



eraneos

Whitepaper

The Hospitality Challenge

**Speed Up**

**The Transformation  
And Reinvent Yourself**

The page features several large, semi-transparent circles in orange and blue colors scattered across the background. A large orange circle is at the top left, a medium blue circle is to its left, and a small orange circle is at the top right. At the bottom, there is a medium blue circle on the left and a small blue circle on the right.

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## A little bit of history

The history of hospitality has been marked by important milestones that have transformed and revolutionized its operation. We are talking about the value of an industry that has the direct contribution to the global GDP exceeding 590 billion euros in 2022. Europe is the continent with the highest number of international tourist arrivals each year and in Spain tourism activity reached 159 billion euros in 2022.

It all started with the Romans who were among the first civilizations to travel for pleasure. In the Renaissance period in the 14th century, aristocrats in England began to travel to Paris, Rome and Florence to discover new cultures and works of art. Later these excursions spread to the rest of Europe. Everything changed after the transportation revolution in the 17th and 18th centuries, people were able to travel for work on trains, while cruises have become a form of luxury tourism. However, the turning point in the history of tourism was the launch of commercial flights, which allowed the transportation of people over long distances, marking for hotels the great dependence on airlines that we are seeing to this day.

For a long time, travel agencies occupied the role of demand management for airlines and hotels and were the first point of experience for travelers. However, the advent of the internet age and the use of smartphones has spawned the emergence of Online Travel Agencies (OTAs), which have pushed Travel Agencies (TAs) into the background and marked the starting point in the digitalization of the industry.

Clear evidence of a company that was not able to adapt to the new habits of the traveler, was Thomas Cook with its bankruptcy, which dealt a very strong blow for the Spanish tourism sector. With fifty hotels of its brands (11,500 rooms) in the Balearic Islands, Canary Islands and the Peninsula, Spain was the main destination for Thomas Cook's clients.

Traditionally, the tourism sector has lagged behind the adoption of information technologies, especially when compared to other sectors, such as finance, insurance or retail. But 2020 has marked a turning point for the sector, with a global pandemic that has not only given it a higher profile but has also meant a break with many habits - of consumers and travel professionals, among others.

**We are currently in the third decade of the century with one of the highest levels of uncertainty we have experienced in contemporary history. But also, with the certainty that the rules of the game have changed. The hospitality industry is faced with the unavoidable need to accelerate its transformation, a path that will be neither short nor easy, and for which there is no single solution. We propose five key attributes, all of them interrelated, that companies in the sector must cultivate in their strategy, organization, processes, technology and culture.**

# What will happen in the next 5 years?

In the new digital era, digitalization for tourism is an opportunity to reinvent itself, taking advantage of the change in people's habits.

Thus, the implementation of technologies such as QR codes or smart access are some of the solutions that have rapidly entered the market and have created new habits for the customer. However, the transformation does not only concern technology, but also the organization, processes, people and always putting the customer at the center of management.



## Digitalization

The transformation and boost of digitalization in the industry over the next five years will be critical for hotels and other industry players to stay competitive and remain relevant. Those that embrace technology and use it to enhance guest experience, streamline operations, and drive revenue will be the ones that succeed in an increasingly digital and competitive landscape.



## Strategic alliances

In the increasingly competitive hospitality industry, large hotel chains are constantly seeking ways to gain a competitive advantage over their rivals. One way they can achieve this is through the creation of new divisions or the acquisition of new businesses. By expanding their portfolio of offerings, hotel chains can tap into new markets and customer segments, diversify their revenue streams, ultimately increase their profitability and provide a better experience for their guests.



## Adopting sustainable practices

Today's customers are more informed, demanding, and environmentally aware than ever before, particularly when it comes to the impact that the tourism sector can have on the ecosystem. As a result, it's becoming increasingly important for businesses in the industry to implement sustainability strategically in order to improve their market positioning and increase their competitiveness in the long term.

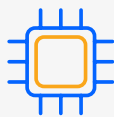
By adopting sustainable practices, hotels and other industry players can not only reduce their environmental footprint but also appeal to customers who prioritize sustainability when making travel decisions. This includes implementing eco-friendly policies and procedures, using renewable energy sources, reducing waste, and promoting responsible tourism practices.





## Challenges for the sector

All these trends, added to the current starting point, are going to force the different players in the tourism sector to address new challenges, which we describe below:



### Transformation and Digitalization

Tourists, increasingly aware and digital, require a different and personalized experience. The automation and digitization of processes will be a fundamental point to streamline many aspects of the value chain such as the use of IoT and robotics that will optimize front and back- office processes.



### Efficiency and productivity

Another area of focus for hotel chains is the development of technology-enabled services and platforms. This includes the use of artificial intelligence, machine learning, and data analytics to personalize the guest. By leveraging technology, hotels can provide more personalized and efficient services, reduce costs, and gain a competitive edge over other industry players.

In addition to guest experience, digitalization will also be critical for operational efficiency. Hotels will need to streamline processes and automate tasks to reduce costs and increase productivity. This includes the use of data analytics and business intelligence tools to gain insights into guest behavior, inventory management, and pricing strategies.



### Dependence on the middleman

In the last decade, OTAs have played a major role in supply and demand management. Many times, online agencies set unfavorable prices for hotels. However, after the health crisis and mobility restrictions strengthened local distribution channels and have boosted direct sales. In fact, one of the core focuses in revenue management is decreasing reliance upon OTAs with smart pricing strategy. However, online platforms such as booking.com continue to play a strong role in booking channels. It is crucial to seek balance between direct and intermediated sales, knowing how to choose online sales platforms that demonstrate their differential value to both consumers and businesses.



## Tourism 2030: The Challenge 5/5

Developing the courage to reinvent oneself is crucial to succeed. Whether it's seizing an opportunity or adapting to changing circumstances, it's important to constantly rethink strategies, realign value chains, prioritize processes, and foster innovation.

In the hospitality industry, five key attributes must be cultivated over the next five years to achieve success. While these attributes are not the only factors for success, they are the most critical. Developing these attributes will create significant market value, enabling companies to achieve strategic advantages in terms of scale, profitability, and brand positioning. The key to success lies in the synergies between these attributes, which are all interrelated.

**Welcome to the 5/5 challenge, where companies are encouraged to develop these five attributes within five years.**

# Customer-Centric

The hospitality industry has long been focused on guest comfort, with the focus on a comfortable bed and hot food. But as the industry evolves, so do the needs of the customer. Now the guest is asking for a French feather-filled pillow and a queen-size mattress from which to watch their favorite Netflix series. At the same time, we must add the fact that now people have everything in the distance of their hand (apps on their mobile), so there is a low need for human interaction in many aspects. All this tells us that an organization must discover and understand customer needs, which change with time and trends in an increasingly rapid manner.

The greater decision-making capacity of customers, and their search for better personalization, makes it necessary to re-align the processes, organization and technology of hotel chains to provide greater value to the customer.

Speaking of the latter concept, technology is already helping to boost the customer experience to another level in all kinds of scenarios: the use of mobile in online check-in/out processes, personalized concierge, intelligent access and cross-selling generation are clear examples of how technological solutions contribute enormously to the customer experience.



The good example of a technological solution such as AI implemented for this, has been an AI robot called "Tokyo", developed by Instituto Tecnológico Hotelero and adopted by Only You Hotels as a pilot project. The robot can provide tourist information to customers interacting with it and facilitates digital check-in. Most impressively, it can distinguish people's gender and age.

These technological solutions will be fundamental to personalize our offer to the needs and tastes of the traveler, but above all hotels have to be able to internally generate the mechanism that will help them find how to deliver this value to their guests.

One key aspect of ensuring guest satisfaction in the hospitality industry today is the standardization of services provided. By adhering to the same level of services across all properties of a hotel chain, guests expect a consistent level of attention and quality of service no matter which location they visit. This is where Hotel Standards come into play as a tool for hotel organizations to achieve this goal.

At Eraneos, we have been involved in numerous projects aimed at transforming 4-star hotel into 5-star luxury brand hotel while ensuring that they meet world-recognized hotel standards. By analyzing whether hotel chains comply with these standards, we help ensure that guests receive the same level of service and attention to detail, regardless of which property they visit, whether it's in Caribe or in the Canary Islands.

**By maintaining consistent standards across their properties, hotel chains can establish a strong reputation and loyal customer base. This is especially important in today's highly competitive hospitality industry, where guest satisfaction is critical to success. By partnering with a trusted consultant like Eraneos, hotel organizations can achieve their goals of providing exceptional service to their guests while maintaining consistency and adherence to recognized standards.**



# Fluid-Agile

The hospitality sector is undergoing a digital revolution focused on process optimization and customer experience. It is essential to be rigorous with the processes that govern the company, especially those that are more operational and closer to the customer.

Technology plays a key role in everything related to efficiency. That is why the adoption of certain solutions is being increasingly accelerated. This is the case of technologies such as RPA, a solution that is entering the sector with great force given its ability to reduce time in administrative tasks, especially in back-office teams, focusing on tasks that provide greater value to the customer and the business.

Among examples of technological solutions aimed at minimizing IT infrastructure costs is the journey to the Cloud, a solution that always ensures the protection and availability of your guests' data and allows substantial savings in hardware costs. Given the speed and scale of change, many companies are opting for Cloud solutions that optimize the management of internal hotel systems such as PMS, CRM or CRS. One of the successful examples is **Meliá**, which has migrated the central reservation system to

the cloud to adapt to the changing demands of the sector. The company has been able to save 58% of costs with a pay-per-use infrastructure in the slow times during the healthcare crisis, which was already saving 40% annually by switching to the cloud before the crisis. The company has also been able to use it to quickly modify its traditional call center model to respond to global challenges, shift to a work-from-home model with Amazon WorkSpaces, and experiment with an accelerated contactless check-in process for its hotels.

We can confidently say that innovation is set to play a key role and will need to be systemic in every organization. In this way, employee training in collaborative technology is key. Investing in training can develop people's talent and bring greater value to the company, and help employees develop competitive skills in this digital era.



# Eco-system builder

Transformation should also be understood as an opportunity to create partnerships with other agents that are part of the market and that help to complete the value propositions with services and products that are not within our reach. An ecosystem with third parties generates chains of greater value for the customer, which have a positive impact on all those who produce them.

The creation of new alliances or acquisitions of tourism agencies will diversify the portfolio of services. The acquisition of vacation tour operators is one of the possible growth strategies. Undoubtedly, the launch of new businesses drives the growth of companies, but their implementation requires a change in mentality and in the associated processes.

One of the examples of such acquisition happened when **Viajes El Corte Inglés** and **Logitravel** merged into **VECI Travel Group** to create a travel agency giant to compete against the merger of Avoris (Barcelo) and Halcón Viajes (Globalia).

One of the recent strategic alliances that happened in the market was between **Iberostar** and **IHG**. Balearic Hotel Group will market rooms at up to 70 of its 120 hotels through the U.S. giant's direct sales channels (100

million customers in its loyalty program). The arrangement also includes the creation of a new brand (**Iberostar Beachfront Resorts**), which will become the 18th in IHG's portfolio.

In addition to this alliance move, **Palladium** has announced of the agreement with Wyndham, the fifth largest hotel group in the world, with 8.950 hotels and a loyalty program with a pool of 94 millions of clients, to sell 6.500 rooms of **Palladium 's luxury brand hotels, TRS Hotels and Grand Palladium**, through the platforms of American hotel group.

Collaboration between firms in the sector can bring mutual benefit to the market, as well as achieve sustainable development objectives, such as combating food waste in the restaurant industry or preserving the environment surrounding hotels. Examples of this type of collaboration can be found in successful projects implemented by large hotel chains. One of them is **NH**, which has its alliance with the **Too Good to Go** application to combat food waste in its hotels. This app already has 18 million users who saved more than 29 million meals in Europe.

New collaborations and acquisitions will grow, accompanying the sector in its recovery and benefiting the investor. In turn, the ecosystem will generate a more complete and attractive customer experience thanks to the personalization that can be carried out through the transformation of the company towards a Data Driven organization.





# Data Driven

The element present in any transformation strategy is data. A proper data strategy and data governance are essential to understand the customer and capitalize on opportunities in the marketplace. Data governance provides direction and oversight for data management by establishing a governance system that responds to the needs of the business.

In case of hospitality, some chains such as Iberostar are committed to the data culture to increase the efficiency of their operations. Its project to incorporate **Microsoft Azure** technology to centralize and manage all the Group's data has already managed to double the service provided to the business areas, improve customer knowledge and increase revenues. In this sense, a space was also created to share knowledge and concerns, disseminating success stories and the steps that are being taken with this new Data unit to generate involvement and data culture within the hotel Group.

A common mistake is to think that this aspect is the sole and exclusive responsibility of the technology department. All the possibilities offered by data should not be reserved exclusively for technologists or data scientists but should be a core competency for the entire organization. Given the speed and scale of change, many companies are choosing to establish cross-functional teams, composed of different skills.

Likewise, technological breakthroughs bring with them major risks in terms of information security. These must be properly managed in order to maintain the confidentiality, integrity, availability and resilience of information.





# Responsible & Sustainable

The climate emergency demands a drastic change in business strategies. Tourism must leverage sustainability to recover and protect our ecosystem.

Society is, every time more, aware of environmental impacts. Sustainability has an important weight now and in the immediate future. It is already a global demand. Investing in sustainability, besides being an action of responsibility with the world, is also an investment in the improvement of the brand image and in the best positioning in the market. We cannot deny that many businesses question the profitability of this investment, but the truth is that there are long-term benefits. As an example, how the adaptation of energy efficiency measures can mitigate the carbon footprint and at the same time save on variable costs.

In this area, the Paperless project is part of one of Eraneos most ambitious projects for Iberostar. A project to digitalize back-office processes and main operations with the aim of reducing paper and facilitating digital access

to information. As a result, paper consumption has been reduced by 79%. This has also led to a significant reduction of wood and water consumption required in the paper generation process. With this project as a transversal axis of its business strategy and its way of understanding operations, the **Iberostar Group** has sought to reduce its carbon footprint through innovation and the digitalization and automation of its processes, thus reducing its environmental impact.

Companies in the sector have made sustainability one of their main strategic objectives. Initiatives to reduce plastic consumption, achieve carbon neutrality, strengthen ocean management and sustainable fishing, among others, involve modification of different operational processes, coordination with suppliers, employee involvement and adaptation of operational processes. The sustainability must be embedded with the rest of the attributes to accelerate the company's transformation.





How do we align the organization with the customers ' goals?

How can we leverage technology?

How to be more efficient and sustainable?

**The answer is neither unique nor simple, but it is necessary to raise these questions to a strategic level and address it from the management team as an attribute to be developed.**





## Author:

**Arisha Khamitova**  
Senior Consultant  
Hospitality & Tourism  
[arisha.khamitova@eraneos.com](mailto:arisha.khamitova@eraneos.com)



## Author:

**Miguel Rodríguez**  
Manager  
Hospitality & Tourism  
[miguel.rodriguez.mendez@eraneos.com](mailto:miguel.rodriguez.mendez@eraneos.com)

## Experienced in a wide range of industries

### ABOUT ERANEOS

As a global Management & Technology Consultancy Group, Eraneos supports organizations in not only designing but successfully implementing a future-proof digital transformation strategy that can make an everlasting impact.

By listening to what businesses want and understanding their needs, we can fast-track and embed transformation with ease by aligning people with technology, processes and leadership, effortlessly.

Knowing your industry, technology and local context alongside a global perspective, gives us the advantage you need to succeed.

It's this deep understanding that enables us to shape and implement strategic transformation within your organization while providing the best service. That's why our customers trust us with even the most complex of challenges, from strategic digital transformation in finance to the ethical application of A.I. in healthcare.

We don't just listen to your needs, we understand them. We're more than ready to help you realize your potential in the digital age

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