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Capturing pent-up
demand with
revenue technology





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Introduction

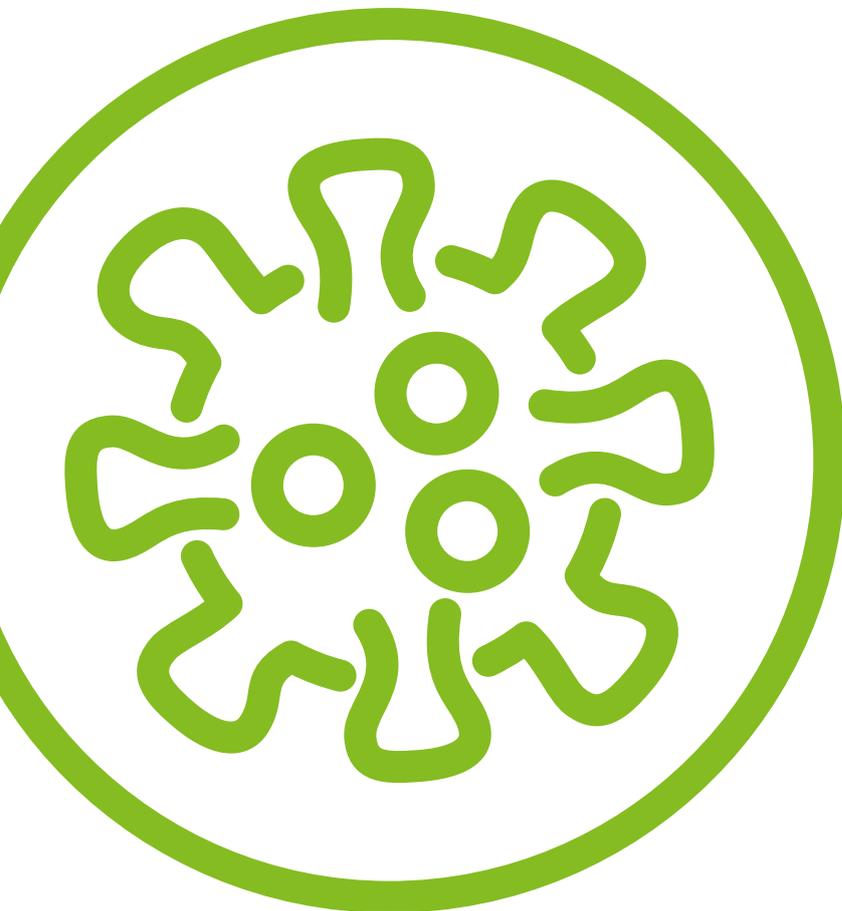
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Unpredictable times – survival mode: on

Hospitality and leisure businesses have been hit particularly hard by the COVID-19 pandemic. The sector has had to learn to quickly adapt to the constantly changing environment and do what it can to continue operating. However, as restrictions have eased, consumer behaviour has been evolving concurrently. The stay-at-home policies have resulted in pent-up demand and that, combined with increased household savings, mean that leisure travellers are expected to contribute the most to the industry's initial recovery¹. To recover and thrive again, the sector needs to be ready to capture this demand. Revenue performance technology, which provides data-driven insights and is powered by a combination of predictive and prescriptive analytics, is one of the best allies to help identify and adapt to new demand trends and generate incremental revenue.

This thought piece discusses and illustrates which travellers are helping reboot the hospitality industry, how businesses can remain agile with the help of revenue technology given evolving customer needs and markets, and why there is a need to adopt the technology now.

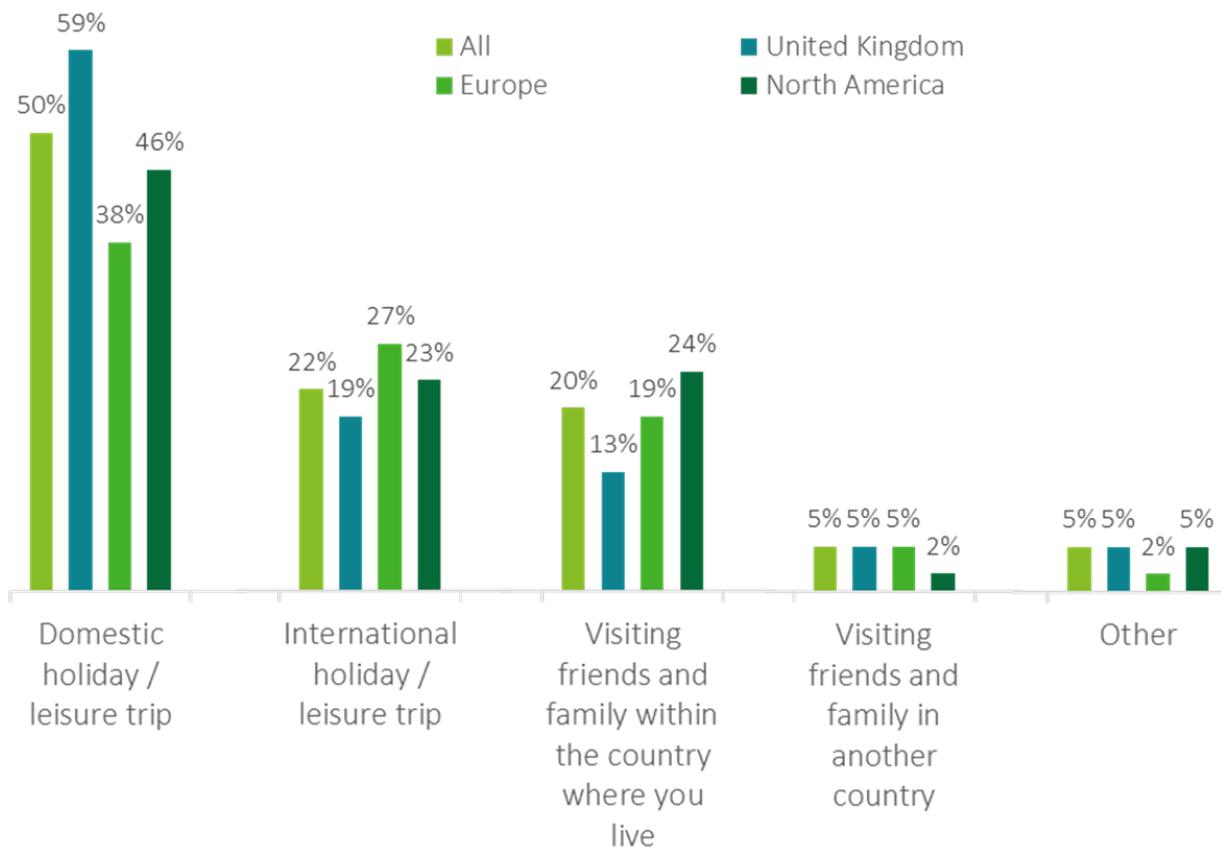




The travellers rebooting the hospitality industry

Recent research from Expedia Group reveals that while the impact of the Delta variant presents uncertainties, the outlook for travel in the second half of 2021 and beyond is positiveⁱⁱ. The gradual easing of global travel restrictions, new ways of working, increasing vaccination rates and testing have contributed to pent-up demand. Mutually agreed ‘travel bubbles’ and ‘travel green lanes’ have also helped facilitate travel in certain regions. This has led domestic leisure travellers to be the most active customers in terms of bookings during the initial recovery phase (see Figure 1).ⁱⁱⁱ

Figure 1 – Domestic leisure travellers are the most active customers in terms of bookings ^{iv}



Source: STR Travel Panel survey (February 2021)



Additionally, leisure travellers appear now less price-sensitive than before. More than a third (34%) of travellers have larger travel budgets now compared to 2020 and nearly one in five (18%) expect travel to be the activity they spend the most on in 2021*. Some characteristics of leisure travellers now include:

- High degree of personalisation
- Shorter booking lead times (see Figure 2)
- Safety and hygiene protocols which in a post-COVID era must be considered, understood, and factored into the pricing and product offering
- Full flexibility and refundable rates
- Contactless check-in/out

Competition for the leisure traveller is likely to be fierce. It is therefore paramount that hospitality businesses are prepared to capture and grow their market share and breadth in this segment, supported through revenue performance technology.



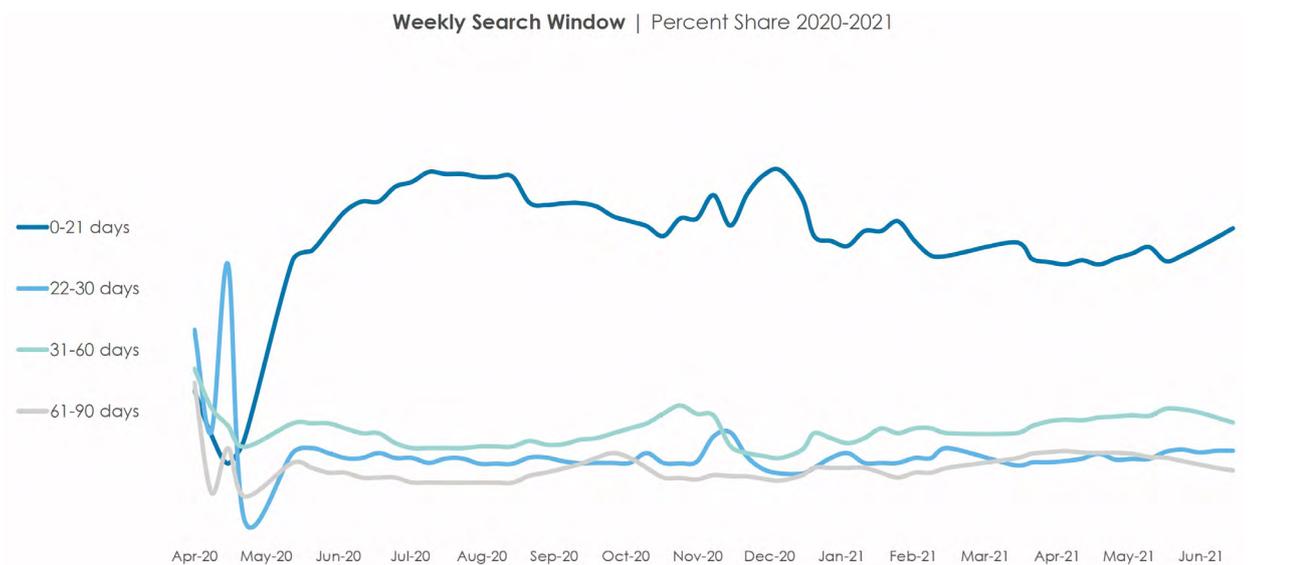


Maintaining agility with revenue performance technology

The temporary pause in operations caused by the pandemic has helped organisations to re-assess who they target, how they do this and what products/services to adapt and leverage – anecdotal evidence shows some resorts are extending opening hours for a number of facilities, including kids’ clubs and spas to accommodate their guests’ working hours. Many have also increased the variety of activities on offer. A quicker recovery requires businesses to regularly review changes in guest behaviours, adapting to new demands and testing new price sensitivities. Frequent analysis of emerging trends allows accommodation providers to ensure a continued match between evolving customer needs and an adjusted product offering.

Revenue performance solutions can help properties return to pre-crisis trading levels and beyond by restoring several key revenue streams. With the help of revenue technology, real-time demand data can be monitored and assessed so that pricing, procurement, and operational planning can be adjusted in the moment, leading to a higher profit and better use of resources. The most reliable indicators of changing customer behaviour include travel date searches, travel date bookings and associated lead times (see Figure 2).

Figure 2 – Booking lead times have drastically changed during the pandemic (Global Traveller Search Windows, week-on-week % change)^{vi}



Source: Expedia Group (May 2021)

Expedia Group’s Rev+ tool is an example of free technology that hotel operators can benefit from. It enables properties to accurately spot, analyse and understand emerging demand patterns, including displaying daily searches and comparing it to pre-pandemic levels. This allows accommodation providers to identify relevant demand and quickly make necessary changes to optimise bookings and revenue.

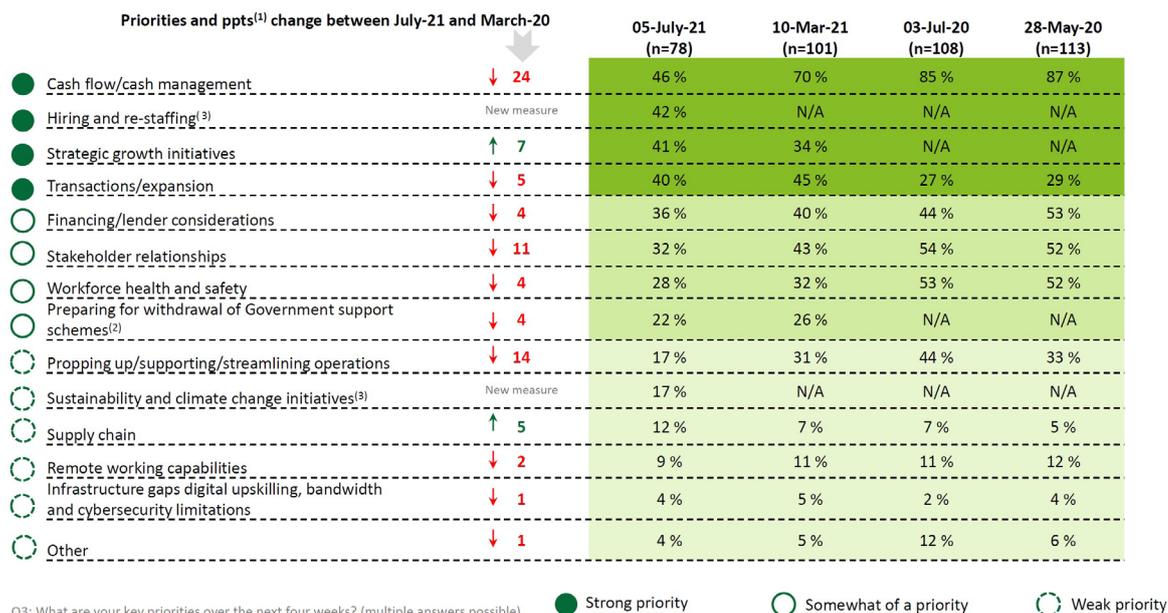


The need to adopt revenue performance technology now

With the pandemic resulting in hoteliers losing some of their staff, operations tend to be leaner now than pre-2020, according to Deloitte's latest Hotel Sentiment Survey (July 2021)^{vii}. However, with business slowly picking up, recruitment ranks again among the top priorities. The issue is that the labour market is squeezed, and it remains unclear when the situation will ease, raising the question of how to bridge the gaps in the meantime. Technology is the obvious solution for iterative, standardised processes such as check-in/out as it increases capacity, reduces the need for manpower while simultaneously maintaining a safe and hygienic setting, all of which is crucial in a (post-) pandemic environment.

The pandemic has, therefore, increased hotel operators' awareness of the imminent and accelerated need for advanced technology, including artificial intelligence (AI), with hospitality businesses looking to better understand their target markets' new needs and behaviours. By introducing automation, streamlined experiences and contactless interactions, traveller confidence may increase and the travel experience from searching, to booking and staying, could be improved. Whilst businesses are now re-hiring in the UK (see Figure 3), the shortage of staff in the country is causing new challenges. This situation is expected to continue in the short-term, making the use of faster, automated data analytics key to saving time and (replacing) resources. Expedia Group research (November 2019) has shown that around 85% of accommodation providers are not yet taking advantage of revenue performance technology. Deloitte's Hotel Sentiment Survey (July 2021) confirms this (see Figure 3), showing that closing infrastructure gaps such as in technology are among the lowest priorities for hospitality operators.

Figure 3 – Closing infrastructure gaps is a weak priority for hospitality operators^{viii}



Note:
 1) Ppts refers to percentage points ; | 2) 'Strategic growth initiatives' and 'Preparing for withdrawal of Government support schemes' added in March 2021 ;
 3) 'Hiring and re-staffing' and 'Sustainability and climate change initiatives' added in July 2021

Source: Deloitte (July 2021)



An optimised revenue performance strategy, underpinned by technology to better anticipate demand, can help improve performance and consequently support hospitality businesses on their recovery journey. Previous Deloitte publications* have demonstrated that revenue technology and additional applications of artificial intelligence are effective in managing revenue by capturing the right customer at the right time and at the right price. While the hospitality sector knew how challenging this task was before, doing so in a post-COVID-19 world is an unprecedented challenge. As several markets, whether domestic or international, gateway or resort, position themselves to capture pent-up tourism demand, now is the time to implement revenue performance tools and adopt a dynamic revenue performance mindset. This way accommodation providers can 'reboot' their organisations and capture returning demand the moment it surges, while staying ahead of competition.





A faster return to profitability with forward-looking data and insights

The pandemic brought some of the most turbulent times in history for hospitality businesses, with operators needing to adapt and survive over an extended period of time with unparalleled levels of uncertainty. Meanwhile, leisure travellers' evolving consumer trends are shaping the tourism and travel sectors and making the successful implementation of hotel revenue performance increasingly challenging. Accommodation providers need to integrate advanced technology, including AI, to better understand new customer profiles and behaviours. This enables them to offer the right product at the right time, and price to the right guest. Having access to relevant, forward-looking market and competitor data in real-time, instead of relying on outdated historical trends, can help hospitality businesses find a way back to pre-crisis levels quicker. Revenue performance tools can provide these insights and simultaneously save time and money. Now more than ever, hotel and revenue managers have a responsibility to lead their businesses back to profitability, for example by adopting revenue performance technology. This may help them make better, informed revenue strategy decisions as well as capture and grow their market share.

This report was produced together with Expedia Group.

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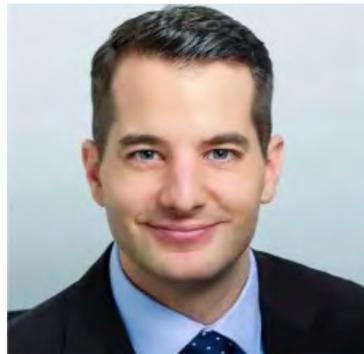


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- IV. Travel Panel survey, February 2021 – STR (Global Hotel Data Conference)
- V. [Traveller Value Index 2021 – Expedia Group](#)
- VI. [New Travel Recovery Trend Report: Insights into the return of travel – Expedia Group](#)
- VII. [Deloitte Hotel Sentiment Survey](#)
- VIII. [Deloitte Hotel Sentiment Survey](#)
- IX. [Machines with purpose – From theory to practice: Artificial Intelligence in professional services – Deloitte](#)

Further readings

- [Deloitte Hotel Sentiment Survey](#)
- [Deloitte Consumer Tracker](#)
- [Deloitte State of the Consumer Tracker](#)
- [What travellers want in 2021 – Expedia Group](#)
- [The Role of Revenue Performance in the COVID-19 Rebound – Expedia Group](#)



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