HY825

Technology Edition

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

The Hotel Yearbook

Foresight and innovation in the global hotel industry

HYB

The Shape of Hospitality Tech to Come: Funding, M&A, and the Innovation Horizon

Innovation

Michael Cohen
Managing Partner at GAIN Advisors

After two decades of watching hospitality tech rise, stumble, evolve, and occasionally reinvent itself, I have learned to spot when change is more than just a new buzzword. Right now feels like one of those moments. Not a flashy revolution, but a quiet recalibration. One that is redefining how technology is funded, built, and deployed across the industry. From capital discipline to platform thinking, we are entering an era where substance finally matters more than sizzle. And if we pay attention, this shift could set the tone for the next generation of hospitality innovation.

I have spent the better part of the last two decades watching, participating in, and occasionally wincing at the evolution of hospitality technology. And if there's one thing I can say for sure, it's never dull. But something has shifted recently. Not just because of macroeconomic headwinds, although those are real, but because the fundamentals of how tech is built, bought, and backed in hospitality are evolving in a way that I think will reshape the landscape over the next five years.

Let's dig into where we are today and where I believe we're heading.

FUNDING ISN'T DEAD, BUT IT HAS DEFINITELY GROWN UP

Back during the boom of 2021, seed-stage startups in hospitality tech were raising millions with little more than a pitch deck and a bold idea. That landscape looks very different now. Capital hasn't disappeared, but it has become more disciplined. Investors are asking for actual traction, tangible value, and a clear path to sustainable growth. Honestly, I think this adjustment is long overdue.

Today's early-stage funding looks more like mature sector investing. Rounds are smaller and more scrutinized. Investors are putting a sharper focus on product-market fit, while paying close attention to cost structure and scalability. I have seen angel investors take a step back and some early-stage VCs shift attention to industries that offer more immediate cross-market potential.

Still, the hunger for innovation in hospitality remains. What has changed is the type of innovation getting attention. Tools that support frictionless guest experiences, AI-driven back-office efficiency, and sustainability tech are still attracting funding. But now, it's about offering integrated solutions that can scale across multiple property types or geographies. Operators are tired of managing a patchwork of single-point tools. Investors have taken note.

SERIES A AND B: THE MIDDLE GETS MUSHY

Getting from seed to Series A or B used to be a momentum game. Now, it's more like a gauntlet. Hospitality tech founders are facing a tough reality. The leap from a handful of beta users to meaningful market penetration is particularly difficult in an industry still weighed down by legacy infrastructure and slow change cycles.

I don't expect a flood of Series B funding rounds in the next couple of years. What I do see is a rise in strategic partnerships, with hotel brands and large operators stepping in where traditional VC might have walked away. Operators with digital transformation agendas are increasingly acting like investors, seeking technologies that align with their five-year plans.

This shift means the *"middle"* of the funding funnel may not disappear, but it will change form. Instead of traditional VC rounds, we'll see more alliances and joint ventures that are less about capital and more about strategic fit. Tech companies that can drive efficiency, improve revenue per available room (RevPAR), or reduce operational headaches will continue to attract funding. But unproven concepts and gimmicky ideas won't make the cut.

M&A: FROM PANIC BUYS TO STRATEGIC CONSOLIDATION

The M&A landscape in hospitality tech used to feel like a race to appear innovative. Companies were getting acquired just to fill out press releases. That's not the case anymore. What we're seeing now is a smarter wave of consolidation.

Some of these deals are driven by survival. Startups that couldn't scale fast enough are being absorbed by bigger players. But increasingly, acquisitions are strategic and focused on ecosystem building. Private equity firms are particularly active, looking at fragmented tech stacks and asking how they can bring everything together under one roof.

In the next few years, I think we'll see more ecosystem-driven acquisitions. Private equity is no longer chasing features. It's looking to acquire foundations, then build around them. A property management system might become the core, with bolt-on acquisitions in areas like guest messaging, operations, or revenue management layered on top.

The age of disconnected point solutions is winding down. Hotel operators want fewer vendors to manage and more seamless integrations. That mindset is directly influencing both investment decisions and acquisition strategy.

PRIVATE EQUITY'S STRATEGIC PUSH

Private equity has always been a strong but quiet force in hospitality. Recently, it has become much more visible. With public markets turbulent and real estate returns under pressure, many PE firms are doubling down on operational improvement. Technology is their lever of choice.

I see two clear strategies forming. On one side, there are PE firms digitizing their current portfolios. They're introducing automation, optimizing energy usage, and improving workforce management across existing properties. On the other, some are building standalone hospitality tech portfolios. These groups want to offer software products across the industry, not just within their own assets.

Either approach will give private equity more influence over the next wave of hospitality technology. It's not just about money anymore. It's about reshaping how technology is deployed and scaled.

WHAT TO EXPECT OVER THE NEXT 5 YEARS

I won't pretend to have a crystal ball, but here are a few things I'm watching closely:

- AI will become part of the operating fabric. It won't be flashy. It will be subtle, woven into guest communications, predictive maintenance, and pricing decisions.
- Sustainability tech will draw more capital. Especially in Europe and Asia, where ESG standards are tightening, products that help hotels meet environmental goals will be seen as essential, not optional.
- Cybersecurity will become a key competitive factor. As hotels collect more personal and behavioral data, protecting that information will be crucial.
- New models of hospitality will challenge incumbents. Think modular hotels, tech-enabled lodging hybrids, or membership-driven microstay brands. These companies often design their tech stacks from scratch, giving them a major speed advantage.

ADVICE FOR BUILDERS, BACKERS, AND OPERATORS

If you are building, my best advice is to think beyond the feature. Build for platforms, for scalability, and for operational simplicity. No one is looking for another tool that solves just one thing.

If you are investing, prioritize teams who understand the grind of daily hotel operations. The strongest tech companies I have seen in this space are built by people who have spent time on-property, not just in front of a screen.

And if you are on the operations side, start treating your tech stack like a strategic asset. Map your workflows, evaluate inefficiencies, and engage with tools that reduce complexity. Your future competitiveness might depend on it.

LOOKING AHEAD: A QUIET, STEADY TRANSFORMATION

Hospitality tech is entering a new phase. One with fewer flashy launches and more thoughtful growth. The capital is still flowing, but it's more selective. The deals are still happening, but they're more strategic. And the innovation, while maybe less headline-grabbing, is becoming more impactful.

What excites me most is that technology is no longer an accessory in this industry. It's becoming part of the core strategy. The quiet transformation happening right now could end up defining the next generation of hospitality experiences. And if we get it right, I think the future looks very bright.

more than insights | roomangel.org