



How Can Innovation in Luxury Hospitality Contribute to Optimize Client Experience?

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Acknowledging the global trend in the Luxury Industry to focus on Client Experience, SémioConsult® supports Gaetane Roche's proposal to try to understand how Innovation in Luxury Hospitality can contribute to the optimization of the overall client experience by leading a global observation on innovation in the sector, thus identifying 125 innovations in 31 French palaces and Luxury brands from hotel groups and a benchmark on airlines and cruise companies.

Do not hesitate to get back to us, should you need a deeper analysis of the market or should you have any queries regarding this project: info@semioconsult.com.

How is luxury hospitality usually defined?

Luxury is often qualified by the know-how and the quality used to produce the provided product or service. Exclusivity, the choice of noble or scarce materials and the price are also among the main differentiators observed. Guests can use their consumption of luxury to express themselves, luxury consumption having a social value.

However, luxury hospitality is defined by classifications rather than by the above criteria. Those classifications emerged in the 20th century. To date, no global common classification exists to allow the harmonization of luxury hotels in the world. In France, the agency for touristic development Atout France proposes levels from 1* to 5* in addition to the Palaces distinction created in 2010. Luxury hospitality key players also gather and take part into consortiums such as Traveller Made, Virtuoso, Small Hotels of the World. These consortiums are a means to acquire a natural classification that does not require necessarily to go through the star system procedures.

What is client experience?

In the 80s, marketing theory considered clients as rational entities, who made consumption choices and actions based upon facts and utility. The challenge for companies was back then to offer the right product at the right price. Today, clients are conceived as much more complex. Their emotions and individuality play essential roles in their relationship with the brand. Therefore, firms able to offer impactful experiences are the ones going further: they take into account the emotional value as well as the specificity of the moment and the client's mood. This enables brands to create a positive memory and set the basis for a long-lasting and loyal relationship.

Mature companies also understand that the client journey starts way before the act of purchase and ends long after. The client, who experiences a stimulus – an unfulfilled need or desire, feels a tension that leads him to search for information to make the right consumption. During the experience itself (using an object purchased or enjoying a hotel stay, an event...), the brand has to maintain the bond with the client and a high satisfaction level, since he shares his experience and feelings, mostly through social media but also through word of mouth. And this process lasts even post-experience with the client sharing his feedback. Each stage of the process brings risks for brands. Therefore, firms need to be constantly effective in enhancing the quality of their relationship with the client. One of the main risks for the brand is thinking that the efforts dedicated to the client relationship prevent the company from experiencing a gap between the efforts provided and the perception of the client.

Digitalization adds up to the complexity of client relationship management. In addition to the traditional PoC (Points of Contact: PR, media, word of mouth, emailing, in-store experience...), online ads, SEO/SEA, mobile and newsletter among others have increased the number of touchpoints. They also provide opportunities for brands to collect information on clients thus making it possible to fine-tune the offer on a personal fitted basis. Personalization is indeed a main expectation of luxury clients, who do not want anymore to receive standardized offers, lacking emotions. This also applies in the luxury hospitality sector and explains the success of niche boutique hotels.

The quality of the client experience is defined by the client's memory of all the interactions experienced during the whole client journey. To meet to the need of a seamless experience, companies now put themselves in the clients' shoes and have become client-centric.

The shift towards 'Transformational Experience'

The previous 'I was there' attitude has become an 'Experiencing the there' attitude. Instead of simply attending various places from a list of destinations, guests now expect, and even require, to discover the heritage and the specificities of the destination. Hotel brands ought to include this in the experience they offer to their luxury guests.

Elaborating the right client experience needs to encompass six dimensions:¹

- Sensorial: sense, aesthetic pleasure
- Emotional: affective system, mood, feelings, emotions
- Cognitive: conscious mental processes, engagement through creativity or problem-solving pleasure
- Pragmatic: practical terms, usability
- Lifestyle: system of values and beliefs, adoption of a lifestyle and behaviors
- Relational: social context, relationship with others, consumption together, creation of a community or a tribe of fans...



In hospitality, companies face and must satisfy clients who are always more informed, educated, destination-oriented, independent, flexible and environmentally and socially conscious.

But today's guests also lack time to prepare their trip, so they expect hospitality companies to guide them through this process. Guests also prefer to allocate their disposable income to travel and leisure, being definitely more interested in participating, learning and 'experiencing the there'.

Client experience in luxury

Luxury brands want to embark clients in a **dream**, both through **physical and digital experiences**. Today, **generations X, Y, Z** and **baby-boomers** cohabit among luxury clients. Another parallel phenomenon is the emergence of more nationalities and cultural backgrounds among the regular luxury hospitality guests.

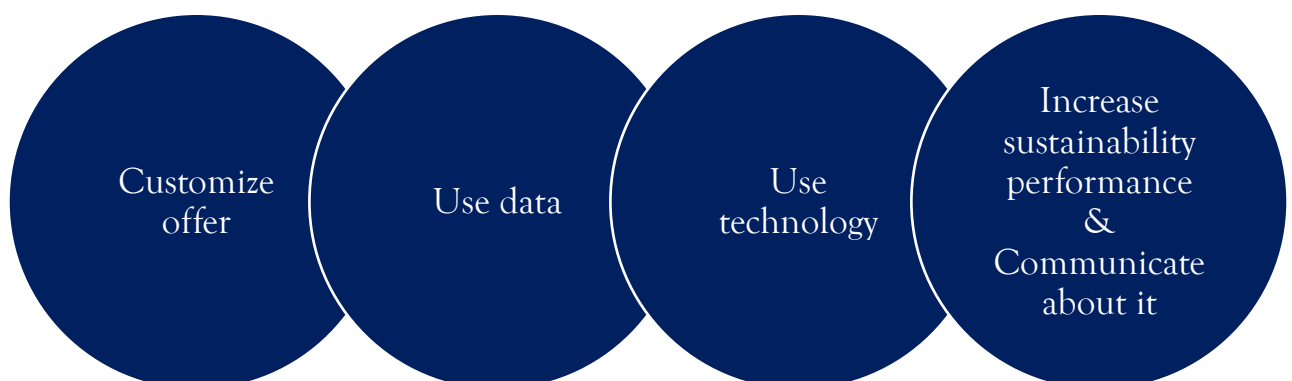
Overall, the general trends sought after by luxury guests are:



To offer a successful experience, luxury hospitality brands need to create experiences where **the stimuli** generated by the interaction with the company and its offering **match or exceed guests' expectations**.

There are key triggers to respect to achieve this objective:

1. **Customize the offer** and create **intimate interactions** with the guests to ensure *guest satisfaction* and improve *customer loyalty*.
2. **Use data** on guests' preferences and share it with other hotels from the group to *optimize the guests' next stay*, and so they have *no need to repeat their requests*.
3. **Use technology** to offer a *seamless experience*: Include **sensorial and emotional components** to the experience.
4. **Increase sustainability performance and communicate about it** (share it with the guest).



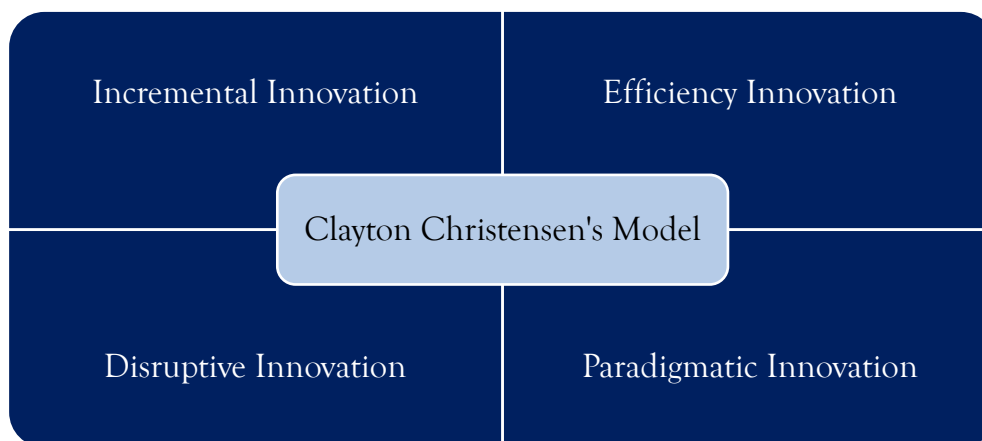
Innovating to survive

According to the OCDE's 1997 definition, a product or a process is innovative when **it reaches a market** or when it is **implemented in a means of production**.

Innovations include **new technological developments** as well as **processes** which are **improved or considered as new by the company, the market, the company's country or even on a global scale**.

Among the many possible innovations in a sector, they can be classified according to their degree, as in Clayton Christensen's model:²

- Incremental innovation: a slight improvement in the offer which remains nearly the same overall.
- Efficiency innovation: enabling the entity to reduce the costs to produce the previous service or product.
- Disruptive innovation: creating a new value and market network, it disrupts the market-leading companies in an existing market.
- Paradigmatic innovation: a new product or service addressing a whole new market.



These innovations can cover different areas of the company's activity and can relate to products, process, Marketing/sales or organization.

Study on innovation in luxury hospitality

An observation of the latest innovations in luxury hospitality has been led in order to check four assumptions:

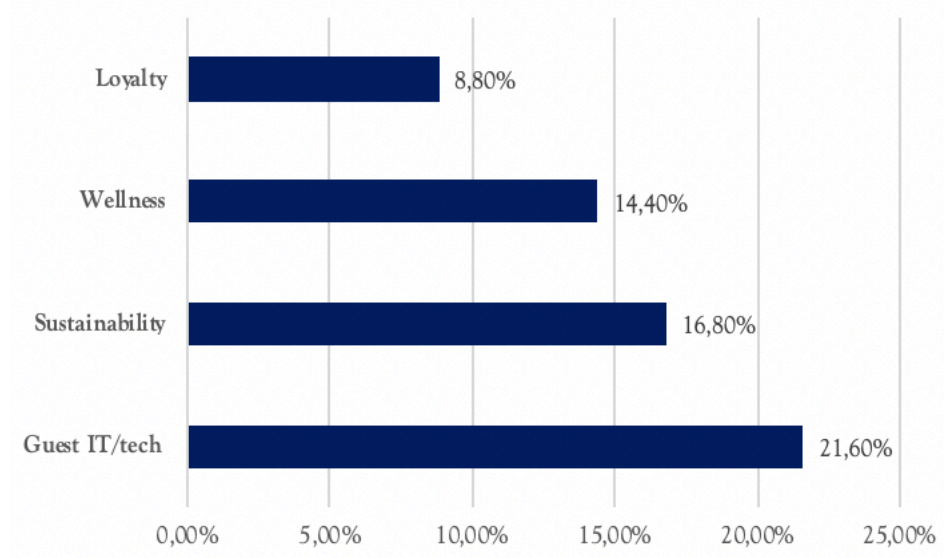
- H1 - Most innovations are about data/technology, experience and sustainability.
- H2 - Most innovations presented as such by hospitality companies are incremental.
- H3 - They mostly deal with Product innovation and address guests.

- H4 - The disruptive innovations encompass the Process and Organization innovation types.

This study has been conducted on the main hotel groups offering luxury brands in their portfolio (Accor, Four Seasons, Hilton, The Hong Kong and Shanghai Hotels Limited, Hyatt, IHG, Jin Jiang, Kuoko Group, Mandarin Oriental and Marriott) as well as the 31 palaces in France. Focused on innovations observed since January 2018 to the beginning of March 2020, the study identified **125 innovations**.

H1 - Most innovations are about data/technology, experience and sustainability

The main topics are: **Guest IT/tech (21,6%), Sustainability (16,8%), Wellness (14,4%) and Loyalty (8,8%)**.



It underlines the particular importance of **data, technology, experience and wellness** in the sector.

The growing number of guests willing to use digital, like Millennials or Chinese guests, are drivers towards digitalization.

As examples, we can cite:

- *Four Seasons Chat*, powered by real people, added the WhatsApp channel since December 2018. It became available on 9 messaging platforms, delivering response times averaging 90 seconds or less.
- *Baidu's AI solution* customized for InterContinental Hotels & Resorts.
- *The Partnership between W Hotels (Marriott) and Rent The Runway.*
- *Azora*, the first yacht of The Ritz-Carlton Yacht Collection.
- *Marriott International's commitment to eliminating single-use shower toiletry bottles from its properties worldwide.*
- *Mandarin Oriental Paris fighting food waste* by collaborating with Too Good To Go.

H2 - Most innovations presented as such by hospitality companies are incremental

The widest proportion of the **125 innovations observed** is about Incremental ones (86%). It is explained by the fact that hotel groups have already engaged in a digitalization process and in the evolution of experiences to provide authenticity to their guests.

H3 - They mostly regard Product innovation and address guests

Among the 108 *Incremental innovations*, 22 are about Marketing/Sales, 27 regard the Organization, 26 are about Process and **33 about the Product**.

Among the Product innovations, we can cite the *first undersea room at Conrad Maldives Rangali Island****** or the *InterContinental Icons program* which provides guests with recommendations of experiences which allow the guests to discover and enjoy the area like the locals.

H4 - The disruptive innovations encompass the Process and Organization innovation types

Among the 16 *Disruptive innovations*, 1 is about Marketing/Sales, 7 regards the Organization, 2 are about Process, and 6 are about the Product.

These disruptive innovations include:

- *Hyatt's first public bug bounty program* in partnership with HackerOne! to increase cybersecurity,
- *W Hotel's launching of its own music label* and records the artists supported in its Sound Suites,
- *Four Seasons Hotel Silicon Valley is the first to feature Tonal*, the world's most intelligent gym and personal trainer, in-room for guests to use at their convenience.

Benchmark – Innovation in airlines and cruise companies

After this qualitative and quantitative analysis of the innovation observed in the luxury hotel industry, a sample of important luxury airlines or cruise companies has been observed to compare the innovations implemented in the same period.

The panel of announcements analyzed was made of Emirates and Singapore Airlines' communication, both companies being famous and awarded for the quality of their luxury offer. The cruise line companies observed were Cunard and Oceania Cruises, both part of leading global cruises groups.

Results

- The topics of data, technology, experience and sustainability are indeed the most represented. Companies have put in place new offers, new developments to make these topics evolve in order to satisfy the clients and provide them with an improved experience.
- The customer journey and the company's response in the airline and cruise sectors are similar to the ones of the luxury hospitality sector.
- The company's steps in all sectors analyzed to respond to these stages are the following:



- The main subject in luxury hospitality as well as in airline and cruise sectors is Experience.

Main takeaways of the overall study

- As guests' profiles and expectations evolve, they look for transformational and seamless experiences.
- Brands need to bond with guests on their preferred channels.
- Luxury hotels need to prove guests that the experience they can live during their stay and the hotel's values matches their own: luxury hotels need to become more experiential, more sustainable and responsible, and able to provide customized offers.

- Luxury brands need to make an efficient use of technology but also remain heritage-focused and authentic at the same time.
- Innovation has to be client-focused, and to contribute to optimize the guest experience at every stage. The main challenges faced, but also the greatest opportunities today, are the management of data and technology, the experience offered and the trigger of senses, and becoming always more sustainable and responsible.
- Firms need to make the right use of data: the challenge is to get it from guests and to use it properly to offer an efficient client experience; yet, not all clients want to share data, or have it kept.
- Hotels must use technology whenever it improves the client experience, but it must not dehumanize the experience, neither during the stay nor before or after.
- When it comes to sustainability and responsibility, luxury hotel brands need to implement effective and impactful actions and to communicate them to the guests with proven benefits.

Sources:

1. Pine, B. J., II and J. H. Gilmore (1999). The Experience Economy: Work is Theatre & Every Business a Stage:[goods & Services are No Longer Enough], Harvard Business Press.
2. Christensen, C. M. (2013). The innovator's dilemma: when new technologies cause great firms to fail, Harvard Business Review Press.

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