

THE CASE FOR SELF SERVICE IN HOSPITALITY



by Marvin Erdly and Amitava Chatterjee, *CHTP*

Today, kiosks are prevalent in photo shops, movie theaters, malls, the DMV and countless other consumer locations. What is the common thread? Easy access, speed, customer empowerment and cost savings for the businesses that employ them.

The first in a two-part series, this article makes the case for widespread deployment of self-service technologies and processes in the hospitality industry. Spurred by the success of airline check-in kiosks and seeking additional ways to cut costs and increase guest satisfaction, hoteliers will drive these solutions into properties aggressively.

Alex, a business traveler, enters the Global Inn Chicago. His Bluetooth-enabled PDA informs him that check-in is in process and directs him to enter his Global Inn passcode. When he does his PDA indicates that he has been assigned room 835 (king, non-smoking). Alex hits "confirm," bypassing the offer to upgrade to a suite for an additional \$40. One of the hotel's guest experience managers, conspicuously near the hotel entrance, greets him with a smile, asks him if he needs help with his bags and then directs him to the elevator. He notices the crowd at the new sushi bar as he walks to the elevator. He finds it amusing that the thing he likes most about this hotel replaced the thing he once liked the least—long lines at check-in. Hotel management clearly has found a better use for the space once occupied by the front desk. Proceeding to his room, Alex notices that the PDA displays a map of the eighth floor with directions to room 835. When he gets to the door, he pulls out his credit card and swipes it through the door lock. He opens the door, drops his bags and heads right back down to the sushi bar.

Sound far-fetched? Actually, this scenario is possible today—and arguably commonplace five years from now. It illustrates the power of the self-service channel as hoteliers begin to look beyond reservations and sales via the Internet—the first significant self-service opportunity in the hospitality industry—to fulfillment and guest services on property.

Consider the history and impact of self service across a number of industries. ATMs were probably the earliest avatars, appearing in 1969. Self service at

the gas pump wasn't far behind, spurred by the energy crisis in the early 1970s. Self service became mainstream when consumers flocked to the Internet because of the convenience and price transparency that this channel offered. The subsequent impact to the travel industry can not be overstated. Today, kiosks are prevalent in photo shops, movie theaters, malls, the DMV and countless other consumer locations. What is the common thread? Easy access, speed, customer empowerment and cost savings for the businesses that employ them.

Are Hotels Destined to Follow Suit?

We believe that hotels must. Consider the airline industry: plagued by bankruptcies in the last two years, the industry was forced to reduce costs substantially. At the same time security procedures implemented after Sept. 11 increased waiting times, so staffing reductions alone were not a feasible alternative. Airlines turned to check-in kiosks—largely because they had little choice. The results were dramatic: 30 percent cost reductions related to check-in were not uncommon. And, to the surprise of some observers, many passengers embraced this new way of checking in. But those who travel regularly were not surprised.

Skeptics may argue that hotels have done kiosk trials over the years and have met with limited success; that hotels are different; that guests want and expect face-to-face service. It is true that trials over the past five years have not been entirely successful. This was due in part to immature technology, unreliable hardware, limited application functionality, ineffective marketing and low commitment from corporate management and onsite staff.

The case against self service on the grounds that guests want face-to-face service is dubious. If the experience of the airlines is not reason enough to debunk that notion, consider a 2002 study by Vanderbilt University¹ in which 53 percent of guests in



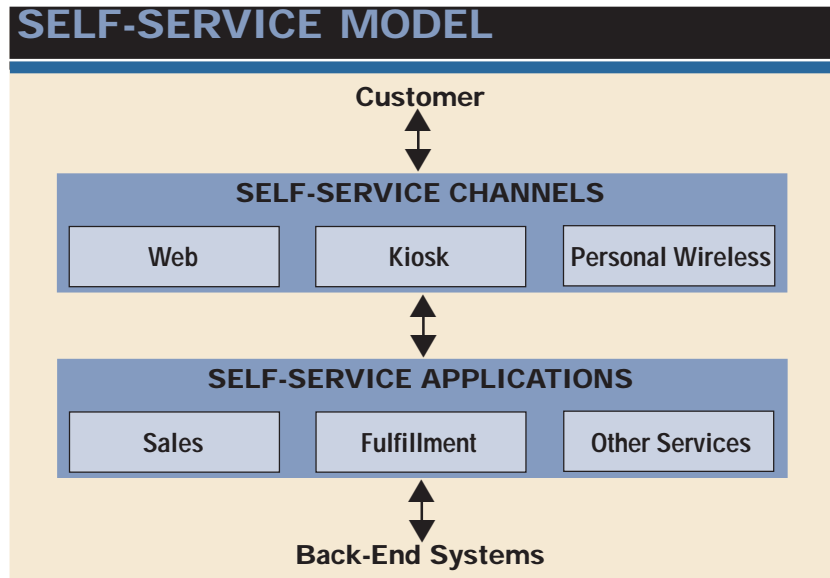
indicated that they were likely to use a check-in kiosk. The study also showed that ease of check-in and check-out ranked ahead of friendly service and price on guests' wish lists.

Moreover, innovative executives at some leading hotel chains are beginning to see things differently. "Self-service technology advances our strategy of implementing user-friendly, leading-edge technology to provide expanded guest service options. This technology will actually allow team members more time to provide 'human touch' service to our guests by eliminating the clerical portion of their reception responsibilities," said Dennis Koci, senior vice president-operations support for Hilton Hotels Corporation. Hilton will pilot guest self-service kiosks at two of its largest wholly owned properties—the 2,035-room Hilton New York and 1,544-room Hilton Chicago—and plans an aggressive rollout across its well-known family of hotel brands if successful.

The Potential Impact of Self Service on Hospitality

Let's examine the potential impact of self service on the hospitality industry. First, an effective solution could yield significant savings through reduced front desk staffing levels. While the savings potential is greatest for large full-service or convention hotels, limited service could benefit as well, depending on the degree to which operators are willing to make the channel the *primary* mode of checking in. It is constructive here to note that although the airlines were at first reluctant, they have since achieved considerable savings.

Second, and perhaps more important, these solutions could increase guest satisfaction, especially for those who are inclined to self-empowerment. While the convenience of self service—eliminating or reducing lines at check-in and check-out, especially during peak periods—will appeal to many, the real power lies in what these solutions do for employees. No longer tethered to the front desk staring at a computer screen, front-line service staff can refocus on value-added guest interactions. In addition, engineered correctly, the technology can more consistently recognize guests and offer them



personalized service (e.g., amenities) commensurate with their value to the hotel. Automated concierge applications will allow guests to find the information they seek easily and quickly. We anticipate that this feature will have wide-scale applicability in limited-service hotels.

Third, hotels can expect revenue uplift beyond that offered by the increased wallet share of repeat guests. The opportunity exists to consistently up-sell room categories based on yield parameters. Many airlines offer first class upgrades (typically \$50 for short/medium-haul domestic trips) at check-in based on availability and have seen incremental revenue. Additionally, kiosks are also an excellent channel to make dynamic one-to-one marketing offers, such as spa, restaurant and local attraction tie-ins.

Lastly, as the scenario above illustrates, the implementation of self-service technologies and processes offers innovative hotels a fresh opportunity to rethink the use of the lobby and public spaces. Most guests really don't like the front desk. It is not difficult to envision alternative uses, such as the sushi bar noted in the opening example.

Self-Service Model

Note that the opening scenario did not mention kiosks. While kiosks will undoubtedly play a primary role on property in the near term, they will move to the background as digital wireless technologies—including WiFi and Bluetooth—gain a broader foothold and security issues are addressed. Other self-service channels will include in-room interactive television and the Web

(most U.S. airlines now support Web check-in). Increasingly, these channels will blur and their differences will become irrelevant.

Therefore, it is important to adhere to an architectural model that promotes multiple channels, makes available a wide variety of applications and enables a consistent travel experience across all channels. More and more, self-service functions will not perform a single transaction, but will act on a series of interrelated decisions enacted by the customer. They will integrate business processes, customer choices, customer preferences and history, and host systems to perform end-to-end functions. In doing so, hoteliers will find that the self-service channel is not only the least expensive channel but also the one with which many guests will prefer to interact.

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Notes

¹ <http://www.crmdaily.com/perl/story/14865.html>

FROM THE EDITOR

This article is Part 1 of 2 discussing self-service technologies in the hospitality industry. Part 2 will appear in the spring 2004 issue of *Hospitality Upgrade* and will discuss the technology behind self service in greater detail.