



## Room for **growth** in the **hospitality sector**: BPO has the answers

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The hospitality industry, which has seen dark times in the past couple of years, is finally seeing a recovery. The U.S. hotel industry reported significant increase in the three key performance measurements during the week of June 20-26, 2010, according to recent trends from Smith Travel Research (STR) Global. In year-on-year measurements, the industry's occupancy increased 6.8 percent to reach 69.7 percent. The Average Daily Rate (ADR) rose 1.1 percent to USD 98.79, and Revenue Per Available Room (RevPAR) rose 7.9 percent to USD 68.88.

### **Business Travel Market Looks Upbeat**

Organizational spending in travel is usually the first to take a hit during rough times. It is also an early indicator of a turnaround. According to a study by the National Business Travel Association in July 2009, business travel is pegged to grow at USD 39 billion by 2013. The increase in demand in the first half of 2010 has had a positive impact on the industry and industry observers. If research and online forums are good indicators, then consumer spending is steadily regaining its pre-recession semblance. Though consumer optimism may not be at its peak, confidence levels are definitely seeing a surge. Corporate meetings and incentive-led travel are picking up; media attention is subsiding; and corporate buyers are back in the market. The AIG effect is finally waning. In fact STR projects an increase in occupancy by 3.6 percent to 56.7 percent in 2010.

While demand is on the rise, there is still a lack of pricing power in many markets. The industry has to regain the deep discounts provided in ADR that a sharp decrease in occupancy brought about. Further, brand downgrading, especially on the corporate side (staying at a lower-end brand while still earning loyalty points) may have a longer impact than anticipated. Travelers have grown accustomed to the lower-end brands and may not be motivated to move up.

STR forecasts the industry will end 2011 with growth in all three key metrics. Occupancy is forecast to rise 2.5 percent to 58.1 percent; ADR is expected to be up 3.9 percent to USD 101.05; and RevPAR is projected to rise 6.5 percent to USD 58.70. As the economy and consumer spending experience a rebound, the drive for efficient operations and cost containment in the industry becomes critical. The industry needs to handle the upward surge, and guard against similar uncertain times in the future.

### **Acquiring the BPO Advantage**

In an industry that involves enormous capital expenditure, Business Process Outsourcing (BPO) can help reduce costs and provide the much-needed scalability. The three areas that need to be focused on during the upturn are: Customer Service, Finance and Accounting (F&A) and Research and Analytics (R&A). Listed below are ways in which the outsourcing model can help.

#### **Improving customer service**

The customer today is exposed to global standards in service delivery and expects nothing short of the superlative. An evolved customer and a competitive environment are turning the heat on the industry. Customer service is the key differentiator in retention and loyalty strategies. Another challenge is effective brand protection and representation. Hotels need to increase the conversion ratio, and develop a viable model for cross-sell and up-sell. Often, all these seem daunting because hotels operate in a legacy-dominated environment.

Effective customer relationship management practices can provide an answer to many of the challenges that the hospitality industry faces today. Morrison & Foerster's Global Sourcing Trends Report 2010 states that the hospitality industry needs to improve its customer-facing aspect, focus on customer retention and optimize customer experience.



Organizations need to apply the best practices of CRM across verticals to realize the benefits. BPO solutions with a clear focus on increasing accountability on conversion, revenue per call, loyalty program registration percentage and other such metrics are clearly the need-of-the-hour. These are beyond the standard call center key performance indicators. Hotels can realize brand extensions through training, familiarization trips, hosting property resources and focused branding. To increase cross-sell and up-sell, hotels can carve out an incentive-based program for the sales team.

### Streamlining finance and accounting processes

Decentralized F&A processes pose a huge challenge for the hospitality industry. Legacy-prone processes designed and managed at the property level can hardly deliver to the agility and flexibility required by organizations today. It is also essential that the cost structure reduce drastically, considering low occupancy rates. In addition, there needs to be a balance between incremental revenue and credit risk.

A BPO solution can address the issues around decentralization. Consolidation and centralization must be at the core of a BPO solution so that hotels achieve standardization and better control over processes and their outcome. Offshore BPOs are capable of delivering the optimal long-term cost structure. In an outsourced environment, it becomes easier to drive key enterprise-wide objectives, such as incremental revenue and credit risk by means of KPIs and service levels.

### Understanding customer behavior

The fall-out of an increasingly global market place is that the customer has a plethora of choices and consequently, decreased brand loyalty. Players in the hospitality industry need to invest in technology to get a better understanding of their customers to enable insight-based business decisions. The economic downturn has set in motion changes in consumer travel and stay patterns. Hotels are quite often unable to consolidate research and analytics processes to understand the changes. This is primarily because of decentralized processes across brands, functions and geographies. And organizations are often wary of the spend involved in putting together a uniform customer experience across multiple channels.

Market research data and analytics can help deliver actionable insights for the hospitality industry. An offshore Center of Excellence (CoE) can enable consolidation and

syndication of research and analytical processes, especially in pursuit of global initiatives. Offshore outsourcing delivers a low-cost structure compared to such initiatives being driven by in-house teams. Organizations can realize a distinct advantage if the R&A service provider comes with a broad spectrum of offerings that cut across geographies as opposed to niche capability providers. The solution should offer the ability to integrate multiple forms of research into a holistic definition of the new consumer.

### Choosing the Right BPO Service Provider

Not every BPO service provider can tackle all the challenges effectively. Only leading players in the outsourcing space provide domain expertise that is seeded throughout the management team. These companies offer initial and recurring training, specific to the hospitality industry. Metrics are tailored and defined according to the client and brand.

To counter the challenges of customer service, high-end BPO service providers engage teams experienced in travel and hospitality. Allocated teams work with laser precision to focus on brand extension and protection. F&A offerings ensure that the transition is tailored to deal with process consolidation, while accounting for property, brand and region-specific requirements. These solutions effectively address queries from properties through a centralized group of property-specific resources. In R&A, the key is to provide the right mix of domain and technical leadership to drive complex research and analytical objectives. Such service providers have the ability to run overarching, global initiatives across multiple geographies simultaneously and can perform the dual role of a change agent and an analytical resource.

### The Way Forward: Outsource Non-core Functions

Since the global hospitality industry is just recovering from its worst ever economic downturn in 60 years, companies in this space must focus on core functions that generate revenue. Non-core, support functions, such as F&A and R&A, require in-depth skills and are best managed in a BPO environment. Organizations that have followed this model have experienced significant cost-efficiency and optimization of resources. A BPO that focuses on quality, effectiveness and efficiency can become a seamless extension of the organization's brands. It can aggressively manage, measure and continuously improve processes for these organizations, and thereby, assist in delivering the right customer experience.

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