

# HOTELS

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# Group DYNAMICS

OTAs aren't the only intermediaries having a significant impact on how business gets booked at hotels and the rising costs associated with disrupted distribution. According to a recent study by Kalibri Labs, in 2017, 43% of group business was intermediated (versus booked direct by hotel sales staff); that's projected to increase to 60% by 2022. Commissions for intermediated group business cost hotel owners from

15% to 35% and could double over the next five years. Some brands, like Hilton and Marriott International, recently announced lower group commission rates.

Chad Crandell, CEO of U.S.-based asset management and owner advisory company CHMWarnick, shares insight on strategies owners can consider when holding operators to task to deliver meaningful profits:

- Strategically evaluate sales and marketing deployment and departmental expense structures to ensure that resources are aligned with goals and

changes in how customers book

- Examine the optimal mix and source of business to understand net costs and profit contribution
- Find opportunities to differentiate group offerings in a market that increasingly has become price-driven through the RFP process
- Seek ways to lower related expenses, such as policies on group use of credit cards like offering incentives to pay cash; consider loyalty-related costs; and review outsourcing costs, such as AV.

## BACK-OF-HOUSE *smarts*

Beyond guest room chatbots, artificial intelligence can help a hotel's back of house by automating tasks in departments from housekeeping (smart devices can let housekeepers know what needs to be replaced or reset) to revenue management (software can crunch through data, both current and historic, to set a room rate) and even reservations (booking engines will help a guest determine which room to stay in and which price they would most likely pay.)

But the question remains: Is all this absolutely necessary? Ben Rafter, chief executive officer of OLS Hotels & Resorts, a Los Angeles-based hotel management company, says artificial intelligence might be more pertinent for hotels in five or 10 years — but for right now, it's just nice to have.

"If we can use technology to know what a guest wants before she knows she wants it, then we've

succeeded," Rafter says. Until then, these things are just experimentation with new technology that really don't provide anything other than an alternative vehicle to doing something for a guest. Usually with more guest dissatisfaction."

Rafter says his company is testing an Alexa-like device at Hotel Renew in Honolulu, Hawaii, but instead of the device spitting out answers or recommendations that anyone can Google on a phone, this device will offer up custom content developed by either the hotel's employees or local experts.

"All of our investments should be geared towards better personalization and tools that can deliver it," he says.

For other hoteliers wondering if they should

make the leap into AI, Rafter says think again. "If you want to invest in one thing, forget AI. Invest in plumbing," he says, referring to the hotel's Wi-Fi infrastructure — preferably with large amounts of bandwidth.

—Juliana Shallcross

