

IT needs to
be tightly
integrated
with
business,
says
Cendant VP
Bialkowski.

Hotels Turn To IT To Stem Losses

Business
intelligence,
CRM, and
online
marketing
are helping
hotels
bring back
the guests

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Regeneration

THE HOSPITALITY INDUSTRY WAS IN A SLUMP WELL before the Sept. 11 terrorist attacks pushed hotel-room sales over the edge. Hotels in most large U.S. cities were running at occupancy rates of 80% to 90% before the attacks, already off about 10% to 20% compared with 2000, according to the Boston Consulting Group. By the end of September, occupancy was down to about 51%.

"About half of hotel losses this year are due to the economy, but the other half are due to the fear of terrorism," says Arnon Mishkin, VP of the Boston Consulting Group.

The industry hopes that technology can help it reverse its losses and cut costs as it tries to get business back on track. Doing so will be a challenge: A November survey of 640 business-travel buyers conducted by Equation Research found that more than 60% are seeing drop-offs in travel spending in the fourth quarter, with cuts ranging from 10% to more than 50% of their budgets. More than half of those surveyed say the cuts will come from fewer trips.

Starwood Hotels & Resorts Worldwide Inc., which owns more than 750 hotels in 80 countries, including the Westin, Sheraton, and W hotel chains, saw occupancy at its sites in New York and Washington, D.C., decline 30% to 40% in the two months after Sept. 11. In November, Starwood said its 2001 fourth-quarter results would be significantly lower than the same period in previous years because of "the Sept. 11 attacks and the resulting unprecedented industry-wide decline in demand."

Starwood chairman and CEO Barry Sternlicht said at the time that the company would focus on offering more incentives to customers. Technology from business-intelligence vendor MicroStrategy Inc. will drive an effort by Starwood's marketing department to craft advertising campaigns. Targeting the appropriate customers with the right ad campaigns is essential to Starwood's success, says Kevin Vaughan, senior VP

of customer and direct marketing. Although the technology was planned before the terrorist attacks, there's little doubt that it's needed now even more than when initially planned.

The software lets Starwood's marketing staff run reports and analysis on customer and occupancy data stored in an Oracle data warehouse that combines customer and transaction data from all the company's properties. Since completing the implementation, direct-marketing pros can query the database to determine, for example, where customers who visit a specific hotel tend to live. If they find that the Sheraton Fisherman's Wharf in San Francisco sees a surge in visitors from Fort Lauderdale, Fla., in April (perhaps escaping the spring-break crowd), marketers might focus promotional efforts for that hotel in Fort Lauderdale during the late winter months. Next year, Starwood will install Unica Corp.'s Affinium analytical customer-relationship management software to create more personalized advertisements and predict customer behavior.

Larger hotels will fare better than smaller ones in this economy because of their brand recognition and strong CRM strategies, Mishkin says. Cendant Corp., owner of the Days Inn, Howard Johnson, Ramada, and Super 8 chains, is planning to more closely align its strategic IT operations with other aspects of its business, including marketing and operations, in part to improve the impact of its CRM software on loyalty programs, says Ron Bialkowski, Cendant's VP of hotel information technologies. The company is closing its Phoenix IT division and moving some of its IT staff to Cendant's Parsippany, N.J., headquarters, where they will work on core business initiatives. "As IT matures, it needs to be integrated tighter with business across the board, and that's hard to do with IT across the country," Bialkowski says.

The decision to make the move was made before the events of Sept. 11, but the plan to more closely integrate technology with business operations may help Cendant continue the uptick in business it says it's seen since September. Many of its hotels are located near interstate highways, CIO Larry Kinder says, so Cendant has "seen increases in use of our hotels as more people are jumping into cars and getting on trains." But "when IT is disconnected from the business, there's little communication," he says, and that's bad for growth. "It makes sense to have IT closer to the business to create the right data structure and architecture so we can get at the data we need to make the right decisions for marketing and sales."

Earlier this month, Cendant inked a \$1.4 billion deal with IBM Global Services that calls for the vendor to take over

data-center operations for Cendant's 40-plus business units. Those operations, which had been run out of Denver, Phoenix, and Garden City, N.Y., will be centralized in Denver. After Sept. 11, Kinder says, it made even more sense to cut costs by outsourcing noncore business. Partnering with IBM also gives Cendant peace of mind. "We had good contingency planning, but you never feel comfortable that you have enough," he says. Because IBM has such a strong backup and recovery presence around the country, Cendant is confident that should disaster strike, IBM can transfer its data to another facility with little to no service interruptions, Kinder says.

Since Sept. 11, the need for hotels to get information and promotions to customers via electronic reservations systems for travel agents or the Internet has also grown. Many big hotel chains are discounting their prices online through sites such as Orbitz and Travelocity. That's driving occupancy up, although per-customer revenue is going down, Mishkin says.

TravelClick Inc., which lets hotels advertise on global travel-agent distribution systems such as Galileo and Sabre, says it was busy before Sept. 11 and has been even busier since. Before the attacks, "a lot of hotels didn't need to broadcast significant price changes," says Bruce Mainzer, TravelClick's VP of marketing, "but now they're leaning on us, saying we need to get this out, because there's not enough time to print a brochure to promote changes on a day-to-day basis." Hotel bookings over global travel-agent distribution reservations systems are expected to be \$15 billion this year, up

A Tribute

A college one block from Ground Zero helped in Sept. 11 rescue efforts

Shortly after the first twin tower collapsed, chief William Schmitz, director of public safety for Manhattan Community College, heard on his scanner that three staffers were trapped in a basement, where dust and debris were so thick they'd caused blackout conditions. Three of his men rushed in and pulled the others to safety. "I started to call and say, 'don't go,' but this is what they're supposed to do," Schmitz says.

The college became a command center for the city. At one point, nearly two dozen firemen fought their way through a turbulent dust cloud to the campus. Schmitz says he'll never forget what he saw in their eyes. It wasn't fear. "It was the definition of disbelief."
—DIANE REZENDES KHIRALLAH (drezende@cmp.com)



from \$13 billion last year, Mainzer says.

The Holiday Inn Wall Street, six blocks from Ground Zero in New York, turned to TravelClick in the weeks after the disaster to alert travel agents, who might have thought the hotel was damaged by the collapse of the World Trade Center, that it was open for business. "Newspapers and magazine ads only reach a fragment of the market," says Frank Nicholas, general manager of Holiday Inn Wall Street. "There was so much devastation and initial confusion about what was and wasn't open in the financial district" that the hotel had to turn to a more focused way to advertise.

The hotel's \$15,000 investment began to pay off almost immediately. When Holiday Inn Wall Street ran promotions on reservations systems through TravelClick in October, it booked 326 rooms to new clients, generating \$82,000 as a result. It was much-needed revenue: In that same period, Nicholas says, only 44 rooms were booked by regular customers, one-tenth its usual bookings for repeat business. **W**

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