

4 powerful influences for hospitality in 2017

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Success this year will depend on how the hotel industry deals with these forces.

By [Gary Isenberg](#)

Four trends that represent macro and microenvironments will have a significant impact on the hospitality industry in 2017. These trends, which will affect CEOs to staff employees—with guests in the middle—include: Consolidation; booking direct vs. online travel agencies; Airbnb; and, of course, the election of President Donald Trump.

Although three of these trends are not new, they will have a greater impact in 2017 than ever before. And Trump has brought the word “unpredictable” to the forefront in peoples’ minds. Consider why these trends are noteworthy and how they will play out:

1. Continuing consolidation

It may be time to bring back that old childhood jingle, “Now I know my ABCs,” and transform it to “Now I know my Marriott brands.”

There are now 30 Marriott brands—more than there are letters in the alphabet. Of course, Marriott and Starwood are not operating in a vacuum. Consider the ambitious acquisitions of [AccorHotels](#) (FHRI, Onefinestay); the aggressive [takeovers by Asian companies](#) (Carlson Hotels, Strategic Hotels & Resorts, etc.); and most recently [Hyatt’s purchase of Miraval](#), the wellness provider.

AccorHotels’ acquisitions brought its portfolio to over 4,000 hotels while Marriott is now at well over 5,700 hotels. There are fewer big players in the game today, leading to only a slight few mega-players. To keep up with these giants, smaller brands are going to have to work together, merging forces to stay competitive, partnering together to find and maintaining success.

Hospitality is not an unusual industry for consolidation. Consolidation transforms the landscapes of other industries like beverages and telecommunications. If you look back to the late 1990s when Hilton bought Promus and Starwood acquired ITT Sheraton and Westin Hotels and Resorts, it seems that acquisition leads to acquisition. That indicates that more mergers and acquisitions lie ahead.

2. Deliberate disruptors

It is hard to believe that Airbnb barely existed when President Barack Obama took office eight years ago. The platform has grown so rapidly and now poses a threat to the lodging industry as we currently know it. The sector has been forced to respond by lobbying for [legislation to corral Airbnb and other sharing operations](#). However, questions remain as to whether this disruptive tide will be halted or even slowed down.

Airbnb has made agreements with municipalities that aim to “level the playing field” by requiring shared accommodations to pay taxes, follow regulations, etc. But will those controls minimize these issues? Or will it mean a surge in supply that makes any eventual downturn even more dramatic?



Even though Airbnb inventory expands and contracts depending on the market, the impact of that supply during a downturn could be devastating. For that reason, the industry should keep pressure on legislators to keep pushing for controls on sharing. But the major element of change here has to be the hotels. As recently witnessed, sharing-economy providers are not going anywhere and the hotel industry needs to consider how to collaborate with Airbnb.

When people face disruptions in life, there is a grieving process, no matter how short or long. The hospitality industry has followed this same pattern. The first phase—denial of Airbnb's success—is long gone. States are in their third phase: Bargaining to make laws fair for all. But 2017 is the time for hotels to reach the final phase: Acceptance.

Accepting the presence of disruptors will allow the hotels to finally move forward and find ways to gain success, with or alongside Airbnb. And as we've also seen in the past, the industry should only expect more emerging technologies that will cause additional disruption.

3. Booking battles

Hotel companies are hoping that all the spending on going head-to-head with OTAs will pay off, even if this up-cycle ends. So far, book-direct efforts seem to be working.

Industry colleague Cindy Estis Green, CEO of Kalibri Labs, who studies the cost of customer acquisition by hotels, says that her most recent research shows that there has been a shift in volume resulting from book-direct campaigns. For the fiscal year ending June 2016, Brand.com is at 20% of total U.S. hotel demand (room nights) while OTAs are at 12.4%.

Although OTA bookings continue to grow faster than direct bookings, that growth is on a smaller base. And even with book-direct incentives like discounts, the net rate coming through Brand.com is still at a premium compared to the net rate coming through the OTAs.

However, hotels traditionally turn to OTAs during a downturn. What if OTAs, similar to market disruptors, are viewed as a resource rather than an enemy? Instead of only using them when necessary, and forming a relationship that isn't always beneficial for both parties, what if hotels and OTAs found a way to link arms?

These relationships take compromise, but if done correctly could lead to even greater success for both. With brands such as Expedia rolling out their own loyalty programs, there are even more people for the sector to reach. If the industry repeats the history of getting in bed with OTAs to keep occupancy, all those direct-booking efforts will be for naught.

4. Predictable unpredictability

Without taking a position either way politically, huge (well Yuuuuuuge, a word that took on new meaning in 2016 during the presidential election) changes have already occurred in Washington, D.C., with a lot more to come.

President Trump is a hotelier and the Republican Party is in control of Congress, which could result in a more favorable environment for employers and a friendlier National Labor Relations Board that can smooth over labor issues of the past. The new administration will likely lead to policy changes in franchise, overtime and federal minimum wage issues. However, there is no doubt our nation is divided and we do not know how that will play out—and there are similarly divisive geopolitical trends internationally.

The way to stay ahead and be ready for any unpredictable factors is to ride the wave and roll with the punches. Optimism will go far right now. This new era provides a unique opportunity for leaders to emerge and for success to come in unexpected ways. The only way to manage the unpredictable is to stay ahead of the game. No matter how eager or combative the country is to accepting President Trump, embracing change is the only way to move forward.

Remember when Frank Sinatra sang: "When I was 17, it was a very good year." Let's hope that the hotel industry will be singing, "When it was 2017, it was a very good" or even "a huge (Yuuuuuuge) year."

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