



TRAVEL, HOSPITALITY & LEISURE

# Technology Modernization in Hospitality

## Part 1: Management Companies



Increase your competitive edge through modernized technology.

More than two decades ago, Watts S. Humphrey stated, “Every company is a software company.” Over the past several decades, that quote has been repeated and evolved to versions such as “Every company is a technology company” or other similar messaging. As technology becomes more and more integrated into our daily lives, companies must continue to modernize and evolve their technology and technology-enabled capabilities to continue to provide high-quality, differentiated services to their customers and employees.

In previous articles, we’ve discussed the impact technology has on the hospitality industry, ranging from our perspectives on how to optimize the hotel workforce and address ongoing labor challenges, to repositioning the technology organization from a cost center to a value creator, to modernizing legacy platforms and leveraging emerging technologies such as generative AI, augmented reality, 5G and edge computing to unlock new value across the front, mid and back office.

More times than not, however, these perspectives are written through the lens of the large hotel brands. While these players hold larger technology debt than others, they also enjoy more resources to address these challenges. In this edition of our series, we’ll explore the impact of technology modernization and technology debt reduction on another key player in the hospitality industry — management companies.

The rate of improvements and infusion of value drivers into modern platforms is increasing. It is common that updated or recently created platforms add new business capabilities which drive top line and/or bottom line improvements. Examples include leveraging AI to make smart recommendations through the company’s digital channels, creating new ways to engage your customers and introducing cloud-based platforms that can power a shared service.

## The Management Company Technology Challenge: Modernization

Management companies have a series of unique challenges when it comes to technology operations, modernization and innovation:



**Flying multiple flags** – Most management companies oversee operations for multiple brands, as well as independent or unbranded hotels, each with their own unique (and often custom) technology stacks. This greatly increases the complexity and cost of developing, integrating and deploying new technology initiatives.



**Consolidation and reporting** – Having multiple technology stacks and data sources makes consolidation and reporting extremely difficult and, often, highly manual. This makes basic, backward-looking reporting both time consuming and challenging, and predictive, forward-thinking analysis all but impossible.



**Obtaining stakeholder buy-in** – In addition to corporate stakeholders, management companies must also work closely with owners to secure buy-in and funding for technology investments. Complicating matters, these investments may compete with more attractive initiatives like renovations which would appear, on the surface, to have a more immediate return on investment to owners.

| Management companies: unique in scope and complexity.



## Leading Organizations and Technology Modernization

As a first step, management companies should look to companies both within and outside the hospitality industry and seek to model the behaviors of companies with mature, industry-leading technology capabilities. These aspirational peers:

Use technology as a competitive and market differentiator – Management companies should view investments in technology and technology-enabled capabilities as both an enabler of top line growth — via attracting new guests and owners — as well as bottom line improvement via operational efficiency and excellence, driving improved loyalty and retention across both their associate base (via a better work experience) and owner base (via higher perceived value of working with the management company).

### Market Differentiator Case Study: Remington Hospitality

Remington Hospitality, with over 120 properties under management, introduced a proprietary reporting solution named REMi which provides data and analytic services to its owners and associates. The branded system allows Remington to improve performance across its hotels through the collection of data correlating to its five performance drivers: revenue growth, cost control, market share performance, asset maintenance and associate engagement. REMi allows for a branded approach that shares digestible data in real time, enabling investors and staff to turn the metrics into an efficient response that drives results. Since implementation, REMi has led to an increase in views of over 90 percent, with 15 percent of total views coming from mobile devices.<sup>1</sup>

Partner to create scale – Most management companies lack the funding and talent to develop the technology-enabled capabilities and experiences of larger hospitality companies. Leading companies solve for this by developing strong alliances with the hotel brands, vendors and other service providers to collaborate on solutions versus trying to build them independently.

### Ecosystem Partnership Case Study: Hotel Equities

Hotel Equities, with approximately 300 properties under management, leveraged an ecosystem partnership with Grazy to implement a digital tipping platform. The initiative aims to enhance the overall associate and guest experience by providing a convenient, secure and cashless way for guests to express their appreciation for exceptional service.<sup>2</sup>

Build compelling value cases – Leading companies understand the cost of technology modernization, but just as important, they also understand the cost of inaction. These include loss of competitive advantage due to inferior technology offerings (i.e., outdated property level systems – POS/PMS/Reservations, inability to support mobile offerings, etc.) and the increased risk of system outages that derail operations, both of which can have major reputational and financial impacts. To build a compelling value case, management companies should factor in the return on technology investments as well as the benefits of improved service offerings and reduced operational risk.

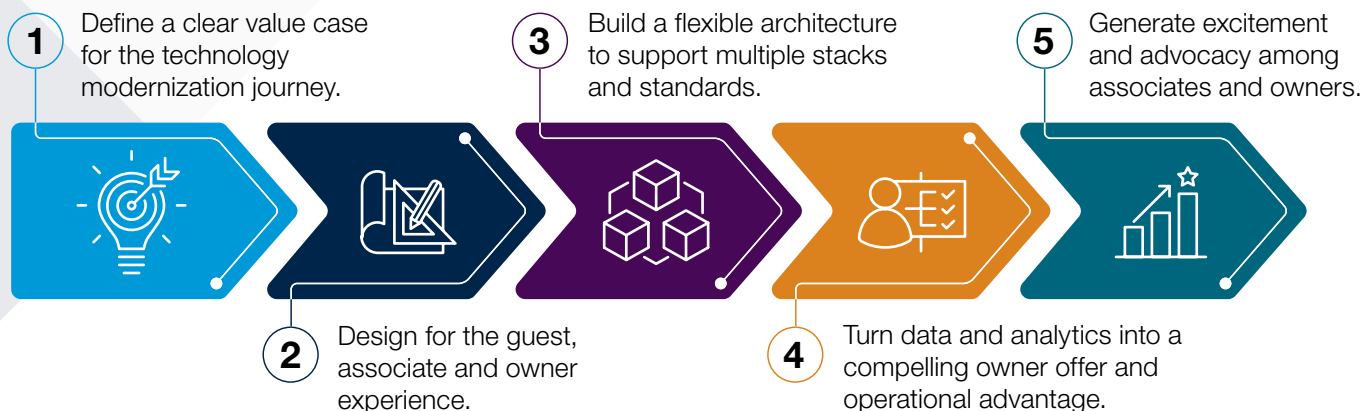
Effectively manage stakeholders – The human element of technology initiatives cannot be overstated, and leading companies understand the impact of technology modernization efforts on each of the many stakeholder groups involved. Each of a management company's key stakeholder groups may have different reasons to become detractors to technology modernization efforts:

- a. Owners may prefer to see capital deployed in other more visible efforts (i.e., renovations, improved food and beverage programs).
- b. IT employees may have specific technology biases which need to be overcome.
- c. Property level employees may not understand the benefits of the investment or may see things like automation as a threat to their jobs.

Effective stakeholder management is critical throughout the modernization journey, from initial ideation and value case development, through to implementation and steady state.

## Five Steps Management Companies Can Take to Accelerate Technology Modernization

There are five practical steps management companies can take now to jump start their technology modernization journey.



- 1. Define a clear value case for the technology modernization journey** – Management companies should define and articulate a clear vision and value case on how technology will enable the strategic goals of the organization and how it will improve processes across the value chain. There should be a defined value case — financial and operational — against which the success of these initiatives can be measured through the lens of all key stakeholder groups.
- 2. Design for the guest, associate and owner experience** – There are numerous technology platforms and touchpoints across the front, mid and back office. Many hospitality companies focus on the front-end guest experience, often ignoring the mid and back office. While the front office experience is critical, improvements to the mid and back office are key to gaining support and advocacy from associates and owners. As you build your modernization strategy and roadmap, consider ways to enhance the associate and owner experience in addition to the guest's experience.
- 3. Build a flexible architecture to support multiple stacks and standards** – Management companies must find a way to balance the tech stacks of multiple hotel brands, internal brand standards, existing/legacy platforms for independent hotels within the portfolio and other third parties. The architecture should support innovation and operations. As you define the end user experience, ensure that a flexible and scalable technology architecture is put in place that fully connects the dots across the complex ecosystem of partners and solutions.
- 4. Turn data and analytics into a compelling owner offer and operational advantage** – Building a more modern technology architecture will also unlock the ability to access data stored across the enterprise in a faster, more efficient manner. Building processes and toolsets to better access and use that data will have immense benefits, such as improving operational visibility, enabling more proactive (versus reactive) decision making and setting the foundation for use of emerging solutions like AI. Investments in these capabilities can improve guest behavior prediction, streamline financial consolidation across portfolios, and enhance proactive reporting to owners and property level leadership.
- 5. Generate excitement and advocacy among associates and owners** – Active engagement and communication across all stakeholders is critical to a successful program. This should start during the initial strategy and value case development and continue after implementation to fully realize the benefits of the program. If engagement and communication are set up correctly, the program will build support and advocacy within and across different groups as they see the benefits of these solutions in their day-to-day activities. Furthermore, by developing solutions that drive clear benefits for owners, organizations can increase acceptance for current (and future) technology fees as well as improve the ability to create a compelling value proposition when attracting new owners.

## Start Here: Define Your Path Forward to Technology Modernization

Newton's first law of motion states, "An object at rest remains at rest, and an object in motion remains in motion at constant speed and in a straight line unless acted on by an unbalanced force."<sup>3</sup> This concept applies to technology modernization as well: companies that delay their modernization efforts — be it due to the fear of the unknown, lack of funding or stakeholder/corporate politics — will continue to remain in a state of inaction, accruing greater technical debt and losing competitive advantage, all while creating negative guest, associate and owner experiences.

Companies that initiate motion, even in small ways, will quickly build momentum on their technology modernization journey and create compelling technology-enabled capabilities and offers that retain existing owners and attract new ones.

### Sources:

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