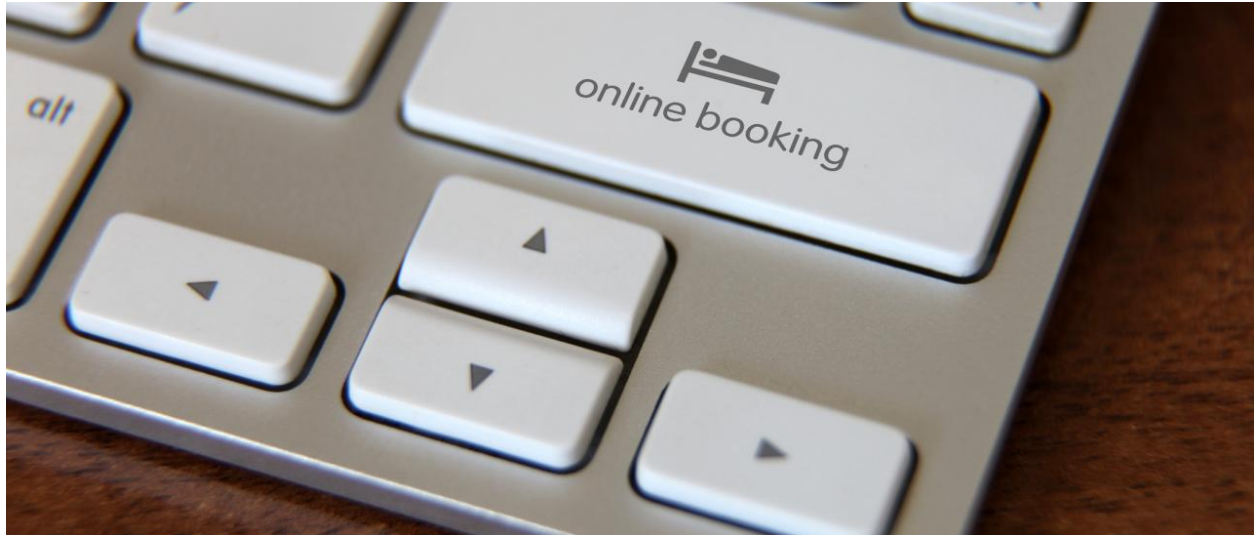


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# Lessons in Digital Transformation from the Hotel Industry



By , INSEAD Assistant Professor of Marketing

**Integrating content creation, curation and dissemination skills into business operations is a must to meet the challenges brought by e-disruptions.**

Faced with powerful waves of digital disruption coming from every direction and unexpected competition from one of the digital era's most spectacular success stories – Airbnb – large traditional hotel groups have had no choice but to embrace change and transform their organisations to become more digital, more agile and thus, more competitive.

A new INSEAD case study, **AccorHotels and the Digital Transformation: Enriching Experiences through Content Strategies along the Customer Journey**, co-authored with INSEAD Marketing Professor Joerg Niessing, Research Associate Jean Wee, and Marketing Professor Inyoung Chae from Emory University's Goizueta Business School, explores AccorHotels' response to this powerful wave of digital disruption and ambitious digital transformation, aiming to return the customer to the centre of its strategy and operations.

One of the key game changers in the industry has been consumer empowerment: Consumers' access to information – about prices, destination choices, the possibility of alternative styles of accommodation and sharing experiences with a global audience – has become increasingly fluid, blindsiding many traditional players.

Whereas hotels would once court travel agents and retain tight control over their relationships with their customers and other stakeholders, a new breed of online travel agents (OTAs) and digital influencers have had an increasingly strong bearing on consumer decisions along with the opinion of peers and other travellers sharing their experiences at great length: the good, the bad and the previously unheard-of.

Emerging actors like TripAdvisor, Booking.com, Agoda and Expedia have taken on multiple roles from hosting reviews to offering discounted flights and hotel deals and have reshaped the industry by becoming the primary factor driving bookings. At the same time, alternative lodging sites such as Homestay, onefinestay (which AccorHotels acquired in April 2016) and Airbnb have changed customers' attitudes and expectations regarding the accommodation industry. In 2015, hotels in New York City alone lost around **US\$450 million** in direct revenues to Airbnb – a 2008 start-up which was now boasting a valuation of US\$30 billion, US\$10 billion more than that of Marriott International.

### **Content avalanche**

Common to these digital disruptions was the rapid accumulation of content from videos, reviews or images that increasingly influenced consumers' travel planning and purchasing behaviour. Friends, bloggers and social media reviewers were educating consumers on what experiences to expect, encouraging and empowering guests to tell more, complain more and expect more; and giving them greater ability to switch when their increasing expectations were not met.

To meet this challenge it had become crucial for hotel chains like AccorHotels to rethink their approach to their online presence and place content at the heart of its strategies. In particular, if incumbents needed to meet these e-challenges, they first needed to acquire the skills to listen to online content and be aware of what their consumers were saying about their hotels online using **digital intelligence**. Focusing inward, they needed to think about how to consider online content in their ROI calculation and

business operations as a new metric of success via **e-reputation integration**. Looking outward, AccorHotels needed to foster a dynamic approach to produce and disseminate online content on platforms that would balance where the content about its hotels was and integrate the new dynamic into business operations with content production and dissemination.

## **Designing a digital transformation plan**

AccorHotels – a diverse group operating more than 4,000 hotels in 95 countries, spanning the spectrum from luxury to budget – needed to identify the different types of content that existed online and understand their relevance as well as how each could create (and destroy) value at the different stages of the traveller’s journey (from dreaming about a place to booking it, experiencing a place and post-stay activities).

To address this challenge, AccorHotels began to develop and integrate social media listening (SML), systematically scrutinising reviews and customer comments and complaints on OTAs, metasearch and review sites. Adopting IT applications that alerted the company to relevant public conversations on social media (Facebook, Twitter, Instagram, etc.) and online platforms helped AccorHotels to become more customer-centric by following its customers along each step of their journeys.

## **A content powerhouse**

Creating content was also crucial to establishing the hotelier’s presence and e-reputation. Two sources of information were particularly important: hotel-generated images and text, published by hotels on their own websites, promoting the hotel itself or its organisation, describing rooms, services prices, etc.; and user-generated content such as blogs, travel site comments, and reviews. The former is content mostly aiming to educate and convert and tends to appeal rationally rather than emotionally while user-generated content is often written to entertain and persuade; its “shareability” making it an even more powerful and effective way of increasing the conversion rate.

To leverage content, AccorHotels initially engaged in partnerships with sites such as TripAdvisor, which helped to dispatch content on the company’s sites and through other channels for maximum effect. The information – what customers were saying about Accor before, during and after their trip – was collected and used to encourage other guests to share their positive

experiences and views and, importantly, to attract customers to the company's own website for booking thus avoiding the hefty commission fees demanded by OTAs like Booking.com.

Finally, embracing the digital revolution required breaking down of traditional silos within the organisation, between functions such as marketing, strategy, finance and human resources. For AccorHotels, this meant (1) ensuring that insights collected would be widely shared within the company and (2) creating a system to integrate e-reputation into incentive schemes to increase collaborators' accountability. Information generated by the hotel, consumers, and other industry stakeholders became widely shared across internal departments. In addition, AccorHotels worked to create a system so that everyone from the front desk to the back-end service staff had to be prepared to incorporate the firm's online reputation into their everyday duties. To this end, the new objectives were linked to employee incentives.

## **Value creation in a digital world**

In the face of dynamic competition and more informed and chatty customers, a plan such as the one AccorHotels implemented should not be an exception. It should be the rule. In fact, several forward-thinking brands across services (e.g., banks, insurance companies, food services, transport and distribution) have implemented similar approaches to embrace the challenge offered by digital disruptions. Tomorrow, a major driver of value creation will lie in companies' ability to perform content capture, creation, curation and dissemination within an omni-channel and customer-centric approach.

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