Self-service Technologies: The Affect on Hospitality Branding

Much has been written about branding as the central pillar of many hospitality companies’ corporate strategies. Recent research cited branding as one of the five mega trends that will have the greatest impact on shareholder value. Spend on brand innovation was cited as one of hospitality CEOs’ top priorities in the future, notwithstanding industry analysts’ skepticism regarding the industry’s ability to demonstrate payback on that R&D.

North American consumers will spend more than $475 billion at self-checkout lanes, ticketing kiosks and other self-service machines in 2006, an increase of 51 percent over 2005. Self-service kiosks are expected to grow another 33 percent in 2007 and reach $1.2 trillion by 2009. In addition to the penetration of the Internet, the most pervasive self-service technology (SST), self-service kiosks are being rolled out by a large number of hospitality companies.

As a services industry, a consistent and pleasant service encounter is fundamental to successful branding of hospitality companies. The fact that SSTs are being used to supplant an ever greater share of interpersonal service delivery gives rise to a number of important questions, which ideally would be answered prior to their deployment. Will SSTs affect customer satisfaction and loyalty? Will all customer segments be affected the same? Does any element of my product need to be redesigned to facilitate adoption of SSTs? How will my employees react, and how might that reaction impact guests’ experience? In short, it is worthwhile to understand how SSTs may affect guests’ perception of service quality and, ultimately, the value of the brand.

What’s Really at Stake

Given the increased importance placed on branding, the potential impact of an SST may have on that brand is a vitally important issue. Addressing this issue begs the question of why branding has become so critical in the first place: Is branding just an important strategic option or has it become an indispensable strategic imperative?

Two principal factors contribute to the proposition that branding has indeed become an indispensable strategic imperative. First, many companies have divested all but their most strategic-owned hotel assets. Doing this means that revenue must be generated almost exclusively from management contracts, franchise and license technical services and other services—the sales of which are themselves largely a function of brand equity. Second, the cost barriers to acquiring some of the systems that have bolstered chain brands are being diminished by the Internet and other new technologies. Increasingly, a well located independent hotel with a talented management team, armed with nothing more than online booking capabilities, a decent PMS and a robust suite of e-marketing tools, can effectively compete with the capabilities of chain hotels. Moreover, both the quality and availability of these utility-type systems is improving.

The net result is that the value proposition of hotel chains is increasingly contingent upon a strong brand at precisely the moment when some of traditional value-added components supporting that brand are at risk of erosion. Hotel companies must invest in strategic capabilities that are difficult to replicate and add sustainable value to their brands. Increasingly, these value-creating capabilities will be tied to the ability to deliver a consistent, yet unique, customer experience anywhere. Doing this cost effectively leads back to the use of SSTs in the provision of that differentiated service delivery.
**SELF-SERVICE | TECHNOLOGY**

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**Benefits Related to SSTs**

Recent research into the adoption of SSTs makes it clear that there are several perceived benefits associated with their deployment.

**Firm-related Benefits**
- Potential cost savings
- More consistent service delivery
- Increased operational efficiency
- Variable into fixed costs (staffing quagmire)
- Allow staff for more complex or personalized service transactions
- Ability to expend service reach, offerings
- Increased customer satisfaction
- Enhanced marketing image
- Enhanced cross or upsell revenues
- More personalized service
- Enhanced customer intelligence/analysis (data capture)
- Labor reduction

**Customer-related Benefits**
- Time savings
- Greater accessibility (24/7)
- Greater flexibility to choose service delivery method
- Added convenience
- Greater control over service delivery
- Reduce waiting time/shorter lines
- Higher perceived and actual level of customization
- Location benefits
- Transaction conducted in native language
- Availability of additional services (airline, loyalty program, concierge)
- Greater privacy
- Faster processing times
- Enjoyment from the use of technology

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**Brand Building in Services Industries**

Brand building in services companies is distinct from product companies based upon the relatively prominent roles that employees and, yes, customers play in the delivery of the product. Figure 1 depicts this unique relationship. In services companies, much of the value-add is produced through the interaction between customers and employees. Potentially highly variable factors, such as the skill or attitude of the employee, or even a guest’s mood, directly affect the guests’ perception of the product delivered in ways not typically experienced in, say, the consumption of a soda. The introduction of SSTs and other technologies into the service encounter has dramatically affected traditional services marketing as depicted in modified Figure 1a.

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