CHR Roundtable

High-Tech, High-Touch:

Highlights from the 2016 Entrepreneurship Roundtable

by Mona Anita K. Olsen and Jennifer Blumenfeld

ABOUT THE AUTHORS

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EXECUTIVE SUMMARY

More than two-dozen industry leaders met in Ithaca in April 2016 for the second annual Technology Entrepreneurship Roundtable hosted by the Center for Hospitality Research (CHR) at Cornell University's School of Hotel Administration (SHA). Participants focused discussions on integrating the latest software and hardware with the personal touch that is integral to hospitality and identifying the different preferences among younger and older consumers, among other topics. The gathering included corporate professionals, entrepreneurs, SHA students, and Cornell University's 2016 Entrepreneur of the Year, Leland Pillsbury of Thayer Lodging Group. The wide-ranging discussion kicked off with an evaluation of cloud computing, which now gives consumers a strong and influential voice, and an overview of the important role social media plays in connecting businesses with their customers. Other issues addressed included the importance of customizing technology, such as digital room keys, based on generational preferences, weighing the use of in-house staff versus outside contractors in rolling out and maintaining new operations systems, new online marketing strategies and the need to adapt to a rapidly changing business environment, and using technology to enhance, rather than reduce, connections among staff and management.

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Session 1: "Voice of the Crowd on the Cloud"

Co-Facilitators: Larry Hall '81, President & CEO, Trillium Services Group, LLC, and Ashwin Kamlani, MMH '03, Founder and Chief Executive Officer of Regatta Travel Solutions

Student Perspective: Johnny VanCora '18

Technology has both made it easier to complete common tasks and has also increased the speed of communications. Larry Hall and Ashwin Kamlani noted that traditional media can influence the voice of the crowd, citing the "Blackfish" documentary film on SeaWorld that was picked up by a few distributors and went viral[1]. As a result, many resorts in Mexico and the Caribbean that have captive dolphins on-site for the entertainment now report that some customers refuse to stay in hotels that have captive dolphins. This demonstrates that "the crowd" now serves as the social and environmental responsibility watchdog, Hall and Kamlani contend.

"The cloud gives the consumer a loud amplified voice; companies are held to a higher than ever level of morality and accountability as a result," Hall said.

Consumers now share their thoughts and ideas through social media platforms at a rate and volume businesses struggle to match, as evidenced recently when Chipotle was overwhelmed by the number of tweets and other online communications expressing concern following an E. coli outbreak at the company's restaurants. While it may appear that there is no upside in this situation for the company, it served as an opportunity for Chipotle to connect with its customer base and address the problem, building trust. New online marketing techniques and customer recovery approaches may help restore positive connotations with the company on a more individual level.

Online reviews remain critical for acquiring new customers and word-of-mouth marketing, but people who have bad experiences are much more likely to post a review than those who have a positive experience. In response, the hospitality industry encourages positive reviews on sites such as Trip Advisor, while also reflecting the perspectives of unhappy customers. Businesses must also make sure core values are sustained when communicating online to show a cohesive front to customers. Josh Ogle of The Original Agency said, "Dealing with negative reviews is a pressing issue, and one we dealt with at a previous company of ours. After each guest stayed, we would send out a typical survey with ratings from 1 to 5. If they rated us a 4 or 5, we would send them to TripAdvisor, and if they rated us a 1-3, we would redirect to our own webpage to address the complaint. This was a new way we dealt with reviews and the paradox they can cause." The massive online community also requires prompt responses to consumers by businesses. "The modern era is all about authenticity. You must deliver what you promise,"

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[1] The 2013 film alleges that Seaworld's policy of keeping a captive orca contributed to the orca's fatal attack on its trainer in 2010. Seaworld has disputed the film's conclusions.

Larry Hall, President and CEO, Trillium Services Group, LLC, contends that the cloud enables consumers to hold companies accountable for their actions.

said Jeffrey Lipton, of the MIT Computer Science and Artificial Intelligence Lab.

The session concluded with a discussion on controlling internet activity. When Marriott tried to block customer wi-fi hotspots and force guests to pay for the hotel wi-fi, a social media firestorm ensued, forcing the company to reverse its position and issue an apology. This raises the question: Will the consumer now determine what services a hotel must offer, and how much it will charge for mandatory services? Many legal implications arise with blocking certain online access, but relinquishing control is potentially just as dangerous, panelists noted.

Session 2: "For Tech's Sake! Building Customer Loyalty via Generational Preferences"

Co-Facilitators: Josh Weiss, Vice President Guest Technology Innovation at Hilton Hotels Worldwide, and Mark McCarthy '86, MMH '98, Senior Lecturer of Information Systems at The School of Hotel Administration at Cornell University

Student Perspective: Kelly McDarby '16

This session focused on approaches to successfully bridge the technology "preference gap" among generations while also maximizing profits for owners and operators. The discussion opened with statements regarding the sometimes contradictory preferences of hospitality guests from multiple generations. Josh Weiss shared statistics detailing the different audiences and different places these groups travel, as well as the factors that influence decisions made by these separate groups when traveling. Panelists agreed that the strongest common denominator among all ages is the desire to control their time—that is where the hospitality industry must implement new technology. "We must be deliberate and thoughtful in how we design, deliver, and support technology that stays relevant and intuitive for all of our guests, across generations," said Weiss.

Ian Ford of Undercover Tourist noted that "one of the universal truths among consumers is the wanting to belong and be significant" in a hotel space. With millennials, specifically, there is substantial information on building loyalty with this generation. Hall challenged the participants to consider whether a shift in loyalty is a long lasting societal change, or whether younger people will continue to be loyal 20 years down the line. Hotels still must appeal to a large customer base, namely, the baby boomers, and attracting members of both the young and old groups involves predicting their separate needs and desires. McCarthy asked how many people expect to use a phone to unlock a hotel room, and then presented results from his research showing that 55 percent of individuals polled do not expect a key on their phones. Participants debated how to appeal to customer segments effectively when often the customers themselves do not know what they want, particularly when it comes to technological advances that require a vision for mass adoption. Consumers are quick to decide and share feedback on what they do not want, but not so much on what they do want, participants said.

McCarthy noted that while most consumers today expect easy-access, reliable wi-fi in a hotel room, his research shows that fewer people expect wi-fi access on an airplane.

There is a common theme with innovations made by the hotel industry: technology for technology's sake. Such investments typically degrade the guest experience rather than enhance it, the panelists said, emphasizing the importance of analyzing the number of customers who will use a specific technology as in determining whether to roll out a new product or service.

Weiss suggested that properly addressing a segmented market requires companies to adapt to technological advances by using multi-brand portfolio companies that offers preferences sometimes within a single brand targeted at certain age-group demographics. However, businesses also must address diverse guest backgrounds and preferences, even within a single brand. This idea also relates to human resources, as addressing the preference gap to recruit, train, motivate, retain, and grow a talented and diverse team is a challenge.

Session 3: "Back-of-House vs Out-of-House: Best Practices and Shared Experiences with Outsourced Tech Development"

Facilitator: Christopher Sanson, MMH '06, founder, Code Union, Inc.

Student Perspective: Mary Katherine McGue '18

In-house and outsourced technology systems each have their own advantages and disadvantages. How do they yield a positive outcome? What do they cost? Outsourcing a system may get the product to market quicker, for example, but with less control by the company. Hall stated that "outsourcing is all about philosophy." When an organization uses an outside contractor, it assumes that it receives a better product, but the contractor may be outsourcing, too, adding multiple layers to the system and degrading the quality.

Highlighting the critical role technology plays throughout an organization, Lee Pillsbury of Thayer Lodging Group asked participants to consider every component of the value chain, citing a need for strong systems project managers who can help reduce costs through effective leadership and guidance. As for outsourcing, an in-house technology team is required to oversee the implementation and service delivery processes.

One obstacle for the hospitality industry is its conservative nature. Industry leaders are hesitant to think differently and change their ways. Jules Sieburgh of Jules A Sieburgh LLC said, "Not legacy systems, but legacy thinking is what is holding us behind [in implementing technology] in the hospitality industry." Industry leaders are not only resistant to changes in goods and services, but also to changing their way of thinking. This means that hospitality firms are falling behind in implementing new and potentially beneficial technology systems.

Session 4: "IT Innovation: CIOs and Startups"

Co-Facilitators: John Balen ENG '82, MBA '86, General Partner, Canaan Partners, and Gabe Piccoli, Edward G. Schlieder Endowed Chair in Information Systems, Louisiana State University

Student Perspective: Rachel Wells '18

The world's largest service industry companies use creative marketing strategies to maximize revenue, and many of these strategies include new technologies designed to attract customers. The key is incorporating technology into every aspect of a service encounter, not just in sales campaigns. Participants discussed the importance of considering consumers viewpoints. A focus that solely revolves around the promotion of the product neglects consumers' needs.

Maureen Cushing, Director of IT, Union Square Hospitality Group.

Implementing new technology may be difficult given the rigid structure of the hospitality industry. Since it is easier for large companies to implement mobile communications, for example, based on the ease of use and low cost associated with adoption, they can anticipate a rising demand before the rest of the market. Companies are now relinquishing more control over their products and messages to the customer. Further, the number of business to business (B2B) models is also increasing. Today, a variety of technologies and business models are combined, creating new infrastructures that are more B2B focused.

Leland Pillsbury, of Thayer Lodging Group, Cornell University's 2016 Entrepreneur of the Year.

Session 5: "Hi-Tech, Hi-Touch—Marketing the Extreme Hotel or Restaurant"

Co-Facilitators: Joe Tagliente '89, Managing Partner, Lenrock Management Group, and Lauren Hobbs, Director of Marketing, Union Square Hospitality Group

Student Perspective: Braden Williams '17

The hospitality industry is based on human-to-human interactions, but technology is rapidly eliminating such contact. Despite a desire among some to embrace this development, Braden Williams of SHA pointed out that "a computer will never be able to give a customer the unique experience a person can."

Still, technology can be used in certain aspects of the industry without changing the customer experience. Christopher Sanson of Code Union suggested the use of technology at "the pain points," specifically in the food and beverage industry where operations can be made easier in the back-of-house without directly affecting the front-of-house guest experiences. But there is resistance to change and some industry leaders struggle with modernizing their business models, even in an environment where new technologies can cut costs. An additional challenge is integrating technology into all aspects of the service industry. Adopting technology that remains current at a property level while still targeting each entity is difficult.

Joe Tagliente, managing partner, Lenrock Management Group, noted that, despite the number of technology innovations, none of them has significantly disrupted or changed the industry as a whole. At the same time, business flows may be segmented by technology, and communications between front-of-house and back-of-house employees may suffer.

The importance of changing how back-end employees are treated was another core topic for discussion. Recognizing these workers gives them pride in their jobs, which results in the delivery of a better product. Also, implementing strong back-of-house technology systems is risky in that new and improved systems continue to arrive and companies are hesitant to adopt something that may soon be obsolete. Balancing the way technology segments an industry and creates a seamless flow is one many challenges companies must address.

Ultimately, the roundtable sparked many conversations about broad-based changes in the hospitality industry resulting from technological advances. Most conversations led back to the issue of balancing personal service with the hands-off nature of technology. There was consensus among roundtable attendees, professors, and students that there is no simple way to incorporate technology while ensuring that the personal contact associated with the service industry is not lost. ∎

Appendix

Suggested Readings

"The Impact of Social Media on Lodging Performance" by Chris K. Anderson, The Center for Hospitality Research, Cornell University, November 2012.

www.tripadvisor.com/TripAdvisorInsights/n724/cornell-study-demonstrates-roi-social-media-and-reviews#sthash.B1dtbcje.dpuf.

"Rules for Radicals" by Saul Alinsky.

"How Google Works" by Eric Schmidt .

"Marriott: You win, we won't block Wi-Fi" by David Goldman, http://money.cnn.com/2015/01/15/technology/marriott-wifi/.

"SeaWorld Profits Drop 84% after Blackfish Documentary" by Maya Rodan, http://time.com/3987998/seaworlds-profits-drop-84-after-blackfish-documentary/.

"Me, I'm Lying: Confessions of a Media Manipulator: by Ryan Holiday.

Martin Fraering, Michael S. Minor, (2013) "Beyond loyalty: customer satisfaction, loyalty, and fortitude", Journal of Services Marketing, Vol. 27 Iss: 4, pp.334 – 344.

"Outliers" by Malcolm Gladwell.

Akinwale O. Akinwunmi, Emmanuel A. Olajubu and G. Adesola Aderounmu, "Trust: A Requirement for Cloud Technology Adoption" International Journal of Advanced Computer Science and Applications (ijacsa), 6(8), 2015. http://dx.doi.org/10.14569/IJACSA.2015.060814 - See more at http://the-sai.org/Publications/ViewPaper?Volume=6&Issue=8&Code=ijacsa&SerialNo=14#sthash.pvhByDWY.dpuf.

"What is Code?" by Paul Ford, www.bloomberg.com/graphics/2015-paul-ford-what-is-code/

"Why Software is Eating the World" (2011) by Marc Andreesson, www.wsj.com/articles/SB10001424053111903480904576512250915629460.

"Lessons Learned in Software Development" by Henrik Warne, http://henrikwarne.com/2015/04/16/lessons-learned-in-software-development/.

"Grit: The Power of Passion and Perseverance" by Angela Duckworth.

"The Three Laws of Performance" by Steve Zaffron and Dave Logan.

Peter Atorough, Andrew Martin (2012), "The politics of destination marketing: Assessing stakeholder interaction choice orientations toward a DMO formation, using the Thomas-Kilmann Conflict Mode Instrument", Journal of Place Management and Development, Vol. 5 Iss: 1, pp. 35 – 55.

"Originals: How Non-Conformists Move the World" by Adam Grant.

"The ONE Thing: The Surprisingly Simple Truth Behind Extraordinary Results" by Gary Keller and Jay Papasan.

Technology Entrepreneurship Roundtable

April 13, 2016

Mona Anita K. Olsen, Assistant Professor and Associate Academic Director of the Leland C. and Mary M. Pillsbury Institute for Hospitality Entrepreneurship, Cornell School of Hotel Administration, Chair

John Balen BSEE '82, MBA '86, General Partner, Canaan Partners
Andrew Bate, CEO, SafelyStay
Marco Benvenuti MMH '05, Co-Founder, Chief Analytics, and Product Officer, Duetto Research
Hemant Bhardwaj MBA '15, Founder & Managing Partner, Taurus Ventures
Jason Brown '05, Chief Development Officer, YOTEL
Maureen Cushing, Director of IT, Union Square Hospitality Group
Ian Ford, CEO, UndercoverTourist.com
Larry Hall '81, President and CEO, Trillium Services Group, LLC
Lauren Hobbs, Director of Marketing, USHG
Ashwin Kamlani MMH '03, Founder & CEO, Regatta Travel Solutions
Sarah Kennedy Ellis, Vice President, Global Marketing, Sabre Hospitality Solutions
Josh Lesnick '87, Executive Vice President and Chief Marketing Officer, Wyndham Hotel Group
Jeffrey Lipton AEP '10, Ph.D. '15, Dr., MIT Computer Science and Artificial Intelligence Lab
Ben Littauer CAS '78, Angel Investor, Boston Harbor Angels and Walnut Ventures
Mark McCarthy '86, MMH '98, Senior Lecturer of Information Systems, School of Hotel Administration
Josh Ogle '08, Founder, The Original Agency
Katelyn O'Shaughnessy, CEO & Founder, TripScope
Gabe Piccoli, Edward G. Schlieder Endowed Chair in Information Systems, Louisiana State University
Leland Pillsbury '69, Chairman, Thayer Lodging Group
Polina Raygorodskaya, CEO, Wanderu
Christopher Sanson MMH '06, Founder, Code Union, Inc
Michele Sarkisian, President, P3 Advisors
Zeev Sharon '04, Co-Founder & CEO, Hotelied
Jules Sieburgh '72, MBA '74, Principal, Jules A Sieburgh LLC
Lawrence Stanley, President, The Cap-X Group LLC
Joseph Tagliente '89, Partner & Principal, Lenrock Management Group
Josh Weiss, Vice President - Guest Technology Innovation, Hilton Worldwide

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