

The Malaysian Association of Hotels (MAH) Webinar

How AI and Big Data transforming Malaysia's hotel industry?

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18 June 2020

Outline





Tourism is a big booster to the hospitality sector

- Growth of inbound tourists grew marginally by 0.7% pa (from 24.6 million in 2010 to 26.1 million in 2019), a sharp moderation from 9.2% pa (from 10.2 million in 2000 to 24.6 million in 2010). The number of domestic visitors expanded higher by 8.9% pa to 78.3 million in 2018 from 39.5 million in 2010.
- International tourism receipts had expanded by 4.8% pa to RM86.1 billion (5.7% of GDP) in 2019 from RM56.5 billion in 2010 (6.9% in 2010). Domestic tourism expenditure stood at RM82.7 billion (5.7% of GDP) in 2018, an increase of 14.7% pa from RM27.6 billion in 2010.



Malaysia's hotel industry a brief perspective

- Accommodation services grew by an average of 5.8% pa in 2016-2019 (6.6% in 2019). It made up about 0.7% of total GDP in recent years. In 2018, 222,400 persons (1.5% of total employment) were employed in the industry.
- Despite being one of the largest contributor to total tourism expenditure, accommodation services' share of total tourism expenditure has been declining progressively from 30.8% since 2003 to 17.3% in 2018.



Source: DOSM; Tourism Malaysia



Supply of hotels as of 1Q 2020





Demand of hotel rooms in Malaysia

Occupancy rate has been trending lower in recent years, hovering between 58.5% and 63.6% since 2009



* Jan-Sep 2019

Average number of nights stayed by inbound tourists in selected countries in 2019



Source: Tourism Malaysia



Some major issues surrounding the hotel industry



The COVID-19 global pandemic and Movement Control Order (MCO) have crippled tourism and hospitality sector. Many hotel operators have either closed down or temporarily ceased operations as they may take a longer while to recover.



COVID-19 pandemic adds more pressures on hotels' occupancy rate, which is already in excess supply over demand. High-end hotels, budget hotels and home-sharing platforms (HSPs) have cannibalised the industry's market share and putting pressure on hotel occupancy rates.



Online travel agencies (OTAs) is a double-edged sword. While OTAs reaching out more potential customers, it also spurs **stiff competition** in the industry. The hotel industry needs to **share a substantial portion of revenue (ranging around 10%-30%)** with these agencies.



Home-sharing platforms (HSPs), both online and offline also pose competition. Ratio of hotel to homestay for domestic travellers had fallen to 6.8:1 in 2018 from 28.4:1 in 2010. HSPs' lower average costing structure has threatened the survival of lower star rating/budget hotels. HSPs offer various features and experiences that cannot be rival by hotels.



As tourists' travel experience and expectations are changing rapidly, **hotel operators** that **do not take full advantage of technology and digital-enablers** to boost operational efficiency and optimise revenue management as well as enhance customers' service and experience, will be losing out in this game.

DOSM's survey findings on domestic travel in Malaysia





COVID-19: When and How to prepare the recovery?

Time and depth of the recovery

A serious and lasting impact on the hospitality industry in the **next three to six months, and** is likely to recover in 6-12 months' time.

- Consumers' and businesses' behavioural protocols, social distancing, health safety
- Business travellers vs. leisure
- Suppression of customer demand

Key challenges for hospitality/hoteliers to ponder

- How to turn crisis into opportunity?
- > How to quickly and accurately capture changes in customer behaverioul demand?
- How to coordinate resources and adapt to this sudden demand shocks?
- > How to enhance service quality and safety (hygiene) is critical to survival
- > How to design a corresponding customer experience?

New normal in the hospitality sector

Changes in customer experience

- Many "variables" that are currently fogging up the prospects of the hospitality industry in a low touch economy
- "Culture of sharing" is disrupted by social distancing, protective measures, concerns about cross contamination through food, containers or human touch.
- Review their existing service offerings so as to adapt to the changes in customer experience.
- Restaurants in hotels may start presenting personal serving spoons when delivering a shared dish, promoting contactless delivery for in-room-dining, and designing menus in single portions rather than a sharing size.

Switch in customer perceptions

- > Safety of food choices, customer diet structure, taste and menu concepts
- > Ingredients (sources, quality and a safe handling/preparation).
- > High hygiene standards in place, create a "safe" image of the hotel's F&B offerings.

New normal in the hospitality sector (cont.)

Shift in consumption patterns

- > Make full use of existing online platforms to enhance interaction with customers.
- > Enhance and expand catering services to online ordering and delivery.
- Make full use of their diverse online platforms, transforming them from one-way notification communication to two-way interactive communication.

Quality asset management

- Rebranding or renovation for the purpose of repositioning and enhancing competitiveness.
- Improving brand culture and service standards to adapt to customer needs is critical.
- Optimize asset strategy, refurbish or renovate high potential assets, and enhance asset competitiveness catering to changes in customer needs.



How AI and Big Data can transform the hotel industry?



Al and Big Data, which have transformed many industries, are especially suited to bring positive change to the hospitality sector.



Hotels are already using AI and Big Data to connect with guests in creative new ways and exceed their expectations with personalized services.



Big Data lets hospitality professionals learn more about their customers, and the more they know, the better experience the hotel can provide. Al is becoming an integral part of operations, and that trend will continue.



Travel industry organizations have an enormous amount of data, and forwardthinking companies are now using it to completely change the way people travel — and the way hospitality businesses operate.



Travel companies amass an **extensive record of customer preferences**, **including favourite destinations, personal interests, likes, dislikes and much more**.



Hotels frequently partnering with other travel sector businesses, including restaurants, airlines and local attractions, and when partnering organizations share data, they obtain a comprehensive record of customers' preferences.

Where are the data?

- Various types of data can be captured along the way even before a prospective customer becomes an actual customer.
- Big Data is not a one-stop but an on-going approach.





Al and Big Data can transform hotel industry in the following ways



Marketing

Al and Big Data allow **hotel brands to micro-target customers with incredible precision**. Each customer is unique, so it's important to create offers that resonate, and that requires the ability to personalize offers.

With the **right Big Data tools**, hotel marketers can **match the offer with the guest**, and **AI can ensure delivery to the right person at exactly the right time**.



Booking engines

Al is poised to take it to a whole new level.

Precision targeting makes offers extremely attractive. Al system can put together an ideal package for guests, pinpointing preferences in air travel, car rental and hotel, for example.



Al and Big Data can transform the hotel industry in the following ways (cont.)



Virtual concierge

Hotels in New York and Tokyo already **use robots to check guests in** and perform other duties, and Hilton rolled out "Connie," an AI-enabled robot concierge, two years ago. **A robot butler** is able to move between the various floors of the hotel to deliver services to guests.

Currently, virtual concierge hotel apps are making guests more comfortable. Infrared scanners (detect body heat) are now also used to minimise disruptions relating to housekeeping.



Smart chatbots

Chatbots are already managing routine customer service enquiries. More Al power can expand the role of chatbots, either in the form of an app or as an inroom, voice-activated device that operates like Alexa or Hey Google.

Smart chatbots could soon manage guest needs by making reservations, booking tickets, ordering meals, describing local activities, suggesting restaurants and more.

Al and Big Data can transform the hotel industry in the following ways (cont.)

Customer experience



Hotels can use **AI to create a fantastic customer experience every time**, even when something goes awry and service doesn't meet initial expectations.



Smart room keys

Hotels will increasingly **install smart room access systems** that allow guests to unlock their doors by simply swiping their phones across a keyless pad on the door.

Another innovative way to offer a **keyless experience is through fingerprint**activated room entry systems and retina scanning devices. Retina scanning is even more accurate and secure than fingerprint scans.



Applying Big Data analysis on customers' management



- Personalisation and customisation: One-size-fits-all is not an option. A tailor-made experience – to understand their needs, improve their experience and facilitate customer services.
- Reputation management: Online review platforms are crucial to capture new guests and understand customer's experience. It is a valuable source of data and insights for future improvements.
- Customer services management: Marketing and communication teams should maintain a strong positive online presence and capture customers' common comments/expectations. Customers are looking for newer experiences. A collection of enquiries can be translated to "Frequent Q&A" or a "chatbot".



An illustration of qualitative data mining



Source: BRIDGEi2i





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