informed about food safety. Extending this co-operation and communications internationally would be welcome, he said.



John Farquharson

MODERATOR

*President
International Food Safety
Commission*



Belen Rillo

*Vice-President, Commissary
Jollibee Foods Corporation
Commission*



Yoshinaga Doi

*Advisor to Kentucky Fried Chicken
Japan*

Fish where the fish are... and use the right fly



Grahame Senior

Chief Executive, Senior King Ltd.
and President
Independent Network of Agencies

What consumers want

- More fun
- Leisure
- Interesting experiences
- A new start
- To refresh their lifestyle
- Peer group activities without interference from (brash) young people
- Flexibility
- Total control
- Value for money
- Service with attention to detail
- High quality

What they don't want

- Economy holidays
- Expensive once in a lifetime trips
- Package tours
- Rowdy/drunken company
- Grey, tawdry breaks
- Peaceful but boring holidays
- Cheap and cheerful service
- More of the same

Senior, a leading UK advertising executive, explored the effectiveness of specific techniques in getting the right message to the right customer – with the right results.

Grahame Senior

Describing the tourism market as being “fickle, ruthless, promiscuous and hopelessly over-indulged,” Senior said that business travel, the hospitality industry, society and economies were all in a state of radical, dynamic flux world-wide. With travel, tourism and leisure marketing being all about communicating the right message to the right people at the right time, it was important to fish where the fish are and use the right fly. “Remember... it is the fish which DECIDES to take the fly” and the seller has to do everything to make it possible for that decision to be made.

He outlined the various socio-economic changes taking place, including fragmenting families, the emergence of a new generation of buyers

He also cited the emerging competition from home entertainment in the field of cable and pay-per-view TV channels, even gardening. He forecast a big move by retail giants like Walmart and Intermarché into leisure travel, seeing the possibility of future leisure attractions that have no entrance fees, involve precious little travel distance and satisfy all needs.

The marketing revolution, Senior said, was going in two directions:

- 1 Markets are focusing on one-to-one efforts
- 2 Brands are focusing on one-to-everyone.

After citing the basic service requirements of a hotel in terms of attracting and maintaining customers, he stated, “The future for serviced accom-

“The future for serviced accommodation and hospitality products within the leisure and business travel markets lies in accurate one-to-one marketing beneath an effective brand umbrella.”

known as the ‘limbo generation’ who are too old to be young and too young to be old. In the UK, not only are fewer people marrying but the divorce rate is the second highest in the EU.

How is this impacting on marketing? Senior cited the example of the car which is driven by passion, marketed with flair and yet proscribed by society as “irresponsible, reckless, wasteful and selfish.” Car journeys over the weekend are marked by awesome congestion so much so that people now plan less stressful journeys, minimise use of the car for longer journeys and use it only on a discretionary basis.

modation and hospitality products within the leisure and business travel markets lies in accurate one-to-one marketing beneath an effective brand umbrella.”

He then gave a detailed outline of how his company re-engineered the marketing slogan of Champney’s, an upmarket hotel and health club – from “It is not a place, it is an experience” to “Nowhere else makes you feel this good.” His discussion took the audience through the whole process of making the change, from researching and identifying the market, to empowering staff and the investment and marketing plans that went into it.

The value of brand marketing strategies

What is the role of a brand in the interactive age - and during times of economic crisis? Panelists put their own views forward on the value and future of brand marketing strategies.

Eric Pfeffer

The fact that less than 25% of hotels outside the US and Europe are branded is indicative of the expansion opportunities available for branded hotel groups. Defining a brand as “a predisposition to use a product/service”, Pfeffer asked delegates to think about their last business trip and identify what airline they flew, the car rental company they used, the car they drove, where they stayed and what kind of laptop they took along. Invariably, their choice was influenced by the brand they were familiar with.

Pfeffer cited research figures showing that branded chains enjoyed both higher occupancies and average room rates than independent hotels. They also had a higher growth in room revenue, room availability and rooms sold. Independents were reported to have suffered declines in both available and sold rooms in January-July 1998 over 1997.

Eric E. Pfeffer

The future of brands?

- Branding will continue to be a strong force in the hotel industry
- International growth will continue as brands become more known/accepted abroad
- Technology will be a crucial tool for hoteliers to use
- Customer service is critical

Pfeffer said the conditions for international expansion were also ripe as countries embrace free market technologies, the economic centre of gravity shifts from developed to developing countries, technology helps improve communications and borders open to trade, investment and technology transfers.

He was equally upbeat about growth prospects for international franchising, which he said was well known in the US and Canada and catching on in Asia, while “Europe is still learning.” In expanding franchises, he said the franchisee relied very much on local partners to use his experience to develop the brand in the country or the region. Hence, it is important to identify the right partner.

He gave a rundown of Cendant’s current global position, noting that after forging strategic alliances across the 1990s, the new move was to develop cross-marketing synergies among the brands. This meant links between say, RCI and Days Inn, Avis and Travelodge and Entertainment and Howard Johnson. With the variety of brands available under the Cendant banner, this should considerably strengthen its marketing muscle.

Danai Wansom

If there’s one solution to the range of challenges in getting a name out into the market, it is to ‘build a famous brand’. Wansom outlined the various ways this could be done, for example, by aiming high, thinking big, demonstrating value, owning a unique position, establishing stature and reputation and recruiting and inspiring the best staff.

Wansom then touched on the various marketing and promotional strategies to achieve exactly that. He said that Century’s mission was to be the leading mid-market hotel operator in Asia, one that delivered value for money, had a consistent management, high standards and, importantly, an identifiable brand.

Stressing the importance of branding in creating customer loyalty, he forecast that mergers, buyouts and take-overs in the hotel industry will continue as established brands increase market share. Successful companies will migrate from an asset focus to a customer focus. “We need to ensure that all activities relating to the brand reflect, and stay true to the core values and spirit of the brand.”

In conclusion, he said the development of a brand name is a key element in developing the identity of the brand. The brand should suggest something about the product’s benefits and qualities, it should be easy to pronounce, recognise and remember. It should be distinctive and easily translatable into foreign languages without negative connotations. It should be capable of registration and legal protection.

Kurt Ritter

In just four years, Radisson SAS has seen a surge in the spontaneous awareness of its brand in Europe, thanks to a major marketing and promotion effort. For example, in Milan, it has risen from only 0.8% of survey respondents in 1994 to 35% in 1998. In Paris, the figure has risen from 1.3% to 31% in the same period.

According to Ritter, Europe was still a wide-open opportunity for development of brand-name chains. Only 30% of all European hotels are affiliated with chains as against over 70% in the United States. Brand value is a product of image and confidence, he said, which has to be further substantiated by marketing, quality assurance and economy of scale. For the traveller, it reduces the risk of landing up in a substandard hotel. As a symbol with which customers can identify, it reduces the cost of searching for a quality hotel product. A brand, he said, is a promise, an experience and a delivery system all rolled into one.



Eric Pfeffer

*Chairman & CEO
Hotel Division
Cendant Corporation
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Danai Wansom

*Senior VP Marketing and Sales
Century Hotels and Resorts*



Kurt Ritter

*President & CEO
Radisson SAS Hotels Worldwide*

Danai Wansom

How customers choose your hotel

1. Brand
2. Location
3. Facilities
4. Price

Why customers choose your hotel

1. Price
2. Brand
3. Location
4. Facilities

Asia Pacific in a new light



Adrian Pryce

MODERATOR

Consultant

MIGA/World Bank Group



Imtiaz Muqbil

Executive Editor

Travel Impact Newswire



Claas Elze

Vice-President of International

Hotel Development Planning

Marriott International

One year into the economic crisis, key players in the Asian hotel and tourism industry gave their perspective on current hotel development, emerging market opportunities, and the origins of the crisis.

Claas Elze

According to Elze, the Asian economic crisis is likely to result in less ego-driven hotel development and more market-oriented products. The existing oversupply of hotel rooms in many markets will result in the survival of the fittest, with older hotels – often overstaffed and lacking capital investment – suffering most.

Noting that the crisis has halted work on many non-viable projects, Elze forecast that budget and economy segments of the hotel market will gain in importance. Independent hotels and small and regional chains will face increased difficulties, and might have to tie-up with international chains to survive.

Marriott felt there was a need for an association grouping tour operators, hotels and airlines, to speak with one voice and launch joint marketing strategies. Elze cited the Bali promo, 'Amazing Thailand' and Singapore promotion campaigns as examples of the kind of joint marketing efforts that work. "One hotel or even one chain cannot make a difference," he said. He observed that currently, virtually the entire Asian region is an emerging market, and that Kuala Lumpur and Bangkok in particular would require substantial increases in demand to fill the newly-built rooms. Among the resort destinations, only Bali and Phuket have the critical mass of hotels and air access to provide a truly international profile.

Elze said that although foreign investors are interested in picking up many of the for-sale assets around the region many have been disappointed by continued legal uncertainty and the gap in the perception of asset values. "What's for sale is often just a mortgage which can't be foreclosed on easily," he said. As more hotels come on to the market, it remains to be seen if owners have more realistic price and value expectations.

Imtiaz Muqbil

Muqbil offered a socio-cultural perspective on the Asian crisis, noting that it had emanated partly because Asians lost sight of Mahatma Gandhi's most memorable saying: "There is enough in this world for everyone's need, but not for everyone's greed." He pointed to the culturally abrasive language that is being used to force Asian economies to make the changes, at the same time admitting that Asians became greedy, proud and arrogant and began believing their own propaganda about unending growth.

He said blaming the crisis entirely on nepotism, cronyism and corruption in Asia was inaccurate. Currency speculators were equally responsible and needed to be reined in to prevent them from attacking Asian currencies in the future. Now, the crisis is forcing a great asset sell-off as well as calls for restructuring and reforming economies.

He warned of the stirrings of nationalism, fanaticism and racism emerging in Asia and the potential impact this would have on Travel & Tourism as a promoter of cultural understanding, friendship and peace. He forecast that religious faith would make a comeback in Asia, and that the Travel & Tourism industry was well-placed to build bridges between people's beliefs and their economic livelihoods.

Muqbil also predicted a resurgence of Asian creativity, more emphasis on character-building and greater questioning of canned solutions that may have worked well outside Asia but may not prove appropriate for Asia in the long-term. Right now, he noted that Asian intelligentsia were maintaining a silence in order not to upset those holding the purse-strings. This silence would be lifted once the economies are set right. Asia had fought off too many attempts at colonialism and imperialism over the years and was not about to tread down that path again, albeit in an economic guise, he argued.

Claas Elze

Asia in a New Light

The Post - Crisis Environment

The Asian crisis is likely to have the following effects:

- Less ego-driven hotel development
- More market-oriented products
- Existing oversupply will result in survival of the fittest
- Crisis has put a halt to many non-viable projects
- Budget and economy segments will gain in importance

Marketing strategies, need for:

- marketing by associations of tourism organisations
- tie-ups with larger international chains as independent hotels and small and regional chains face increased difficulties.



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