The Current Macroeconomic and Industry Landscape

The impact of the COVID-19 pandemic on Travel and Hospitality organizations is undeniable — global spending on travel cratered 49.1 percent virtually overnight,[1] and companies made tough decisions to survive in the wake of significant declines in revenue. The good news is there has been a strong resurgence in travel due to pent up demand — travel and tourism revenue is expected to show an annual growth rate (CAGR 2022-2026) of 8.46 percent[2] – creating opportunities for Travel and Hospitality organizations, including hotels and lodging, aviation, car rentals, cruise lines, casinos and restaurants, to start to recover lost revenue and market share.

While strong recovery and growth is expected in the travel and tourism segments, business travel continues to struggle to achieve pre-pandemic levels. This rapid growth in one segment, coupled with a continued slowdown in another, makes finding an equilibrium and growing profitability a challenge. As such, Travel and Hospitality organizations must find a way to rapidly pivot to meet changing customer demand and navigate a challenging economic climate.

Looking across the broader industry landscape, not all industries and companies were impacted by the pandemic in the same way. Leading companies were able to diversify and quickly adapt to changing customer needs and were thereby able to better weather the storm and, in many cases, achieve growth. The most successful companies were able to rapidly adjust their service offerings and channel strategies to adapt and meet customer demand. This required strong leadership vision and agile ways of working, all enabled by a technology capability which could rapidly pivot to enable these new services and channels.

Examples include retailers implementing buy-online, pick-up-in-store programs that allowed them to remain operational at a time customers did not want to enter a store, or health care professionals that quickly pivoted to telemedicine. In travel, Wyndham Hotels & Resorts moved quickly at the height of the pandemic in 2020 to roll out mobile app contactless check-in capabilities across 6,000 hotel properties in North America.[3] Combined with a new customer data platform, the move also improved the customer's experience by allowing the company to add other features to the app, such as in-stay features, reward point management and gamification.

To replicate the successes achieved by these leading companies, Travel and Hospitality organizations must emulate these behaviors, rethinking how they deliver technology services to provide the necessary flexibility and agility in these uncertain economic times. This desire to reposition the technology organization is not new – it has existed for decades – but very few companies have successfully solved the challenge of creating a technology organization that is able to adapt and reinvent.

> *Our focus at Alvarez & Marsal is to bring our proven experience as operators and consultants to help Travel and Hospitality clients solve this age-old technology challenge. Key to this success is repositioning the current technology organization from cost center to value creator focused on delivering differentiated services, experiences and capabilities through technology.*

Sources:
[1] News Article | World Travel & Tourism Council (WTTC)
[2] Travel & Tourism - Worldwide | Statista Market Forecast
[3] Wyndham Completes Rollout of Mobile Check-in to 6,000 Hotels in North America | Travel Agent Central

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Characteristics of Leading Technology Enabled Organizations

Leading organizations across industries have realized the role technology plays in the success, or failure, in navigating periods of change and disruption. They have changed their mindsets to:

Move the Technology Organization From Cost Center to Value Creator – Successful organizations changed the narrative of the technology organization from being viewed as too costly and too slow to positioning it as a value creator.

Have a Clear Focus on Talent – Leading companies have built talent strategies focused on what skills to build, what to borrow, what to buy and what to automate. This includes identifying which roles and capabilities provide competitive advantage and ensuring a clear plan is in place to build internal talent in those areas. Non-strategic roles can then be either sourced or automated.

Break Down the Silos – Silos between business, technology, digital (if a separate functional area), franchisees / owners and ecosystem partners increase friction and complexity. Effective organizations break down these silos to help drive partnership and shared accountability.

Adopt Business-Centric Metrics – Traditional technology metrics have shifted to include Key Performance Indicators (KPIs) and Objectives and Key Results (OKRs) aligned to clear business outcomes (e.g., RevPAR for hotels, on-time arrivals for airlines, etc.). Employees across all functions and at all levels of the enterprise are measured and evaluated based on these metrics.

Rethink Technology Investment – Leaders have ensured targeted investment is available for architecture modernization, technical debt reduction, reskilling and innovation. This funding includes both "net new" investment and employing a "zero based" mindset to continuously evaluate and eliminate low value added spend. Our experience has shown upwards of 20 percent or more of existing technology spend can be optimized and redirected to more strategic areas.

Five Steps Travel and Hospitality Organizations Can Take to Address Service Challenges

There are several actions Travel and Hospitality organizations can take now to learn from these leading organizations and build the technology capabilities needed to better compete and grow market share in uncertain economic times:

1 **Develop a technology and digital strategy focused on business value creation –** Build a pragmatic and actionable strategy of how technology can enable the overall strategic imperatives of the company. This should include a people-centric digital strategy focused on both the customer and associate experience and include a clear plan to develop new service offerings and use cases using emerging technologies (e.g., mobile, contactless engagement, virtual / augmented reality, robotics / automation and green technologies). As an example of this potential value creation, nearly two-thirds of respondents to a recent Oracle and Skift survey[4] of hoteliers and consumers globally said that incorporating new technologies, such as mobile, contactless, virtual, personalization, gamification and more, would help them attract the next generation of hotel staff and arm them with the tools they need to provide better service.

2 **Evaluate and remediate capability and talent gaps –** Using the strategy as a North Star, evaluate current technology, digital capabilities and talent to identify any key gaps. Build a talent strategy to close gaps through a combination of hiring, reskilling, sourcing and automation.

3 **Begin the shift to new ways of working –** Evaluate, design and implement new ways of working — product-based operating models, agile practices, etc. — as a means of breaking down traditional operating silos and creating empowered, cross-functional teams focused on business outcomes. Shift to business centric metrics to better measure the impact of these teams.

Sources:
[4] Hospitality in 2025: Automated, Intelligent and More Personal | Skift and Oracle Hospitality

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4   **Modernize technology architecture and service delivery –** Invest in building technology architectures — cloud based, microservice and API driven — designed to enable modern engineering capabilities, improve system integration and support partnerships and data exchange across the travel ecosystem, all while improving the quality, cost and speed to market of technology enabled services.

5   **Improve technology investment and funding processes –** Shift to more variable cost structures and evolve from traditional project and annual-based funding models to portfolio / product-based funding models, where teams can adjust their work to meet changing market demands and needs.

Next Step: Define Your Path Forward

Change and disruption is inevitable. Leading companies constantly evaluate the services they offer and how they are delivered to better adapt to changing market conditions. These companies have built robust technology capabilities to support this flexibility. Travel and Hospitality organizations should learn from and adopt these practices to successfully navigate a challenging economic climate.

The key is to think big, start small and scale fast while employing a pragmatic approach with a laser focus on how technology enabled capabilities will drive your desired business outcomes and customer experiences.

During this journey, leaders should partner early and often — bringing together key stakeholders across the business, technology, digital, franchisees / owners and ecosystem partners. These stakeholders should work collaboratively with a focus on value and quick wins aligned to return on investment and tangible business outcomes (OKRs and KPIs).

Travel and Hospitality companies who successfully solve the age-old challenge of building a modern and flexible technology function that can rapidly pivot to enable new services and channels will be best positioned coming out of the pandemic to adapt to changing market conditions and grow profitability, increase market share, and improve associate and customer engagement.

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ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) for leadership, action and results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services. When conventional approaches are not enough to create transformation and drive change, clients seek our deep expertise and ability to deliver practical solutions to their unique problems.

With over 7,000 people across five continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, leverage A&M's restructuring heritage to help companies act decisively, catapult growth and accelerate results. We are experienced operators, world-class consultants, former regulators and industry authorities with a shared commitment to telling clients what's really needed for turning change into a strategic business asset, managing risk and unlocking value at every stage of growth.

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