



Microsoft Smarter Hospitality

Enabling the next generation of hospitality innovation

Lodging Business Overview

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The hospitality industry is entering a new era. Today, leading organizations in the lodging and foodservices industries are no longer shying away from technology because they consider it to be too invasive, too impersonal, or simply unnecessary. Instead, forward-looking hospitality operators recognize that in an increasingly competitive marketplace, the adoption and integration of new technologies across the entire business enterprise opens the door to new capabilities and experiences that can mean the difference between success and failure.

Microsoft recognizes the challenges that hospitality industry companies face, and the value that tightly integrated end-to-end technology solutions can deliver. Our response—Microsoft Smarter Hospitality. The cornerstone of this strategy is technology that transforms the way hospitality organizations interact with guests by empowering customers to personalize their experiences to reflect their own preferences and tastes, and by delivering real-time actionable data into the hands of employees who can use that information to proactively heighten the guest experience. Microsoft Smarter Hospitality focuses on three areas: Smarter Guest Experience, Smarter Service, and Smarter Operations.

Currently, most technology solutions developed for the hospitality industry are designed to provide task-specific functionality but lack the capability to integrate with other applications to provide a comprehensive view of the entire hospitality enterprise. Connecting this patchwork of applications and solutions into a single, comprehensive infrastructure that can provide a clear, coherent view of all of the factors that contribute to success—or failure—requires tremendous levels of skill, knowledge, and experience, along with a commitment to the hospitality industry. Until now, no company has been able to successfully address this challenge.

Building on its history of innovation and excellence in software development, and its strong commitment to collaboration and integration, Microsoft is working closely with technology industry leaders and many of the most forward-looking companies in the hospitality industry to create a new generation of solutions that have been designed to drive new levels of value for the hospitality industry.

The Lodging Industry: Looking Forward

Three years after the traumatic events of 9/11, the lodging industry is showing unmistakable signs of recovery. Several major hotel chains have reported increases in room occupancy rates and growth in the average revenue per available room, or RevPAR.

But in today's market, rising occupancy and growing RevPAR is no guarantee of success. These traditional metrics center on revenue generated per room. What they don't account for is how a guest uses the hotel, and the revenue potential that each guest offers. There is a growing realization that a guest who stays seven consecutive nights at a standard room rate doesn't generate nearly as much value as a guest who spends one night a week each month and eats in the restaurant, uses the spa, and takes advantage of other on-site facilities. Increasingly, hoteliers are taking their cue from the casino industry, which has focused on the revenue opportunities generated by individual guests over a number of visits, and discovered that frequency is the critical generator of value and profitability.

As a result, more and more hotel operations are focusing on ways to increase incremental revenue for each guest, rather than for each room. One way to achieve this goal is to focus on two new metrics that offer a new way to quantify success:

Revenue per available guest (RevPAG). The RevPAG metric looks at revenue beyond the front desk, measuring spending in the guest room, the restaurant, the spa, retail stores, the golf course, and even points beyond the property. It assesses revenue generation for each guest across a visit. It provides a powerful tool for understanding how each guest uses all of a hotel's amenities, and for proactively maximizing each guest's revenue potential, based on that guest's history and personal preferences.

Lifetime value of guest (LVoG). The LVoG metric measures the value that an individual guest offers over a series of visits. It recognizes that guests who visit often and use hotel services and amenities frequently generate more revenue over time than those who stay for a night without spending money beyond the basic room rate. LVoG enables hotels to focus more attention on those guests that truly generate long-term value.

LVoG is also an excellent measure of loyalty. Loyalty begins with a positive guest experience. Microsoft Smarter Hospitality provides the framework for delivering consistently positive guest experiences that lead to and nurture loyalty. Lodging Solutions for Smarter Hospitality engage and empower guests to personalize their stay to match their needs and preferences. It enables the creation of an environment that is so satisfying and comfortable that it makes location, price, and points programs significantly less important in decisions about which hotel to frequent.

Challenges for the Lodging Industry

All signs point to a solid recovery across the lodging industry. But while the industry is clearly beginning to move forward, many of the old problems that interfered with growth and inhibited profitability remain. And new issues have emerged that are a direct result of the recent period of economic difficulty.

The Decline of Brand Loyalty

One of the most disruptive issues facing the lodging industry is the emergence of a growing segment of travelers who no longer feel compelled to patronize a single preferred brand. Aided by the proliferation of Web-based reservation services, this group makes its decisions based strictly on price. Its members are already accustomed to shopping for the cheapest hotel room available, and can even play one Web site against another in the quest for the greatest savings.

Bargain hunting is not new to the hotel industry, of course. The difference now is that this new breed of bargain hunter is not drawn from the ranks of leisure travelers. Instead, it includes the bread-and-butter of the lodging industry: the business traveler. Traditionally brand-loyal and motivated by amenities, miles, and points, business travelers have been conditioned by recent economic conditions to view accommodations as just another commodity.

Clearly, there is a need for lodging organizations to create new differentiation strategies to retain today's loyal customers and attract a new generation of repeat guests.

Increased Competition

Like virtually every other service industry, during the last decade, the lodging industry has seen its product lines fragment into an overwhelming set of choices, options, and price points. As a result, to the average traveler, there is no longer a clear difference in value between a limited-service property, a long-term stay property, a luxury hotel, and an all-suites hotel. Hotels that once counted on capturing a large portion of a certain segment have seen a persistent erosion of their market share. The bottom line is that this proliferation of new brands, concepts, and trends has made it difficult for consumers to clearly understand the price and value proposition that any particular property offers. This, in turn, has played a major role in the rise in brand disloyalty among business travelers.

Evolving Labor Markets

Across the service industries, there have been tremendous changes in the demographic profile of the workforce. In the lodging industry, this trend will continue as the labor pool becomes increasingly diverse, with a workforce that speaks an ever-wider range of languages. As economic conditions improve and the labor market tightens further, technology will be called on to help bridge the language gap so that hotels can achieve and maintain the high standards for quality of service that today's demanding guests expect.

Legacy Technology and Disparate Systems

Many of the applications currently found at hotels and resorts have been in use since the mid-1980s. In some cases, these solutions have been updated, but many have never been redesigned or reconfigured to take advantage of the technology innovations of recent years. Equally important, most of these applications still lack the ability to integrate easily with other solutions, making it extremely difficult to move data between systems.

To compound the challenge, during the difficult economic climate of recent years, few hoteliers had the means to invest in replacing the legacy systems and proprietary technology they rely on to manage operations. More recently, organizations across the lodging industry have begun to take a serious look at the long-term value that investments in technology infrastructure may offer. But they face a wide range of important questions. Is client-server still the answer? Should Web-based technologies be considered? What about hosted products? Many in the industry are looking for guidance from major technology players to help them determine the best choices for new technologies to enable them achieve their business goals.

Increasing Guest Expectations for Technology

Beyond the need to update infrastructure, there's a growing demand from technology-dependent business travelers for greater connectivity and functionality in hotels and guest rooms. For these travelers, Smartphones, Pocket PCs, Tablet PCs, and wireless connectivity are standard equipment at work and at home, and the ability to stay connected while on the road is a central factor in decisions about where to stay. To remain competitive, hotels must be able to provide the same technology capabilities that guests have come to expect in the office and at home.

Microsoft Lodging Solutions for Smarter Hospitality

Microsoft Smarter Hospitality is based on the belief that the more guests are able to integrate and personalize their experiences and shape their visits to meet their specific needs and preferences, the higher their overall satisfaction will be. Greater satisfaction, in turn, leads to enhanced loyalty, which translates to a higher visit rate and increased profitability.

In order to engage and empower guests to personalize their experience, hoteliers must begin by empowering employees with real-time information that enables them to provide exceptional service at all times. To provide hospitality operators with a strategic framework for adopting tools and technologies that will enhance the guest experience, increase productivity, and generate new revenue streams. Smarter Hospitality focuses on three specific areas of innovation where Microsoft believes the greatest opportunities for value lie in the next few years:

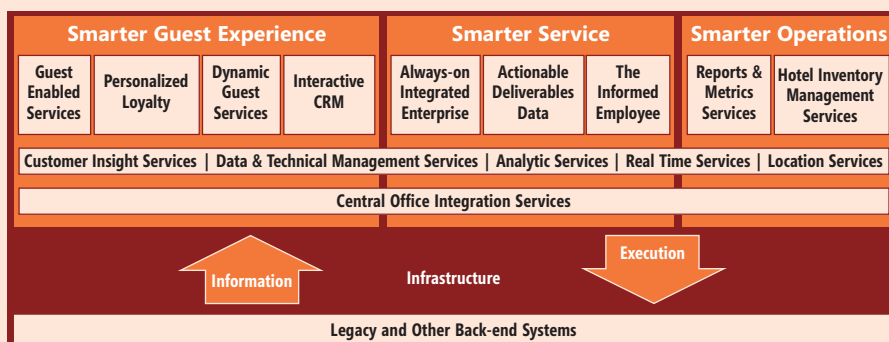
- **Smarter Guest Experience** focuses on technology that enables hospitality operators to empower their guests and create a more personalized experience
- **Smarter Service** provides real-time access to the information and tools needed to deliver expedited, high-quality, personal service that fosters loyalty and leads to repeat visits.
- **Smarter Operations** includes solutions for creating a seamless, scalable infrastructure that integrates with existing legacy systems while providing the platform for future innovations. Smarter Operations opens the door to comprehensive visibility across systems and provides the means to effectively monitor—and control—the metrics that drive profitability.

Smarter Hospitality Architecture

Microsoft Smarter Hospitality utilizes proven technologies to provide a comprehensive information and technology infrastructure for creating solutions that enable hospitality organizations to streamline and optimize business processes in order to deliver more personalized experiences to guests, to reduce costs, increase efficiency, and make better business decisions based on a complete and clear understanding of business issues and information.

The Smarter Hospitality architecture is built on the Microsoft .NET Framework—which offers superior interoperability and integration capabilities—in combination with open standards-based software that has been optimized to deliver out-of-the-box functionality that is tuned to the needs of the hospitality industry. This robust infrastructure helps ensure that hospitality organizations can immediately focus on solving business issues rather than dealing with complex integration and software implementation challenges.

The architecture model demonstrates how Lodging Solutions for Smarter Hospitality will improve performance through the Smarter Guest Experience, Smarter Service, and Smarter Operations, and shows the specific areas where solutions can be developed to deliver value-added services. The architecture model also identifies core underlying capabilities such as customer insight services, analytic services, and more, that provide a foundation for filtering and analyzing guest information, and using it to drive value-added services.



The Smarter Hospitality architecture model was designed to enable hoteliers to stay connected with guests, not only while they are at a property, but before and after their visit. To do that, it offers tight integration between front and back end systems, making possible once-unimaginable levels of collaboration and communication not only within a property, but also with corporate office, suppliers, and a new generation of digital devices that guests use every day. The Smarter Hospitality architecture model does this while reducing IT infrastructure complexity, speeding application development and deployment, and providing a platform for long-term growth.

The Smarter Hospitality architecture model also serves as a blueprint that enables Microsoft technology partners to develop software and hardware solutions that are designed to meet the specific business requirements of the hospitality industry.

Smarter Guest Experience

Today's business and leisure travelers have come to expect an unprecedented level of service and amenities, including access to digital communication technologies that are integral to their day-to-day lives in the office and at home. And they expect to be rewarded with an extensive level of perks, points, and bonuses. Flooded with choices—Internet price specials, special upgrades, bonus miles, and other incentives—and facing a lack of clear-cut differentiation between hotels, travelers have little incentive to remain loyal to a particular brand. The fundamental challenge for each hotelier is to transform what has increasingly become a commodity back into a highly personalized and satisfying experience that offers clear differentiation from the competition.

The Smarter Guest Experience utilizes a new generation of technology to enable hoteliers to provide each visitor with an optimal blend of services that transcend physical spaces—the room, lobby, restaurant, and conference area—and facilitate high quality employee-guest interaction. The Smarter Guest Experience is designed to extend beyond the property itself, giving hoteliers the ability to stay connected with guests before and after a stay to enhance and personalize the overall guest experience.

The Smarter Guest Experience also enable lodging organizations to meet the increasing demand from travelers for hoteliers to provide connectivity that will enable them to take full advantage of digital devices such as Smartphones, Tablet PCs, and Portable Media Centers so that the transition from work or home to the road is seamless, and results in an integrated guest experience.

Smarter Service

Empowering guests to personalize their stay is only part of the answer to the challenge of creating experiences that are satisfying and memorable. Employees also play a central role. Each interaction between a guest and an employee is a chance to foster loyalty through the delivery of exemplary service. And every time an employee fails to meet a guest's expectations for service quality and efficiency, an opportunity to build a lasting relationship is wasted.

Lodging Solutions for Smarter Service are designed to deliver real-time, actionable information to hotel employees when and where they need it so they can provide the service guests require with the utmost speed and efficiency. Smarter Service solutions also include the capability to provide automated real-time service alerts and updates to employees so they can make proactive decisions that ensure an optimal experience.

Smarter Service solutions utilize technologies that many employees are already familiar with to provide access to guest information collected and stored in a wide range of systems, including CRM solutions and proprietary check-in and check-out applications. As the number of non-English speaking employees increases, Smarter Service technology also offers a cost-effective way to bridge the language gap and quickly communicate guest needs to appropriate hotel personnel.

Smarter Service solutions give hotel organizations the means to transform employees who have traditionally focused on operational tasks into engaged, motivated knowledge workers with the means to anticipate guest's needs. Over time, Smarter Service solutions offer the promise of enhanced guest relations by creating new long-term opportunities for improving service offerings as valuable actionable data about guest preferences is captured and analyzed in specialized data warehouses.

Smarter Operations

Operational efficiency is critical for all hospitality organizations. The ability to manage interactions with customers effectively and adapt behind-the-scenes processes in real-time to match changing business conditions can determine the difference between success and failure. Lodging Solutions for Smarter Operations provide the platform and tools needed to integrate all of the systems that are critical in the day-to-day operations of a hotel property—including property management systems, reservations solutions, CRM applications, yield management solutions, and more—and make the information in those systems instantly available so hotel managers can monitor all of the metrics that drive profitability and make decisions that improve guest experiences.

Smarter Operations technology is designed to solve the integration challenges that are inherent in the proliferation of disparate systems based on proprietary interfaces and platforms. By improving integration, Smarter Operations solutions enable managers and employees to work with greater productivity and effectiveness, while freeing them to spend more time on guest-focused services and activities. At the same time, these solutions deliver enterprise-wide visibility into operational and guest information, giving corporate decision-makers a clear picture of the real-time situation at each property, along with the tools to respond as conditions require. Built on cost-effective, open standards-based software and hardware, Smarter Operations solutions allow hotel organizations to achieve all this without increasing IT staffing.

Fixed assets such as IT systems are a major investment. Smarter Operations ensures that lodging operators receive a strong return on their investments by providing a seamless integration platform that provides better visibility into real time business conditions while delivering a scalable foundation for the next generation of solutions. And it enables hotel properties to transcend physical boundaries by extending existing wireless infrastructure into new areas.

Smarter Hospitality Scenarios

Today, Microsoft is working with leading technology partners, hardware vendors, and industry organizations to develop Smarter Hospitality solutions that enhance guest experiences, improve employee productivity, and increase long-term guest loyalty. These scenarios are just a few examples of the new kinds of experiences and capabilities that Smarter Hospitality makes possible.

Microsoft Speech Server

Speech Server is an automated information service that enables guests to access the information and amenities they need at any time before, during, or after their stay. Speech Server delivers natural voice responses that sound like a live person. With Speech Server, guests can use a telephone, in-room device, or mobile device such as a cell phone or personal digital assistant to get an instant response to virtually any request. Using rules-based processes, Speech Server ensures that guests get consistent, correct answers with every call, and it offers the ability to adapt responses based on guest profile characteristics, preferences, and other criteria.

With Speech Server, guests are always empowered to shape their stay to meet their specific needs, and every guest interaction takes place in a controlled environment where a property's service standards and its identity are reinforced. Speech Server also allows a hotel organization to expand call center and reservation office capacity without adding staff.

Speech Server in Action

A guest lands in Chicago and receives word that an impromptu regional marketing meeting has been scheduled, turning what was supposed to be an overnight trip into a three-night stay. En route from the airport, the guest dials the hotel phone number and is connected to the automated Speech Server attendant. The conversation might go something like this:

Hotel Automated Speech Server attendant: May I connect you to a guest, department, or employee, or help you with a reservation?

Guest: My name is David Hamilton. Reservations please.

Hotel Automated Speech Server attendant: Thank you—allow me a moment to retrieve your reservation. Mr. David Hamilton: arriving this evening for one night. Is this correct?

Guest: Yes, but I need to extend the reservation for three nights.

Hotel Automated Speech Server attendant: Let me see what we have available. OK, I have extended your stay for three nights at the same rate and have sent the updated confirmation to your e-mail address. Is there anything else I can do for you Mr. Hamilton?

Guest: No, that's all I needed. Thanks!

Smarter Hospitality Scenarios: Continued

Smart Cart

Today, the typical housekeeping supervisor relies on printed reports generated by a hotel's property management system to know which rooms need to be cleaned and to assign room attendants. Keys must be delivered to attendants in person. To keep the front desk up-to-date on room availability, a trip or phone call back to the office is required. Smart Carts automate the flow of information throughout the process and streamline room access. With the Smart Cart system, each attendant has a cart equipped with a built-in portable device where they can clock in, view their work schedule, and access a list of rooms that need to be cleaned, and in which order. The housekeeping supervisor carries a Windows®-based Pocket PC that communicates wirelessly with the Smart Carts, the front desk, the back office, the food and beverage office, maintenance, and more.

At each room, the Smart Cart automatically taps in to a radio frequency identification (RFID) tag that connects it to the hotel's property management system, enabling the portable device to display up-to-the-minute guest information including name, departure date, and a comprehensive inventory of items that should be restocked. To enter a room, the attendant swipes their employee ID card through a card reader attached to the portable device, and a single-use room key is created. As the attendant opens the door, the key system identifies the attendant entering the room and records the date and time. A second swipe indicates when the room is done, and that information is sent automatically to the front desk and the housekeeping supervisor.

By automating the flow of information between departments and systems, the Smart Cart system can increase employee productivity and enable staff to focus more on delivering guest services while spending less time on administrative and clerical tasks. In addition, the Smart Cart system ensures that all departments have the up-to-date information they need to keep behind-the-scenes operations running efficiently and effectively.

The Smart Cart System in Action

As the day's housekeeping supervisor walks past room 2306, her Pocket PC tells her that the room is vacant and has recently been cleaned by a new attendant. Interested to check on the quality of the work, she taps the room inspection icon on her Pocket PC and is presented with a checklist of items to examine specific to that room.

As she surveys the room and tags the level of compliance on each item, she notices that the bathroom faucet has developed a slow drip. By tapping the maintenance icon on her Pocket PC, she quickly accesses the room maintenance menu and indicates the nature of the issue. As soon as she completes the work order, it is transmitted to the maintenance department and assigned via Pocket PC to the nearest maintenance employee. At the same time, the room is placed on the "out of order" list at the front desk, pending review and correction of the problem.

Realizing the Value of Smarter Hospitality

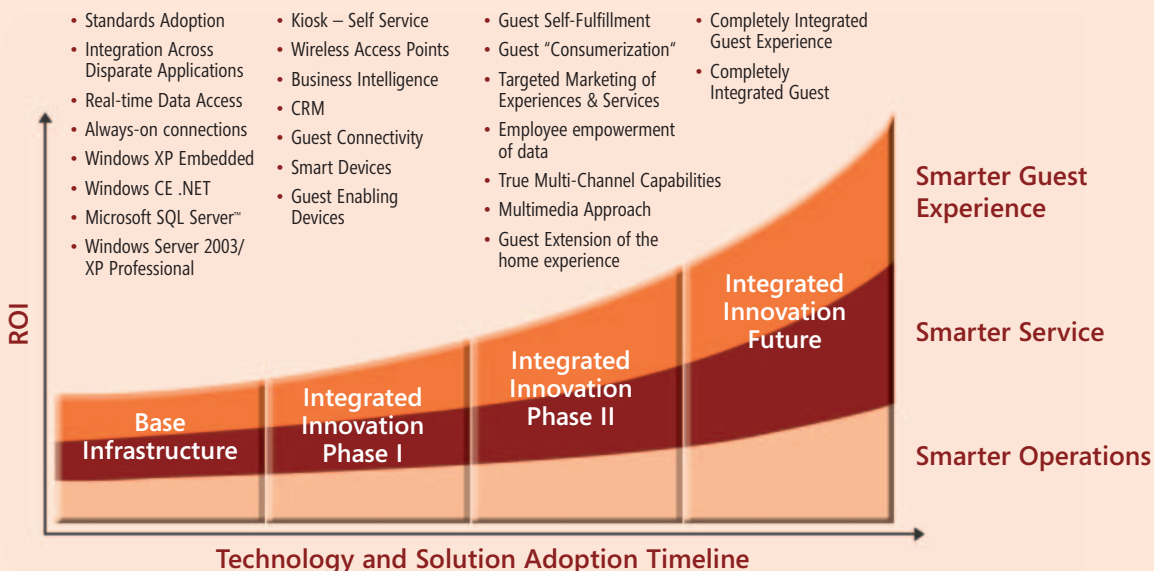
By focusing on scenarios for the Smarter Guest Experience, Smarter Service, and Smarter Operation, Lodging Solutions for Smarter Hospitality deliver the critical features and capabilities needed to empower guests to personalize their stay to match their needs and preferences, while providing hotel employees with the tools to access real-time guest information so they can anticipate guest's needs and respond quickly to their requests. Equally important, Lodging Solutions for Smarter Hospitality deliver the means to create a comprehensive, connected information infrastructure, which helps hoteliers get the most out of their current systems while providing a superior platform to prepare for future innovations. The result is a wide range of tangible benefits, including:

Greater customer loyalty. Lodging Solutions for Smarter Hospitality give hotel organizations the means to collect information in real time about spending per guest across a property and across visits, and to assemble a guest profile that truly reflects a visitor's personal tastes. That information is a hotelier's best tool for creating experiences that deliver true differentiation and result in long-term guest loyalty.

Increased revenue and improved profitability. By providing lodging organizations with the means to measure how guests use all of a property's amenities and services, and the analytical tools to discover which guests deliver the greatest LvoG, Lodging Solutions for Smarter Hospitality enable hoteliers to focus their resources and efforts where there is the greatest opportunity for revenue and profit.

Enhanced productivity. By providing the infrastructure for integrating disparate applications and creating enterprise-wide connected information systems, Microsoft Smarter Hospitality streamlines the flow of information and creates a framework for automating many basic day-to-day transactions. This eliminates a wide range of administrative and clerical tasks, and frees employees to focus more on providing high-quality guest services.

Integration Through Innovation



Achieving Smarter Hospitality: Lodging Solutions Today

Smarter Hospitality is an emerging reality for the hospitality industry. Standards that define the specifications for breakthrough capabilities such as wireless protocols, enterprise application integration, and Web services are a major industry focus. New solutions are appearing with increasing frequency. The good news for hospitality organizations that want to transform operations and improve their market position is that their current technology provides the foundation needed to take the next step.

Microsoft recognizes the challenges that hospitality industry companies face, and the value that tightly integrated end-to-end technology solutions can deliver. Smarter Hospitality provides a comprehensive framework for building on existing information solutions to create systems that engage and empower guests and deliver actionable real-time data into the hands of employees so they can work proactively to heighten the guest experience.

The Smarter Hospitality technology framework starts with Microsoft .NET and the Microsoft Windows Server System™ to provide a common foundation for applications and services. Microsoft Windows Server™ delivers an efficient programming environment that speeds application development and deployment. Because Smarter Hospitality makes use of Web services, these technologies provide a cost-effective way to seamlessly integrate disconnected systems and create an information infrastructure that spans an organization. The Smarter Hospitality architecture delivers the integration advantages of the Microsoft .NET Framework combined with open standards-based software that has been optimized to function “out of the box,” eliminating the need for a complex services model and allowing the hospitality industry to focus on the issues that drive value.

The Microsoft Office System is also a key component of the Smarter Hospitality technology framework. Its productivity programs provide the familiarity and ease-of-use needed to ensure that Smarter Hospitality solutions are easily adopted and utilized by employees, with minimal training and disruption. Tight integration between Microsoft Office and the Windows Server System opens the door to new solutions that are customized to meet the specific business needs of each organization.

Building on its history of innovation and excellence in software development, its strong commitment to collaboration and integration, and its vast knowledge of the demands of the consumer market, Microsoft is working closely with technology industry leaders and many of the most forward-looking companies in the hospitality industry to create a new generation of solutions that will drive unequalled value for lodging organizations.



Smarter Hospitality Partner Strategy

In the quest to develop solutions that will enable hotel operations to create long-term, valuable relationships with loyal guests who are empowered to shape their own experiences, Microsoft works closely with a wide range of technology partners. Below is a list of the different types of partners that can help hoteliers take advantage of technology to transform their operations.

Technology partners. Choosing the right technology partner is critical. A technology partner should have proven experience in the hotel industry combined with the expertise necessary to provide innovative hardware and software solutions that match specific business requirements.

Implementation partners. Choosing the right implementation partner means carefully matching strategic goals with the assets, capabilities, experience, and leadership that an implementation consultant can provide. Microsoft works with several selected systems integrators to deliver Lodging Solutions for Smarter Hospitality.

Business partners. To succeed in today's business environment, hoteliers will increasingly need to create close partnerships with vendors, suppliers, distributors, and even other lodging establishments. Recruiting these partners will require a shared vision for the use of innovation and a value proposition that drives benefits for all parties.

Independent software and hardware vendors: An important component of Smarter Hospitality is the ability for all Microsoft independent software vendors (ISVs) and independent hardware vendors (IHVs) to work from a consistent architecture and framework for the hotel industry. Microsoft is committed to working with ISVs and IHVs to help ensure that they develop hardware and software solutions that deliver the promise of Lodging Solutions for Smarter Hospitality in a way that is cost-effective and provides rapid return on investment.

Industry organizations: Microsoft works closely with key industry organizations including The OpenTravel Alliance (OTA), which is developing hospitality standards to streamline data flow between car rental companies, airlines, and lodging organizations, and hotels; and Hotel Technology Next Generation (HTNG), which brings together leading hotel organizations and technology providers to facilitate the development of next-generation, customer-centric technologies to better meet the needs of the global hotel community.

Conclusion

After one of the most difficult periods in the history of the lodging industry, there are clear signs that a turnaround has begun. But hoteliers face a business environment that has been fundamentally altered by changing guest expectations, increased competition and decreased differentiation, a rapidly evolving labor force, and dramatic changes in technology.

Microsoft has worked closely with hospitality industry technology solutions providers and hoteliers to gain a thorough understanding of the hotel industry and the competitive dynamics that drive day-to-day business issues. Together, we've developed a new approach that utilizes the power of technology to create connected information systems that will enable hotels to transform operations and provide high-quality services that will enhance relationships with guests, foster greater loyalty, and maximize opportunities for long-term revenue generation.