

# Hospitality Industry Trends

By [Konstantin Goriainov](#)

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## **Konstantin Goriainov**

Senior General Manager

Holiday Inn Moscow Lesnaya

and Holiday Inn Moscow Sushevsky

The hospitality industry, traditionally more focused on the physical product, is waking up to a consumer who is demanding consistent delivery of the brand promise and, in the upscale to luxury segments, will define a successful brand as much as the finer points of the product design.

In emerging markets such as BRIC countries there will be a significant growth of mid-classes, generating an increase in demand for both business and leisure travel.

While much of the development until recently has focused on the upscale and luxury market the greatest potential in these markets lies in the growth of branded mid market and budget product.

The most successful brands in the nearest future will be those that are able to most efficiently engage with consumers and clearly differentiate their offering from their competitors. Delivering their brand experience consistently at a transparent price point will be vital to success.

The new "lifestyle" brands will be an increasing force in the market, continuing their growth in both number and scale. Their RevPAR (revenue per available room) often with relatively low conversion costs will appeal to operators and owners alike.

So what will be the new rules of the game?

- Global budget hotel brands will emerge. Game changes will move quickly to take advantage of faster economic growth prospects and supply shortages in emerging markets.
- Loyalty programs will continue to drive recognition by guests.
- "The boomers" are a key segment and should be targeted with life-enhancing products.
- Social media will continue to transform connection with travelers.
- Enhancement in room technologies will be rocketing, though hotel operators will try to keep it simple to use.
- Yield management tools will be developed and extended to improve cost management.

Average staff turnover in the hospitality industry is still about 35 percent to 40 percent. With high staff costs and strong correlation between staff retention and guest satisfaction, hotel management companies will need to consider how best to recruit, reward and retain talent to ensure consistent guest satisfaction.

In unstable times, the hospitality industry will need to find best practices in minimizing the shocks of unpredictable events. These impacts can be large such as the recent recessions, affecting RevPAR on a global scale and reducing average occupancy to historic lows. They can be on a smaller scale, such as an impact of a terrorist attack, a natural disaster or a major health scare on travel to a specific destination.

Strong organizational restructuring, business planning, flexible pricing, loyalty and customer care will help to stand these storms. Many aspects of a hospitality business can be planned, and many contingencies foreseen and prepared for.

The Russian hospitality market, being strongly dependent on international travelers and showing current records in ADR and RevPAR indexes, is heavily influenced by oil and gas prices and will need to look deeply into domestic market travelers and special/sports events opportunities. The new hotel construction boom is also anticipated in light of the Sochi Olympics in 2014 and the World Cup in 2018.

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