

Innovation Processes and Internationalisation in the Hotel Industry, London 29<sup>th</sup> August 2010

# Innovation Processes in the UK Hotel Sector

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AUSTRALIA (1.07) AUSTRIA (1.50) BELGIUM (1.50) BULGARIA (1.95) CANADA (1.95) CROATIA (1.15) CYPRUS (1.25) CZECH REPUBLIC (1.50) DENMARK (1.42) ESTONIA (1.01) FINLAND (1.40) FRANCE (1.35) GERMANY (1.47) GIBRALTAR (1.25) HONG KONG (1.50) HUNGARY (1.10) ICELAND (1.45) ISRAEL (2.34) ITALY (1.40) JAPAN (1.10) LATVIA (1.14) LITHUANIA (1.16) LEBANON (1.00) LUXEMBOURG (1.47) MALTA (1.40) NETHERLANDS (1.47) NEW ZEALAND (1.10) NORWAY (1.40) POLAND (1.16) PORTUGAL (1.40) ROMANIA (2.00) RUSSIA (1.10) SINGAPORE (1.30) SLOVAKIA (1.15) SOUTH AFRICA (1.20) SPAIN (1.40) SWEDEN (1.35) SWITZERLAND (1.50) TURKEY (1.37) UK (1.20) URBANE (1.45) USA (1.45)



*One Aldwych, London, Covent Garden*  
*Privately Owned: Gordon Campbell Gray*

# structure

## Methodology

### Stage 1

- historical overview of UK hotel innovation c. 1965-2008
- Customer involvement in co-production of innovation

## Conclusions



# Methodology

## Qualitative

- sources
  - Caterer and Hotelkeeper
  - Websites
- rapid content analysis
- unstructured interviews
- semi-structured interviews



# content analysis



## *Caterer and Hotelkeeper*

- First Quarter Issues: 1963, 1973, 1983, 1993, 2003.
- All issues 2003-2008
- Working with a very grounded approach to innovation, i.e. what is being commented on as disruptive and/or new.



# receiving lighter treatment

## **British Hospitality Association Publications**

- *British Hotelier and Restaurateur* 1971-1991
- *Voice* 1992-1996
- *Hospitality Matters* 1996-

## **Hotel, Catering and Institutional Management Association**

- *HCIMA Journal* -1971-1979
- *Hospitality* 1980-

## **Other Trade Publications**

- *Hospitality in Focus* 2001-
- *Hospitality Industry International* 1994-2002

## **Academic Publications**

- *Cornell Hotel and Restaurant Administration Quarterly* 1960-
- *The Hospitality Review* 1999-
- *International Journal of Hospitality and Information Technology* 1999-
- *Hospitality Industry International* 1994-2002
- *International Journal of Contemporary Hospitality Management* 1990-
- *International Journal of Hospitality Management* 1982-

# unstructured interviews

Hotelympia 18<sup>th</sup>-19<sup>th</sup> February 2008

- 33 companies (majority in the supply chain)

World Travel Market 11<sup>th</sup>-13<sup>th</sup> November 2008

- 12 additional companies (5 hoteliers)

# semi-structured interviews

- 19 in depth interviews (approx. 2 hours duration)
  - Marketing, distribution and Internet search providers
  - Hoteliers in ownership, management and IT roles
  - trade associations

Stage 1 Mapping Innovations in  
the hotel industry



*Crowne Plaza, Denmark, Copenhagen*

*£23 meal voucher for those who generate 10 Watt Hours 19<sup>th</sup> April 2010 – 19<sup>th</sup> April 2011*

# categorising hotel innovation

Hjalager (1997, 2002)

(1) Product innovations

(2) Process innovations

(3) Process innovations in information handling (logistics innovation, '02)

(4) Management innovations

(5) Institutional innovations

## (1) Product

- Business models & format innovation
- Aesthetic design

## (2) Process

- Automated front & back office services
- Construction

## (3) Logistics

- Internet marketing
- Managing supply chain relationships

## (4) Management

- Restructuring around ICT
- Service quality

## (5) Institutional

- Building Regs, H&S, taxation, DDA, digital security, training...

# co-creation of services

Etgar, M. (2008) 'A descriptive model of the consumer co-production process', *Journal of the Academy of Marketing Science* 36: 97-108

	<u>Hotel Code/Type</u>	<u>Characteristics</u>	<u>Turnover Approx. GBP, 12 mnts to 2008</u>	<u>Key Informant</u>
A	National Hotel Group	Upscale	40-45 million	Group IT Manager
B	National Hotel Group	Upscale	5-6 million	Revenue Manager
C	National Hotel Group	Micro Boutique	4-5 million	Marketing Manager + Finance Manager
D	Major Hotel Chain part of International Group	Mid-Upscale	+700 million	Accounts Manager
E	Medium Sized Enterprise	Upscale	Not Specified	Owner MD
F	Medium Sized	Micro Eco Boutique	New Start Up 2009	Managing Director
G	Global Hotel Chain	Budget	+280 million	IT Director
H	Global Hotel Co-operation	Midscale Franchisor	1-2 million (Europe)	Vice-President Global Sales

# Group 1: Hotel B

...there is a **[customer] champion at each hotel and their team who are responsible for looking at TripAdvisor regularly** and making sure that if anything negative is posted, that we respond to it. Every guest who books on our site gets a post e-mail from the Managing Director just saying we'll welcome your comments. I think he regrets doing that now with the amount of work it's making. **Our actual guest comment cards in the room, he sits down once a month and goes through them one by one and anything negative he reacts to. We had the toilet paper that we used was changed completely throughout the company because one guest said they didn't like it.** And that's the advantage of us being a small company that we can make these changes because we haven't go to go through the hierarchy of the big head office or the branding chain and so forth, we can react to it quickly.

*(H/KP Revenue Manager)*

# Group 1: Hotel B

Is there any other examples of that kind of, we would call it the co-constitution of a service ...?

**Other than general ad-hoc comments I really don't think I've done anything major with what we have. Refurbishments, we tend to listen to what our guests tell us particularly with in-room technology, you know there's this big question of whether we still make a charge for Wi-Fi or not. One of our hotels does, all the 5 stars give it free...**

*(H/KP Revenue Manager)*

# Group 1: Hotel G

what we don't have, I guess you could probably link this up to the Web 2.0 stuff, we don't have a forum, we don't, well actually we've got [our proprietary website, which] has got [My Loyalty Scheme] membership, which is 1.6 million people who've made bookings with us before that we will communicate with on a regular basis, within that we've got 2,000 people who have signed up to the kind of technical forum... before we launched the website ... we gave those 2,000 technical forum members a link to the beta version of the site ... and then we had that relationship with a company called Survey Monkey, so completely independent to us, asked them to help and give us word of mouth feedback ... and we used that to influence the site before we launched the website.

*(H/TA IT Director)*

# Group 2: Hotel E

- Sheraton Belong

# Sheraton Belong

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# The innovation hotel



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- > [Back office](#) **New**

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## Evolving: the future of responsible hotels

> [IHG Corporate  
responsibility  
report 2008](#)

## Group 2: Hotel E

...they get flown over to Spain and put in a nice hotel for 2 days and there's a wine tasting in the evenings that's fun, so it's only 4 hours of work for them but we work them hard...

...‘they know what they want but they don't know what they want’, because they arrive and they're giving us the feedback saying your coffee stations are boring, you know, fresh tea, good quality coffee, but when you drill down, actually they want flexibility and they want choice and we're not giving them enough choice so we'll get a machine that will do that, they want flexibility, so we've got to work out a way of producing good coffee instantly and tea and hot water and changing our facilities to provide that and then actually what they were saying is it's boring, so we've got to produce an element of fun in it...  
*(H/PD CEO)*

## Group 2: Hotel E

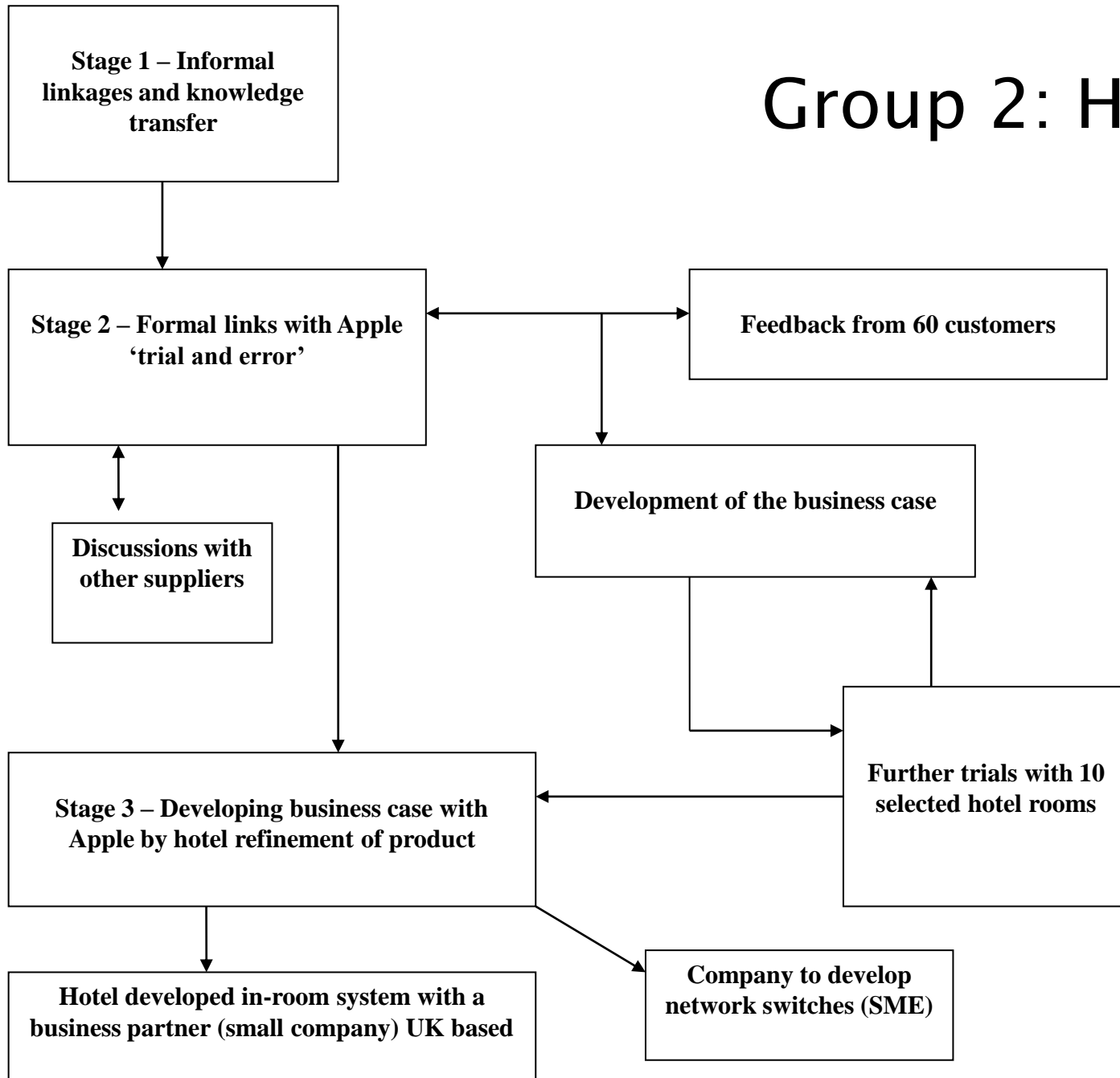
...so hence the sweet shop concept, so we're buying all these old fashioned cookie jars, you know the sweet shop jars and putting 5 or 6 different sweets in there and rotating our offering and personalising our offering so if Allen and Overy are in we make cup cakes and put the A&O logo on so that's a bit of fun so you've got all these senior stressed executives and pick up a cup cake and go oh wow so that's the sort of way that we evolve, they haven't asked for cup cakes at A&O and they haven't asked for sweets, but they've asked us for flexibility and they've asked us for a wider choice of products so its set.

*(H/PD CEO)*

## Group 2: Hotel E

...I'm now committed to the physical product you know in fact that we can tweak it slightly, but we're fairly committed because you've built it so that's then about the offering ... we've got feed-back on the content of that and how that's presented and the staff interaction and how we dressed...someone made a comment about, 'I don't know who does what in the kitchen', so we changed the aprons so the ... banqueting team wear blue, the [restaurant] team wear green and the pastry team wear red aprons and actually that's very low cost tiny tweak but that change means people walk in and it becomes a talking point ...  
*(H/PD CEO)*

# Group 2: Hotel A



# co-production in the supply chain

...a company called Selection Services...we use them for Wi-Fi guest's Internet access, solutions and switches, and multi-task switches, and so they would operate a 24/7 helping our guests to connect to the Internet and we approached them saying ok instead of bringing in another supplier, lets see how they can do it. And they did well in Manchester, but was always a worry that they were such a small company, they couldn't support us going nationwide, because we've got hotels splattered all over the country...**(continued)**

*(H/OE Group IT Manager )*

# co-production in the supply chain

...so in the meantime they got approached by a company called Select, they were called Hotspot Solutions, they approached Selection Services and they merged together and that has been a great collaboration for ourselves, because we've got a better company now and a bigger company to support it and you still get the small company feel...it gives the individual attention and it gives the regular service that we require for our guests, whereas if you go to the bigger companies, you know we're an SME in the hospitality industry so we tend to deal with SMEs as companies, because we're treated as a bigger supplier, a more important supplier...a bigger company like BT, we would be small fry...

*(H/OE Group IT Manager )*

# e-CRM supplier co-production

- TPI: software design and business solutions
- Established 2002, 1 client, but now has +700 clients worldwide
- Inspired by Jury's Inn adverts for real time online booking in the late 1990s
- Exploiting post 9/11 decline in US visitors to Ire.
- **Initially provided a free service with pioneer client, a major 5\* hotel in West Ireland**
- Began providing reservations booking engine, but began to meet client's unmet needs for revenue growth
- Now define themselves as e-CRM firm
- Estimate that Expedia web conversion rate is 1:10,000 impressions
- Affiliate marketing & direct booking through web-site = hotels keep control of their inventory and only pay lower commission.



### Broadscope

Where other Wirele  
complicated and ur  
fee for a hands-off



### Call Systems

Call Systems Techn  
CST's products are  
up client service, th  
management.



### CIPTeX

Ciptex offer a range  
taking customer bo  
as services are pre



### Dicoll

Dicoll specialise in  
door card creators,  
in.



### ETV

A total solution offe  
building managem



### iControl

iControl pioneered  
Using ETV's intuitiv  
and onwards to the



### Kaba

The Kaba Group is  
Kaba's range of ho  
guest management



### Mobifi

Mobifi is an SMS te  
efficient and cost-e



### Realex

We provide our cus  
payment processin



### WorksUnit

The WorksUnit tea  
complemented by  
deliver business sc

# A co-production network

- John P Reynolds Associates Ltd supplies telephones to the 'innovator', introduces Probooker to the 'innovator' (invited to tender)
- Probooker, Elford brothers, aim to connect service providers and their technology to support the 'innovator'
- Probooker, gives away the hub that integrates the partner enterprises, but charges for their PMS
- Works Unit designed software for Dicoll, the automatic check in provider
- i-Control est. 2003 provide stock control, made contact with 'innovator' at Hotelympia in 2006
- The innovation is a multi-tax, multi-currency, multi-language undertaking that requires sophisticated technology to manage.



Yotel



# Conclusions

## New Logics of Co-production

- Gummesson (2006) value-creating network society
- Grönroos (1997, 2000) rel. based marketing, service comp. logic
- Vargo and Lusch (2004) new service-dominant logic

## Understanding Innovating Organisations

- Weik (2001) organising as improvisation rather than architecture, innovation as the outcome of action and attention rather than planning and intention
- Jamal and Getz (1995) shared product base involving networks of enterprises that are not controlled by a central actor or manager

1.	Competitive advantage relates to how a firm applies its operant resources to cater for the consumers compared with how other firms use such a resource.
2.	Collaborative competence is a main determinant of a firm's knowledge acquisition for competitive advantage.
3.	The increasing importance of IT provides opportunities for firms to gain competitive advantage through collaborative innovation.
4	Firms can obtain competitive advantage through engaging customers and value network partners in co-creation and co-production.
5.	Competitive advantage through innovation can be gained by an understanding of how the customer integrates and experiences service-related resources.
6.	Provision of service co-production opportunities and resources consistent with customer levels of involvement enhances experiences leading to improved competitive advantage.
7.	Firms can compete effectively by the adaption of collaboratively developed and risk-based pricing value propositions.
8a.	The firm that is the value network member that is the prime integrator is in a stronger competitive position.
8b.	The retailer (e.g. hotel) is generally in the best position to become the prime integrator.
9.	Firms that use their employees as operant resources are able to develop more innovative knowledge and skills increasing their competitive advantage.

<u>Factors</u>	<u>Impact on Co-production</u>
Expertise	Consumers likelihood of participation depends on expertise (co-ordination of skills, efficiency and evolving experience). Also importance of computer based skills.
Control	More involvement when individual wants to exercise some control.
Consumer Capital	Increased level of involvement if consumer has requisite cultural or physical capital.
Experiential Benefits	Gaining of experiential benefits involving new activities.
Economic Benefits	Perceived economic gains play a key role in co-production processes.
Time	Consumers with more discretionary time more likely to engage in co-production.

Source: modified from Lusch et.al (2007) and Etgar (2008)

Thank you