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Technology Edition

NOW. NEXT. BEYOND. — Navigating Current Innovation and Future Breakthroughs

The Hotel Yearbook

Foresight and innovation in the global hotel industry

Beds, Assets & Balance Sheets: The Hotel Industry's Journey Through Change

Revenue Growth

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After half a century in hospitality, one truth endures: this industry doesn't stand still. It evolves. Slowly at times, all at once at others. What was once a business built on bricks, beds, and brand loyalty is now a high-stakes game of capital flows, margin compression, and digital transformation. The fundamentals remain: service, trust, and consistency. But everything around them is shifting. If the last decade taught us how to survive disruption, the next one will ask us to lead through it. That begins by rethinking what hotels are, who they serve, and how every square foot and every line of code can drive performance.

Sixty years of combined experience in this business teaches one a few things: how to survive, how to adapt, and most importantly, how to lead through change. The hotel business is not just about rooms and revenues; it is about people, performance, and perseverance. We have weathered oil shocks, terrorist attacks, global recessions, and most recently, a pandemic that nearly brought global travel to its knees. Yet we stand here today to be transformed, tested, and more dynamic than ever.

HOW IT WAS: THE FOUNDATION YEARS

Traditionally, the leading hotel brands were companies that truly embodied the hospitality business – they built, owned, and operated their hotel assets. The big brands were as much real estate companies as they were hospitality brands. To these companies, real estate was a steady, predictable, and safe business, with modest upside potential. After all, how many other investments could you make that would yield 7-10% with a risk of loss that was next to zero?

Profit growth came from rising RevPAR and F&B margins. Not many considered optimizing profit per square foot or how to monetize every inch of space. Sales were generated by networking and deal-making in the conference room. Customer loyalty was built on name recognition and the goodwill of the front desk, not on comprehensive, data-driven analyses of how much a guest spends across the portfolio.

Those times are ancient history.

HOW IT IS: ASSET-LIGHT, DATA-RICH, AND MARGIN-TIGHT

In the current market, the predominant hotel brands have transformed into asset-light global operators. They have transitioned from ownership to management. The core business is no longer about owning and operating hotels, but rather about managing brand systems, loyalty platforms, and fee structures. The guest loyalty programs of the big hotel companies are not just engines of illusions and aspirations for the countless travelers navigating the constraints of mid-tier status (you, dear reader, may be among them); they are also engines of investor value and lead generation.

This shift has changed the distribution of power. Hotel chains concentrate on growing their memberships and planting their brand flags, while they shift the operational and financial responsibilities over to franchisees and real estate investors.

For the chains, the goal is to collect the royalty checks – usually somewhere between 8 and 12 percent of gross room revenue, with much of what's paid for marketing, technology, and reservations counted in the price. For hotel owners, though, the math just gets tougher.

Today's investors look to real estate first and don't mind paying good money for it. They are yield-driven and risk-sensitive. When it comes to hotels, they see them as financial instruments. They value them on CAP rate compression and not much else. And with the cost of capital rising sharply – particularly over the past two years, NOI optimization is more than important; it's essential.

People now converse about GOPPAR (gross operating profit per available room) more than they do about RevPAR. And certainly, less is said these days about profit per square foot. But every square foot of the building – and indeed every square foot of space in the physical plant that house buildings, and the virtual plant of any hotel business – remains under the financial microscope.

- Is there a way to earn money from the ballroom?
- Is it possible to change the way back-of-house space is being used to convert it into either short-term storage or retail?
- Does the rooftop contain an F&B concept that stimulates both positive cash flow and enticing brand buzz?

TODAY'S REVENUE AND PROFIT STORY

Revenue management has become a multidimensional function, integrating space optimization, spa, golf, F&B, parking, and channel mix profitability. AI tools have a major role in this. They offer real-time, demand-sensitive pricing models that maximize yield while minimizing labor dependency. Add to the mix, the power of new Revenue & Profit Operating Systems Platform which role is to assist uncovering every business opportunity from top line revenue to gross operating profit.

Artificial intelligence and profit automation are helping to fill the labor gap and are reducing fixed costs in operations. Predictive staffing, dynamic scheduling, smart energy systems, and robotics in housekeeping or food and beverage prep are delivering measurable lifts in net operating income.

Sales and marketing teams have become commercial strategists who use data to identify high-margin customer segments; to optimize channel costs; and to convert loyalty into a repeatable, trackable return on investment.

At the same time, budget-conscious asset managers have fallen for a seat at the capital-structure table, pouring over performance audits and lease-back valuations with a newfound intensity. Even the most obscure brand-ROI analytics have come under their glare.

These stereotypes of the capital stack may be even less willing (and able) to part with rights for the sake of a revenue stream.

WHERE IT'S GOING: THE NEXT DECADE OF HOSPITALITY

The future of hotels will be less about the physical and more about the digital, less about rooms and more about return on investment.

Ongoing CAP rate compression can be expected for high-performing properties located in major markets. However, this compression will likely be confined to those properties which possess a well-defended margin structure and some appreciable upside potential. Such properties will include those with low fixed costs, a strong brand affiliation, and a well-documented record of operating efficiency. On the opposite side of the spectrum, properties which are underperforming (or which have functional obsolescence issues) will find it much more difficult to get anything approaching favorable underwriting. These properties are also subjected to some virtual downward valuation pressure.

Companies will continue to make loyalty platforms their core value proposition to both consumers and investors. These platforms allow for better leverage in negotiations, reduce reliance on OTAs, and direct a ton of leads to owners around the world. The more *"powerful"* the loyalty engine, the more competitive the flag becomes.

For their part, investors will need to look for:

- Break-even periods that are shorter,
- Payback periods that are faster.
- Possibility of converting or repurposing a building for use other than what it was originally designed for while retaining its historic features.
- Management contracts that are light on fees or franchise terms that are favorable to the owner.
- Models of operation that are enabled by technology.

Every single square foot will count. Look for these things to be in place:

- Spaces for electric vehicles mean that parked vehicles converted to tech lounges or valet monetization spaces come as close to the possible parking of personal EVs. In other words, accompanying space must accommodate the charging of said personal EVs.
- Co-working pop-ups or vending kiosks have replaced dead retail storefronts.
- Food and beverage places of business that function in separate segments to increase their earnings for 18 hours.

In terms of operations, the separation between departments will fade. Revenue, marketing, and operations must act as one – unified by integrated KPIs and real-time dashboards. Labor models will evolve toward flexible, gig-based, or cross-trained teams, with AI scheduling platforms taking the place of old-school foremen.

Every aspect of the hotel will feel the influence of AI, from voice-activated rooms to machine-learning guest profiles and automated procurement.

FINAL THOUGHTS: LEADING THROUGH CHANGE

We can say this after 50 years: the fundamentals – hospitality, consistency, and stewardship – have not altered. What has altered is the way we deliver them, the way we measure them, and the people we answer to.

The winners in this next stage will be those who mix innovation with discipline, growth with efficiency, and technology with human touch. Whether you're a brand leader, an asset manager, a corporate officer, and hotel manager or a front-line employee, you're part of the same system. One that serves, one that performs, one that has the right tech- stack, and one that innovates.

The hospitality business is no longer static; it is changing. It will be the next half-century writers who figure out which kind of change will stick. Are you ready?

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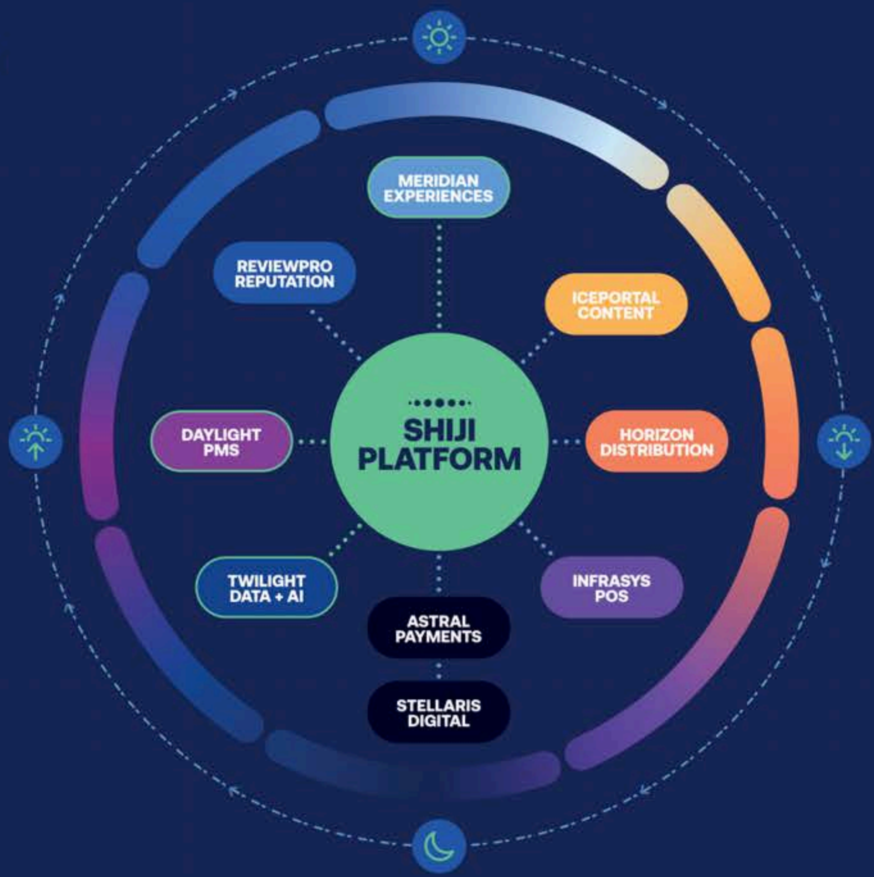

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