



## AccorHotels and the Digital Transformation:

### Enriching Experiences through Content Strategies along the Customer Journey

Winner

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This case was written by David Dubois, Assistant Professor of Marketing, InYoung Chae, Doctoral Student, Joerg Niessing, Affiliate Professor of Marketing and Jean Wee, Research Associate, all at INSEAD. It is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. We thank Olivier Arnoux and Emilie Couton for their support in the case preparation.

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## **Introduction**

It was already September in Paris. Olivier Arnoux, SVP Customer Experience and Satisfaction, AccorHotels (Accor), had just finished a tiring but enriching whirlwind business trip around several continents to discuss the types of digital challenges faced by different geographies and markets. Digital disruptions had fostered the emergence of new actors in the hospitality ecosystem, such as pure review websites, online travel agents (OTAs), and active forums. These disruptions had also spawned a new species of competitors such as Airbnb, an alternative lodging start-up in 2008 whose market capitalization in 2014 surpassed that of a chain like Hilton, and other similar setups like OneFineStay, perceived as an upmarket version of Airbnb. Common to these digital disruptions was the rapid accumulation of content that increasingly influenced consumers' travel planning and purchasing behaviour. Consequently, it had become crucial for hotels like Accor to rethink their approach to online presence and e-reputation.

There were three aspects of the enlarged ecosystem that concerned Olivier: First, what did it mean for a company to be customer-centric across digital platforms? Second, how could Accor systematically develop and disseminate online content? And third, how could Accor influence its e-reputation and integrate such a metric into its business operations?

Although content was not new, designing a plan for a company as large as Accor was something else altogether. The first step was to figure out a typology of online content – i.e., how to classify online content and understand what type of content was likely to create or destroy value. Content varied by medium, intensity, and also intent (underlying motivations). Then Olivier needed to determine whether and how each type of content affected different aspects of consumers' decision-making. The place to start was to look at different stages of the customer journey and figure out if some types of content were particularly effective at triggering awareness, and other types better at changing customer perceptions. Next, Olivier had to work out how Accor could create or co-create online content. Who should Accor engage with to co-create content, when and how should it bring them on board, what type of content should be produced, and how could Accor help in the generation of content? Finally, Olivier had to decide on the appropriate channels to disseminate the content – did particular types of content fit better with specific channels (e.g., photos with social media like Instagram)? On top of these challenges, Olivier wondered to what extent the strategy would need to be specific to each hotel segment (i.e., luxury, premium, standard). Last but not least, the plan needed to incorporate an organizational facet: how could Accor get its teams to embrace this new digital perspective and fully integrate the new outcomes into their incentive schemes?

Olivier leaned back on his chair and thought about how the above could be integrated with Accor's current offline marketing activities as an omnichannel approach to customer experience. He had two weeks to formalize his plan and go to the board.

## **1. AccorHotels and the Competitive Landscape**

### **AccorHotels**

Accor started life as SIEH Company, established by Paul Dubrule and Gerard Pelisson, which opened the first Novotel hotel in Lille, France, in 1967. After focusing on expansion in France,

Accor entered the international market with the opening of a hotel in Warsaw, Poland, in 1973, followed by the UK, Holland, Germany and the US. By 1980, it had nearly 200 hotels in 22 countries. Thirty-five years later, it had approximately 510,000 rooms in 3,900 hotels across 17 international brands in 92 countries, operating across six continents.

In recent years, the company had seen considerable turnover in its leadership as it struggled with challenges in the hotel industry and pressures in Europe where the bulk of its hotels were located. After going through four CEOs from 2005 to 2013, Accor appointed Sebastien Bazin as its fifth CEO in 8 years in August 2013. Bazin came from a private equity background – he had been at Los Angeles-based private equity firm Colony Capital for 16 years, where he ran Colony’s Europe real estate investment unit.

As with many of the major hotel chains since the mid-2000s, Accor had been on an “asset-light” strategy with plans to offload a large portion of its owned hotels to reach a new mix of 40% managed, 40% franchised, and 20% owned.<sup>1</sup> This strategy was to enable more efficient use of capital; owned hotels required more capital but had capital appreciation prospects. When Bazin came on board, the company embarked on a new strategy under which it would continue an asset-light approach in certain markets but would consider actively buying new properties moving forward in emerging markets. To support this strategy, Accor reorganized the company into two business units with separate balance sheets under the corporate Executive Committee led by Bazin: HotelInvest was the group's hotel owner and investor holding Accor's owned and leased hotels; HotelServices comprised Accor's business as a hotel operator and franchisor, and its focus was to generate revenue from management and franchise fees (Exhibit 1). Employees at Accor were generally compensated on a fixed salary according to how well they fulfilled their own area of service, assessed through regular internal questionnaires and interviews.

## Customer Segment

Accor’s hotels spanned the major market segments – economy (39% of portfolio), midscale (45%), and luxury/upscale (16%) – unlike many of the other major chains, which tended to concentrate on the midscale to luxury segments (Exhibits 2 and 3).

**Luxury and Upscale.** Sofitel, Accor’s offering in the luxury segment, aimed to deepen its positioning in the luxury segment with an emphasis on unique, non-standardised luxury hotels, usually decorated by well-known designers and echoing the history and environments of their locations by mixing authenticity and tradition. For example, the Sofitel Legend People’s Grand Hotel in Xi’an, China, was set in a landscaped garden that once belonged to the Imperial Palace. The Pullman brand, along with Mgallery, Grand Mercure, and The Sebel filled the rest of the upscale segment. The average room rate for this segment was about €132.

**Midscale.** The Novotel and Mercure brands formed the backbone of the midscale segment: they emphasised reliability, quality, and value for money. Located in main international destinations, they focused on both business and leisure travellers to offer spacious, adaptable rooms, meals available 24/7, meeting rooms, fitness centres, and children-friendly areas. Other brands

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1 For managed hotels, Accor operated these hotels under management contracts for the owner, while for franchised hotels, the owner operated the hotels under Accor’s brands for a fee.

included Adagio and a newly acquired lifestyle brand, Mama Shelter (35% share acquired in October 2014). Average room rate for the midscale segment was about €87.

***Economy/Budget.*** Ibis was the European leader in economy hotels, offering quality accommodation at competitive local value. Its slogan was “Wellness at the best price” and it had a “15 Minutes Satisfaction Guarantee” whereby the hotel team had 15 minutes to find a solution to any room problem, failing which the guest stayed for free. Lower down the rung, the Ibis budget brand offered a standardised and no-frills product, while HotelF1 hotels provided a standardised offering in clean but basic accommodation in sub-prime locations operated through management agreements. HotelF1’s target customer base were young people and workers, with its triple room costing less than €20 per person with a simple breakfast buffet. Overall the average room rate for the economy segment was about €57.

## **Hospitality Ecosystem**

### ***Competitors***

Following recovery from the 2008 global financial crisis, the hotel industry returned to growth from 2009 onwards at a compound annual growth rate (CAGR) of 4.84% to yield US\$550 billion in revenue in 2016 (Exhibit 4). The main international hotel chains included Starwood Hotels & Resorts Worldwide Inc. (Starwood), Marriott International Inc. (Marriott), Hilton Worldwide (Hilton), InterContinental Hotels Group Plc (InterCon), Wyndham Worldwide Corp (Wyndham), and Accor (Exhibit 5). Except for Starwood, Accor operated fewer hotels and rooms than its competitors (Exhibit 6). Recently, the sector had undergone intensified concentration. At the end of 2015, Marriott bought Starwood for US\$12.2 billion, while Accor took over FHRI Hotel and Resorts, the owner of the Fairmont, Raffles, and Swissotel chains, for US\$2.9 billion. In terms of market segments, Accor competed with Starwood, Marriott, Hilton, InterCon, and Wyndham in the luxury/upscale segment, while in the midscale segment, it also had its work cut out fighting for market share with Marriott, Hilton, InterCon, and Wyndham. Competition in the economy/budget segment was no less intense although with only one main competitor – Wyndham, which was the only other major chain that operated across all three segments (see Exhibit 7).

### ***Collaborators***

Besides competitors, the hospitality ecosystem also relied on key collaborators such as airlines, food and beverage (F&B) companies/restaurants, cruise lines, and travel agents.

***Airlines.*** Historically, a strong interdependency tied the aviation and global hotel sectors as providers of the two main components of any trip: how to get to a destination and where to stay (Exhibit 8). Airlines often partnered with hotels to offer packages, or in a recent trend, launched joint reward programs to deepen customer loyalty. For example, in 2013, Starwood tied up with Delta Air Lines in an industry first with Crossover Rewards, in which members of either rewards program could enjoy the benefits of both. It was awarded the Industry Impact award at the annual Freddie Awards<sup>2</sup> for an innovative concept that changed the way an entire industry

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2 Freddie Awards founder Randy Petersen created the award, named for Sir Freddie Laker in honour of his accomplishments in marketing travel during the 1970s, to recognize airline, hotel, and credit card loyalty

thought about rewarding customers. Five months later, Marriott followed with a tie-up with United Airlines in a similar joint rewards program, RewardsPlus.

**F&B.** In-house hotel catering, restaurants, and bars formed an important part of the hotel experience, making up about 20% of a hotel's revenue.<sup>3</sup> While most hotel restaurants and bars were internally operated, a recent trend had been a proliferation of hotel-restaurant outsourcing and co-branding. For instance, in Florida, Loews Hotels hired high-profile chef Emeril Lagasse to open restaurants at two hotels, in Orlando (2002) and Miami Beach (2004). Hotel consultants reckoned that some travellers might select their hotels due to the presence of a celebrity chef. As Jonathan Tisch, chairman and CEO of Loews Hotels, put it, "We certainly live in a time when brands are very important, and well-known, recognizable names associated with your hotel brand are another way of driving traffic to your property."<sup>4</sup>

**Cruise lines.** Hotels situated close to ports often partnered with cruise lines to create "Land and Sea" packages, offering discounted rates, allowing customers to park their vehicles in hotel car parks, and encouraging them to stay there prior to embarkation. Research had also shown that cruise holidays were a good way for people to sample destinations, and passengers were likely to return to the destinations for a land-based holiday after first visiting by cruise.<sup>5</sup>

**Travel agents.** Hotels worked closely with travel agents to provide them with room availability information, price lists, discounts, deals, etc. Similarly, airlines worked with travel agents to provide flight availability, price lists, block bookings, etc. Marriott, for example, first launched its acclaimed Hotel Excellence! (HE!) back in 1999 as the pioneer in hotel sales training programs, to help train and educate professional travel agents. The program provided a broad overview of the hotel industry, while also educating agents about Marriott's portfolio. Eligible agents who successfully completed training would receive certificates for discounted rates at the majority of Marriott's hotels worldwide, while the agency would become a Marriott Preferred Travel Agency with a preferred commission level (10%). STA Travel – one of the oldest and largest travel agents for students and young people – tied up with various airlines to provide cheap fares worldwide (Exhibit 9), as well as with budget hotels and hostels to suit the pockets of student travellers.

In recent years, however, the advent of the internet has brought about disruptive changes, introducing new actors, affecting relationships between existing players, and generally changing the rules of the game.

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programs for their efforts each year. "Delta SkyMiles Honored at the 2014 Freddie Awards With an Industry Impact Award," *Savannah CEO*, May 2014. Available at

<http://savannahceo.com/news/2014/05/delta-skymiles-honored-2014-freddie-awards-industry-impact-award>

3 "Rooms and Food & Beverage: Optimising Revenues and Profits," *Hotel Business Review*, downloaded 3 June 2016.

4 "What's the Bigger Brand: The Hotel or Its Chef?" *New York Times*, 3 Sep 2006.

5 "Hospitality 2015 – Game Changers or Spectators?" Deloitte.



## 2. Digital Transformations in the Hoteling Industry

*“We’re going through an industry mutation – it’s not only a transformation, it’s a mutation.”*

Sebastien Bazin

The digital revolution brought to market a wave of new technological solutions, from 3D printing, mobile payment, sharing platforms like Uber, massive open online classes (MOOCs), and crowd-funding, to the internet of things.<sup>6</sup> Although at first sight unrelated, these technologies represented significant changes for the traveling industry. Digital technologies have transformed customers’ expectations by enabling travellers to connect with others and share their experience throughout their journey. From online transactions (booking, payments) to hotel connectivity, the internet-savvy customers of today need less handholding and speedier responses. And as mobile devices become ubiquitous, WhatsApp and WeChat (for China) have become increasingly important for hotels to interact with guests. Real-time feedback through mobile devices also raised the bar on organizational agility – hotels need to be fast on their feet to cope with the speed of developments and leverage them to advantage.

The digital revolution also increased the number of actors. Brick and mortar travel agents (e.g., Thomson Holidays,<sup>7</sup> STA Travel<sup>8</sup>) used to be the first port of call when planning a trip – to book flights, get brochures of destinations, reserve hotel rooms, and book tours and other services. They offered discounted airfares and hotel deals – customers could not get such prices on their own and usually had to accept bundled deals. Hotel communications typically went through these agents, who focused on hotel features rather than experiential benefits. There was little possibility for customer feedback, and little comparative information available for potential customers at the booking stage. However, new players have since emerged to challenge these established relationships, drawing new lines of battle as they provide ways to “unbundle” the deals and allow customers to cherry-pick their preferences. These new players (Exhibit 10) include:

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6 For example, Disney World’s Magicband,” which allows identification of visitors and enables them to check in at the park and buy food, also lets Disney track the movements of visitors to determine which areas, rides, and attractions are most popular or need more attention.

7 The largest UK-based travel agency, started in 1965, it was taken over by German TUI group in 2000, and the name Thomson Holiday will be discontinued by 2018.

8 The largest student and young-person travel company in the world, operating in more than 80 countries across 15 time zones, with turnover of more than US\$1.1 billion.

New player	Examples
OTAs	Booking.com, Agoda, Expedia
Aggregators/Metasearch sites <sup>9</sup>	Trivago, TripAdvisor, KAYAK
Review sites	TripAdvisor, Dianping
Travel blogs and forums	Lonely Planet
Social media sites	Facebook, Twitter, Instagram
Alternative lodging platforms	Airbnb, HomeStay

The digital revolution opened the way for savvy consumers to use social media posts by friends, family, and even celebrities and review sites to search for destinations, hotels, and places of interest, with unlimited scope for price comparison using OTAs and metasearch sites. Furthermore, social media guests can now post about the experience of their stay during and after the stay. In the new, enlarged ecosystem, OTAs, metasearch sites, and lodging platforms take a chunk out of the value chain through hefty agency fees typically reaching 20% to 30% of the price of the room. Consolidation among the OTAs towards the duopoly of Priceline and Expedia has made them a more powerful force to reckon with, able to extract more agency fees from the hotels. Revenues of these OTAs have been rising rapidly, compared to the mixed performance of hotels (Exhibit 11). Meanwhile, review and social media sites engender a shift in power for the customer by providing greater transparency in the guest experience.

### Shift in Power

In addition to hotel revenues being impacted, hotels also have to adjust to consumers everywhere taking control and responsibility over product education, fed by multiple sources: friends, bloggers, social media, reviews (Exhibit 12). In the past, travellers typically relied on brochures or guidebooks, often to have their expectations dashed, but the digital travel industry allows them to read the experiences of those who have gone before them, sometimes in lurid detail. Hotel customers are now more autonomous and knowledgeable – 95% of customers check reviews and research about destinations and rooms and no longer need to be supported by a “front desk” type service. They are empowered to tell more, complain more, switch more, and expect more (Exhibit 13). In addition, alternative lodging sites like Airbnb have shaped guest experiences differently and created different expectations from customers who are happy to shout it about. Airbnb’s concept has been so successful that Accor Hotel CEO Bazin has been quoted as saying, “I would have loved to participate in Airbnb.”<sup>10</sup> Furthermore, hotel customers can no longer be discretely segmented into luxury, mid-market, and economy customers; instead, customer segments have exploded into a plethora of categories – for instance, for the young HENRYs,<sup>11</sup> a demographic with significant spending power, the “luxury” label does not carry the same mystique as it has in the past or that it might for older consumers. For these consumers, cost, brand values, and personability are more significant than

<sup>9</sup> Aggregator/Metasearch sites are sites that pull offerings directly from both hotels and OTAs onto a single site to aid users in making comparisons. They redirect the users to a hotel or OTA for the final purchase. Aggregators earn revenue from advertisements and by charging hotels/OTAs referral fees. Unlike OTAs who only show rooms that they want to sell (inventory with higher margins), aggregators show all rooms they have on offer. Also, by directing the final act of purchase to the supplier’s website, the direct supplier can interact with customers, enrol them in loyalty programs, and display photos/promotions, whereas with an OTA, the supplier only interacts with the customer at the hotel entrance.

<sup>10</sup> [www.usine-digitale.fr](http://www.usine-digitale.fr), 16 June 2015.

<sup>11</sup> High Earners, Not Rich Yet (HENRY)

legacy. The new “lifestyle hotels,” for example, catering to different aspects such as design or “green” criteria rather than strictly budgetary parameters, are a response to these new customer needs and wants.

As a result of these tectonic shifts in the hoteling landscape, hotels like Accor started to develop an omnichannel approach to customer engagement, addressing digital concerns on top of other promotional activities such as working with third-party promotional agencies in holiday promotions, strategic sponsorship of high-profile events (sports, tourism, arts), television network partnerships for general brand awareness and hotel-specific exposure, and loyalty programs to increase targeted communications to members. In particular, Accor has increasingly leveraged social media to promote sponsorship events, while loyalty programs drive members through discounts to book through the hotel website. Citing the importance of developing the Le Club AccorHotels loyalty program, Bazin said, “It’s important to have 28%, 25%, 50% of revenue generated by cardholders because over 90% of Le Club members reserve or book their rooms directly on our site, because if they were to use online travel agencies, or OTAs, they would not be able to use their miles or benefits. The more cardholders you have, the less dependent you are on these [high-growth] OTAs. So it’s very important and the acquisition costs are very low.”<sup>12</sup>

### **3. The Rise of Online Content**

The shift in power to consumers is rooted in the increased information exchange that became possible with web and mobile technology, putting online content and web traffic on an explosive growth path. Between 2008 and 2015, the number of smartphones grew from 250 million to more than 2 billion. Every minute, Facebook users are sharing nearly 2.5 million pieces of content, Twitter users tweeting nearly 300,000 times, Instagram users posting nearly 220,000 new photos, and YouTube users uploading 72 hours of new video content.<sup>13</sup> Online content varies on a number of dimensions. For instance, authentic images of people, personal photographs, videos on Facebook, or pictures on Instagram tend to help spread awareness and can be highly shareable. In addition, case studies, customer testimonials, and stories of failures and success that are usually featured in social media posts, travel blogs, and review websites can help customers make up their mind when choosing one hotel over another. Other types of content like how-to guides, e-books, press releases, and posts on websites attend to the more practical side of things, but may still be highly shareable if reliable and accurate. Of course, online content also includes information related to pricing, availability dates, hotel features, and other factual information such as that found on OTA/review websites.

#### **The Emergence of Review Sites and the Role of Trust**

The organization of interest groups into online social networks, where information is shared freely, is a feature of the digital world. According to expert Rachel Botsman,<sup>14</sup> this behaviour is nothing new. Group-forming behaviour in the online world mirrors historical human interaction in its constant search for efficiency through organizing into a cooperative, from

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12 Full-Year 2015 Accor Earnings Presentation.

13 “The Data Explosion in 2014 Minute by Minute,” Aci.info.

14 Botsman is known for originating the theory of “collaborative consumption” in her acclaimed book, *What’s Mine is Yours: How Collaborative Consumption is Changing the Way We Live* (Harper Collins, 2010).



hunting packs in prehistoric times to cities sharing economic infrastructure in present times. Likewise, efficiency is being enhanced by a new type of content provided by other people who rely on social dynamics, i.e., people sharing opinions and experiences on a subject of common interest. In digital space, these people start to have different roles – experts, observers, admirers, and people with experience (“testifiers”). In particular, individuals with a lot of admirers acquire the “influencer” status – with tens of thousands of followers reading their posts and taking notice of their opinions. This development has led to economic activity increasingly being run on the trust between strangers, where people trust other people rather than corporate PR departments. Companies like Yelp, a US-based firm that publishes crowd-sourced reviews about local businesses, have capitalized on this trend, recording a growth in revenues from US\$30 million in 2010 to US\$550 million in 2015.<sup>15</sup> It reflects a shift of power from institutional trust to peer trust, and concurrently from companies to customers, whereby people trust other people to give real reviews so that they can make a better choice. A measure of this trust is the e-reputation, which reflects what individuals or a community thinks of a person or a company based on his or their digital footprint.

### *Why People Read Reviews*

Consumers read reviews for a variety of reasons, not all tied to purchasing (though it is usually the main reason). When people intend to purchase, reviews help them reduce the risk of getting a poor quality product or service. Reviews also act as a form of comparison to get the best deal/experience. In other cases, the impetus to read reviews stems from an attempt to shop around for an idea as part of the decision-making process, or from interest in the views of a credible/trustworthy influencer. Consumers can also try to find out more about an unfamiliar/new product when they read reviews (product discovery and acceptance), building their brand awareness by finding out more about the attributes of a particular brand. People also read reviews out of loyalty to a particular social network, to generate feelings of inclusion when reading a review from that social group.

### *Why Do People Post Reviews*

People post reviews, often unsolicited, for reasons that can be altruistic – from a sincere wish to help companies improve their product or service or to help other users/vacationers avoid bad experiences – or vengeful, such as to cause other people to boycott the product or place. A review can be posted to recognize effort by a company to rectify a failure, or share information about service quality. Oftentimes, a post is a reflection of customer (dis)satisfaction. Posters can also feel that they are adding a voice to the community. People also post reviews to craft an online persona, to establish their social identity – “I post, I share, so I exist!”<sup>16</sup>

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15 Yelp was first conceived in 2004 as an email-based referral network after one of the two founders caught the flu and had a difficult time finding an online recommendation for a local doctor. While the email-based system did not work, a “real reviews” feature that allowed users to write reviews unsolicited was found to be popular, and became the driving force for Yelp. It was listed publicly in 2012, and became profitable in 2014.

16 Presentation by Olivier Arnoux at INSEAD, April 2016.

## 4. Managing Online Content

### Social Media Listening (SML)

In the past, unlike the torrent of online content pouring out of various media channels presently, information was hard to come by. Hotels relied almost exclusively on the old-fashioned client card on the dressing table for customer feedback, which usually yielded too little too late. Digital and social media thus provided a novel opportunity for companies to have faster access to consumer insights through two main channels: first, build a reliable online feedback loop by directly emailing customers for comments on their experience; second, leverage online information sourced from millions of customers searching for information online or engaging in travel-related conversations on forums and platforms such as Facebook. From the early 2000s, businesses across industries started to engage in social media listening (SML), the process of identifying and analysing both quantitative and qualitative information on what was said about a target on the internet. For instance, after being criticised online, the Swiss-based Nestlé developed a dedicated internal task force and centre not only to monitor and respond to potential attacks but also to listen to what consumers said online and incorporate the findings at various intervals along the value chain.

Many platforms dedicated to SML emerged and many large corporations adopted a centralized SML system to stay on top of the social conversation. For instance, in 2009 Intel launched a social media command centre – Intel Social Media Centre of Excellence – to manage its huge volume of social media interactions from over 10 million fans across its dozens of Facebook pages. Gatorade, PepsiCo’s sports drink brand, also opened a Gatorade Mission Control in its Chicago headquarters in 2010, mimicking the aesthetics of a war room with six big monitors to monitor data visualizations and dashboards related to Gatorade’s social media mentions and activities (Exhibit 14). In the most basic form, hotels can set Google alerts to highlight what is being published online about them, while social media like Facebook, Twitter, Instagram, and Foursquare can be monitored to see what people are posting. Hotel reviews, customer comments/complaints on OTAs, metasearch and review sites like TripAdvisor can also be actively scrutinized for comments. Alternatively, given the vast amount of chatter out there, hotels can use external providers specializing in listening and monitoring online content from public spaces.<sup>17</sup>

### Content Creation

Aside from monitoring what is being posted, creating content is also crucial to establish a hotel’s presence (promotional tool) and its reputation online (feedback). There are essentially two sources of content: content published by hotels and user-generated content (UGC). The former usually comprises hotel descriptions on the website, photos of its features, descriptions of facilities, room types, services available, price lists, etc. They tend to be “content to educate” and “content to convert”, and tend to appeal rationally rather than emotionally. They are also expensive and time-consuming to produce, as publishing is not the hotel’s core expertise. UGC on the other hand is readily available, since people are keen to post reviews almost anywhere (blogs, travel site comments, reviews, OTA site comments). These tend to be “content to

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17 E.g. TrustYou, a feedback platform that provides online reputation management tools to the hospitality industry, or Local Measure, a location-based social media monitoring and engagement tool that can pick out comments, photos, etc., being posted on a hotel.

entertain” and “content to persuade”, and therefore have great appeal and shareability. UGC such as reviews are an economical yet effective way of creating content to increase conversion rate.

### **Reviews as the New Currency for Hoteliers**

Typically produced after an experience at a hotel, reviews have become the new currency for the hospitality industry, as reviews drive bookings.<sup>18</sup> Specifically, reviews have an effect on the look-to-book ratio – they lead to an increase in ranking<sup>19</sup> in review sites like TripAdvisor, placing such hotels in the first couple of pages of the site for higher visibility and in turn leading to an increase in booking. Reviews also impact revenue management. They improve the ability to increase the price – given a choice between two similar-grade hotels at the same location, the one with a higher ranking would be chosen even if the price is somewhat higher, according to research by Accor. There is therefore a direct customer review-reputation-pricing relationship that hoteliers can consider and leverage. Furthermore, reviews are an important guest experience feedback mechanism to improve services, a way to trigger customer interactions based on what they say, especially if the feedback was negative, as well as a good way to compare a hotel against its competitors for benchmarking purposes.

Because reviews are so important, hotels might be tempted to fake good reviews (e.g., by getting employees to write them) and throw away bad reviews in order to achieve a good ranking. Such attempts not only kill the search for efficiency, but also tend to backfire, as review sites like TripAdvisor have strict protocols to detect such duplicities. Once found out, the drop in ranking is precipitous. Furthermore, a perfect score of good reviews is not always a good thing as it lacks authenticity and reduces trust in customers. It is better, therefore, for hoteliers to take the bad with the good, and show recovery from failure.

## **4. Accor 2.0: Challenges and questions**

Olivier had gleaned from his various discussions the disruption and challenges facing the hospitality industry in his whirlwind tour. Now he had to come up with an effective and sustainable plan for Accor to face the digital challenges in the new environment. Taking out his notepad, he began busily sketching out some broad areas to consider.

**Content and the customer journey.** What are the different types of online content in the hotel industry (i.e., the main reasons why people post content, as well as the purposes they serve in guiding customers)? What does the typical Accor customer journey look like and how does content, in its various forms, affect the various stages of the customer journey?

**How to leverage content?** How can Accor collect information about what the customer is saying about Accor, whether at the beginning, during, or after the trip? Should it continue to rely on client feedback cards filled in either at the front desk in the room? How can Accor

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18 A 2011 study by Boston-based global research firm Forrester found that close to 50% of consumers won't book a hotel that doesn't have online reviews. “How Hotels Are Embracing the Online Customer Review,” [www.travelandleisure.com](http://www.travelandleisure.com)

19 SEO optimising – fresh reviews/answers also help to boost rankings. According to market research, people expect daily postings, at the least.

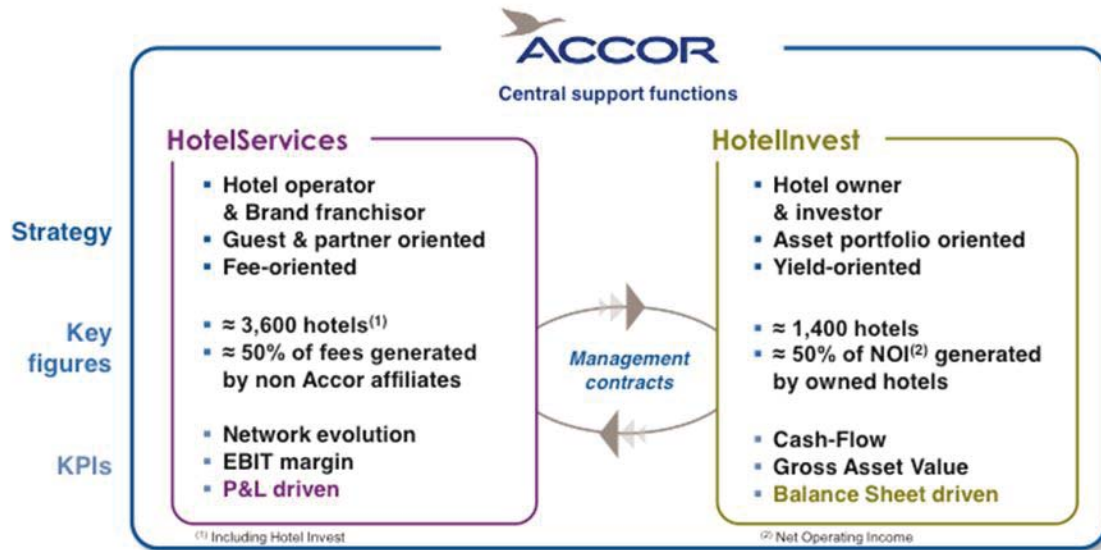
encourage and motivate customers to share their experiences and views? Finally, how can Accor use content to attract customers to its website for booking, so that it does not have to pay the hefty 20% to 30% commission fees demanded by OTAs like Booking.com?

A second set of questions pertained to how Accor could best use this information: How should Accor curate the information? For instance, Olivier had seen a location-based IT application that allowed hotels to be alerted to public conversations (comments, photos, videos) on social media (Facebook, Twitter, Instagram) that related to or originated from the property. How could Accor make use of such information to influence the customer journey? When disseminating curated content, where and when should Accor publish?

**How to become a content-driven organization?** Olivier knew Accor had to integrate online content/e-reputation into its business processes. In his mind, this implied meeting two challenges: First, he needed to come up with a plan to integrate the new digital capabilities: in particular, should SML be centralized in a war room like that many companies such as Intel, Gatorade, and Nestlé had created, or should Accor design an alternative structure? Second, Olivier knew a potential digital plan would only work if the Accor team would be supportive: in this context, he needed to come up with a plan to incentive employees to incorporate online reputation into their everyday duties.

**Exhibit 1**  
*Accor Lines of Business*

**New Structure**  
Recognizing 2 Mutually Reinforcing Core Competencies



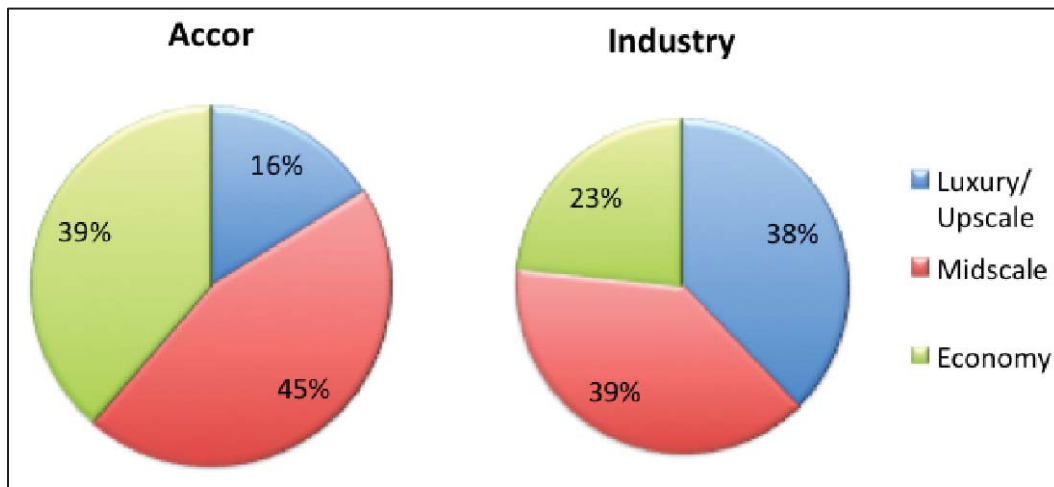
Source: "Investor Day," Accor, Nov 2013.

HotelInvest takes care of all asset portfolio management activities, hotel design, construction, refurbishment and maintenance activities, and legal and finance functions, as well as various non-strategic businesses such as the casinos. It is charged with improving return on real estate investments by streamlining and managing the existing asset portfolio through disposals and acquisitions, with the aim of becoming the leading hotel investor in the economy and midscale segments in Europe and strategic positions in emerging markets.

HotelServices encompasses all of the group's hotels, as the hotels owned by HotelInvest are operated by HotelServices under management contracts. Besides management and franchising activities, HotelServices takes care of sales and marketing, distribution and information systems, as well as other activities such as a timeshare business in Australia; Strata, a company that operates the common areas of hotels in Oceania; and the Accor loyalty program.



**Exhibit 2**  
*Market Segments*



Source: Accor, "The 2015 Big Brands Report," HotelNewsNow.com.

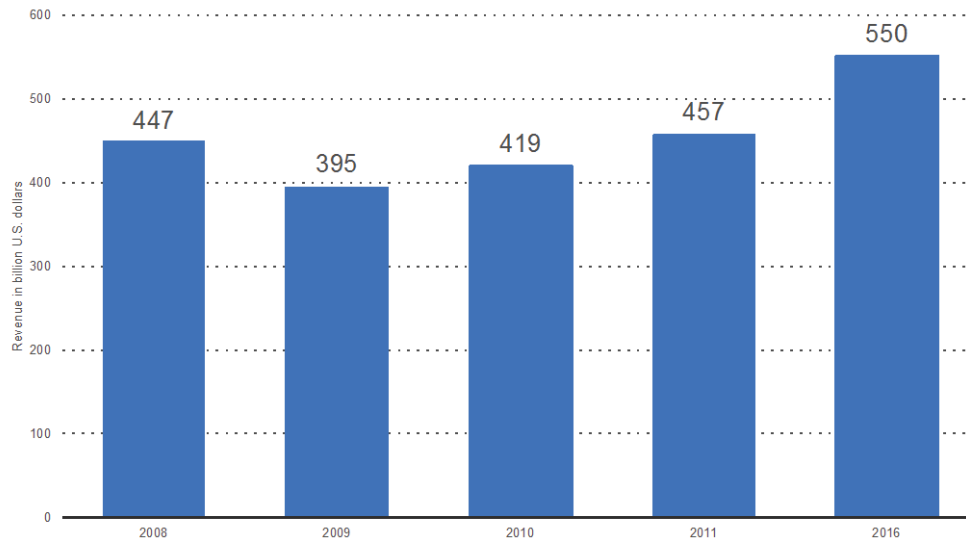
**Exhibit 3**  
*Accor Hotel Brands*



Source: Accor.

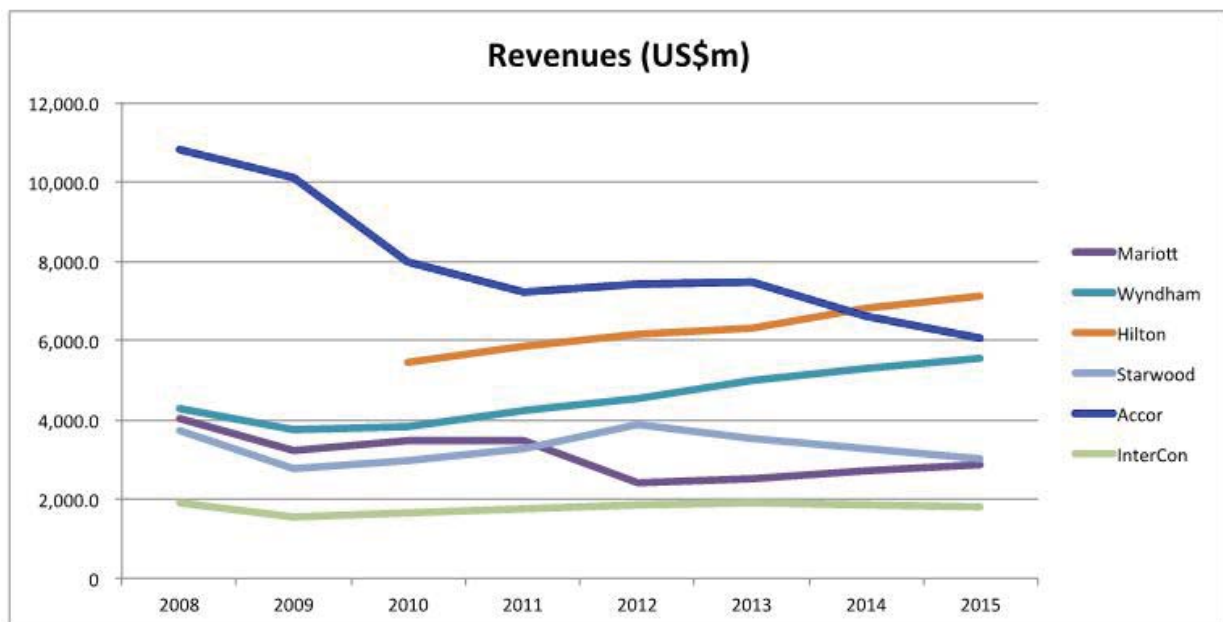
**Exhibit 4**  
*Global Hotel Revenues*

Global hotel industry revenue from 2008 to 2016 (in billion U.S. dollars)\*



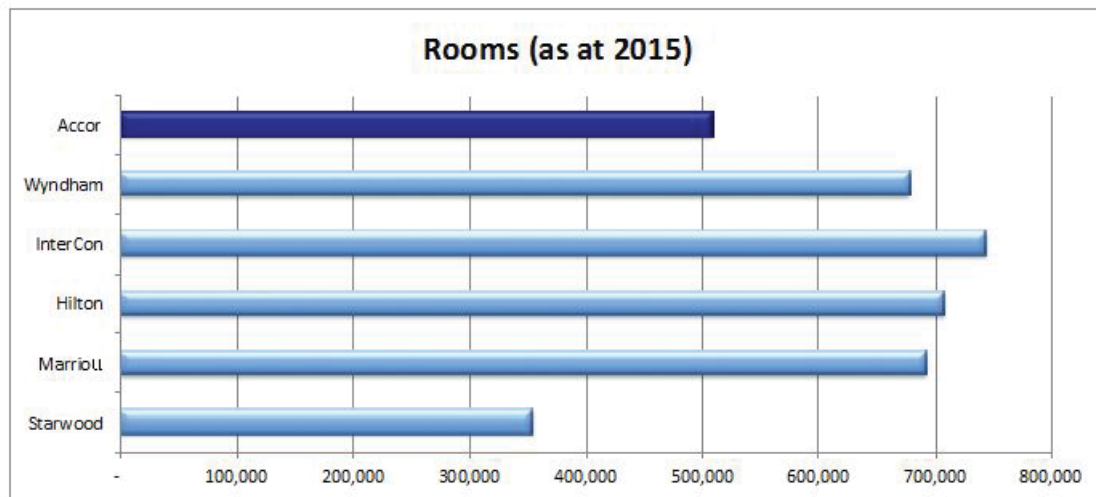
Source: Statista.

**Exhibit 5**  
*Revenue of Top Global Chains*



Source: S&P Capital IQ.

**Exhibit 6**  
*Size in Terms of Number of Rooms*



Hotel Chain	Number of hotels	Number of rooms
Accor	3,900	510,000
Wyndham	7,812	678,042
InterCon	5,032	744,364
Hilton	4,322	708,268
Marriott	4,061	692,828
Starwood	1,256	354,917

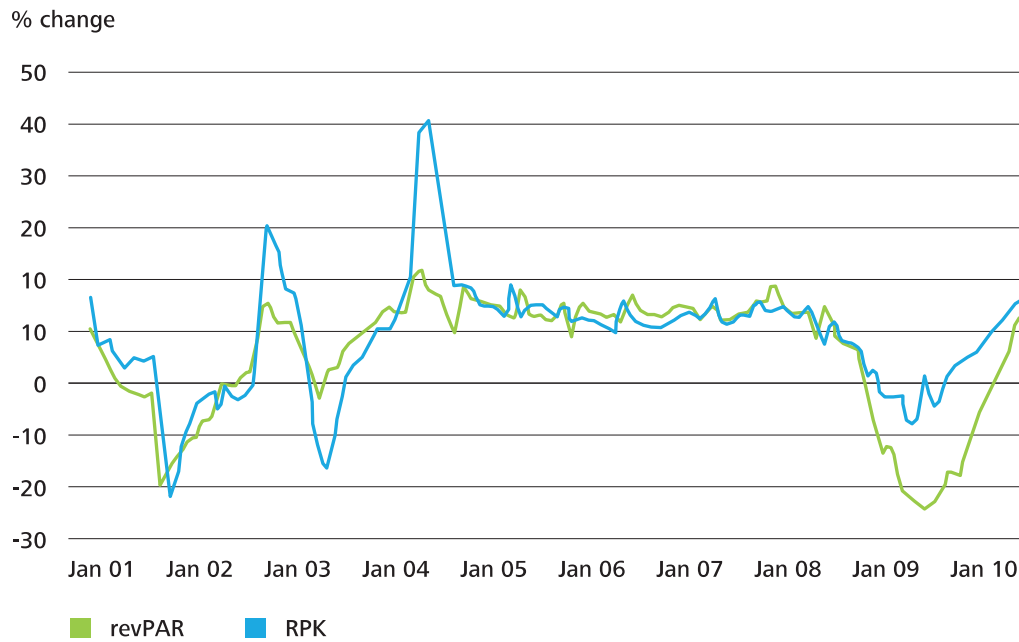
Source: Euromonitor.

**Exhibit 7**  
*Competition in Terms of Market Segments*

Segment	Hotel Group	Rooms	% of chain's rooms
<b>Luxury/upscale</b>	Starwood	354,917	100%
	Marriott	591,617	85%
	Hilton	700,372	99%
	InterCon	219,168	29%
	Wyndham	54,049	8%
	Accor	82,039	16%
<b>Midscale</b>	Marriott	101,211	15%
	Hilton	7,896	1%
	InterCon	525,196	71%
	Wyndham	192,108	28%
	Accor	187,834	37%
<b>Economy/budget</b>	Wyndham	431,885	64%
	Accor	239,579	47%

Source: Euromonitor.

**Exhibit 8**  
*Close Tracking of Global revPAR vs. Global RPK*



NB: revPAR = revenue per available room; RPK = revenue passenger kilometres.

Source: "Hospitality 2015 – Game Changers or Spectators?" Deloitte.

## Exhibit 9

### Example of Travel Agent-Airline Partnerships



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Check out our cheap one way fares back into South Africa. If you're a student or under 26, the STA Travel Blue Ticket™ is what you need to save money and get flexibility. It will always be the most flexible or cheapest ticket (sometimes both) for travel on the world's leading airlines. It's sold exclusively through STA Travel. [More](#)



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It will always be the most flexible or cheapest ticket (sometimes both) for travel on the world's leading airlines. It's sold exclusively through STA Travel & gives you access to Travel Help support in over 90 countries.

Departure City	Airline	Travel dates	Book by	Eligibility	Fare/taxes	You pay only
London	QATAR	18/05/11 - 30/11/11**	30/11/11**	Student/Youth	R1,598 + R1,801 tax	<b>R3,399</b>
Frankfurt	QATAR	18/05/11 - 30/11/11**	30/11/11**	Student/Youth	R1,598 + R1,801 tax	<b>R3,399</b>
Munich	QATAR	18/05/11 - 30/01/11**	30/11/11**	Student/Youth	R1,598 + R1,801 tax	<b>R3,399</b>
Perth	South African Airways	01/09/11 - 31/12/11**	31/12/11**	Student/Youth	R2,465 + R1,694 tax	<b>R4,159</b>
Sydney	South African Airways	01/09/11 - 31/12/11**	31/12/11**	Student/Youth	R3,277 + R1,792 tax	<b>R5,069</b>



## Exhibit 10

### *The New Big Boys*

**Priceline Group** owns Booking.com, one of the two big OTAs, which began as a small start-up in Amsterdam in 1996. In 2015, Booking.com is available in more than 40 languages, offering over 900,000 properties in 224 countries and territories, with over 1 million room night reservations each day. It was bought over by Priceline in 2005 and accounts for over two-thirds of Priceline's revenue.<sup>20</sup> Agoda is another OTA owned by Priceline. It was originally established in Thailand in 2005, and was taken over by Priceline in 2007. Now based in Singapore, Agoda is available in 38 languages and offers over 700,000 properties in more than 20 countries. Priceline also owns aggregator sites KAYAK and priceline.com.

**Expedia Inc.** Expedia.com is the other large OTA in the duopoly of Priceline versus Expedia. Started in 1996 as an online travel division in Microsoft, it was spun off in 1999. In 2015, the parent company Expedia Inc. owns a host of smaller reservation sites like Hotel.com, Orbitz Worldwide, Hotwire, Travelocity, etc. Expedia as a whole has 200+ travel booking sites in over 75 countries offering 282,000 properties, as well as 475+ airlines and links with car rental companies. Expedia also owns aggregator site Trivago.

**TripAdvisor** began, in 2000, as a pure review website and an early adopter of UGC where visitors to the site could add their own reviews. Soon the number of average consumer reviews overtook the "professional" reviews. In 2015, it claimed to be the largest travel community in the world, operating in 48 markets with 350 million monthly visitors and 320 million reviews and opinions covering more than 6.2 million accommodations, restaurants, and attractions. In 2014, it had also added a booking capability by linking up with hotels and OTAs, morphing into a metasearch site with reviews. Its commission rates were said to be lower than OTAs like Booking.com and Expedia, charging 12% to 15% versus Expedia and Priceline's 15% to 20%.

**Airbnb** started in August 2008 when roommates Brian Chesky (later CEO) and Joe Gebbia (later Chief Product Officer) rented out air mattresses on the floor of their San Francisco apartment during a design conference when most of the city's hotel rooms were sold out. Based on the concept of using the internet as a platform to help people rent out their homes and spare rooms (or sofas) for short stays, Airbnb's business has since grown in leaps and bounds and is expected to cross US\$900 million in revenues in 2015. Airbnb differentiates itself from standard hotel offerings through positioning its accommodations as a worldwide community of hosts and travellers, providing unique experiences and a one-to-one relationship with the host that makes the guest feel like a local.

*"Now, we've moved beyond air mattresses to houseboats and treehouses...People wanted an affordable, local experience." – Chip Conley, head of global hospitality and strategy at Airbnb and founder of boutique hotel chain Joie de Vivre<sup>21</sup>*

In June 2015, Airbnb closed a US\$1.5 billion funding round at US\$25.5 billion, surpassing the market cap of major hotel chains like Marriott (\$20.6 billion), Starwood (\$14.1 billion), and Wyndham (\$10 billion), and closing in on that of Hilton (\$27.4 billion).

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20 At Accor, where Booking.com previously made up 20% of nights sold in 2014, it presently covers about 40% of bookings, possibly as a result of aggressive marketing on Google (€1 billion versus €75 million spent by Accor, according to Accor).

21 "Here's How Airbnb Disrupted the Travel Industry," *Adweek*, 26 May 2016.

The impact of Airbnb has generally been dismissed by hoteliers as non-material,<sup>22</sup> and up to mid-2015, it seemed that it was possible for both hotels and sharing platforms like Airbnb to thrive without eating into each other's share of the pie. Like low-cost airlines, the industry disruptor a generation earlier, Airbnb and other sharing platforms are thought to bring in previously unmet demand. According to Airbnb's own economic studies, roughly 70% to 80% of its listings are located outside a city's central hotel and tourist district, and hence do not compete directly with traditional hotels. Evidence has been mixed.

For example, travel research company STR examined hotel occupancies in Austin, Texas, during the South by Southwest Festival; in Louisville during the Kentucky Derby; and in Omaha, Nebraska, during Berkshire Hathaway's 2015 meeting; none of these fell despite the fact that the organizers of those events were actively promoting Airbnb. Furthermore, San Francisco, the city where Airbnb was founded and remains headquartered, was one of the top-five-performing markets for hotels in 2014, with 84.1% occupancy and room rates that increased 10.9%.<sup>23</sup> On the other hand, a paper from researchers at Boston University found a "statistically significant decrease in occupancy rate and an even bigger decrease in hotel room prices" from Airbnb in Texas; for Austin, where the supply was highest, there was an impact of 8% to 10% on hotel revenues. Lower-priced hotels and those hotels that did not cater to business travellers were most affected.<sup>24</sup> A separate October 2015 study by HVS Consulting and Valuation commissioned by the Hotel Association of New York City found an overall revenue loss impact of US\$2.1 billion as a result of Airbnb operations:

- A direct impact of Airbnb on the New York hotel industry estimated to be \$451 million
- An indirect impact estimated around \$1.6 billion, which includes the loss of revenue in food and beverages, construction sector losses, and the economic impacts on wages and lost jobs
- A tax revenue loss projected to be \$226 million annually

The report concluded that 2,800 jobs were lost directly due to Airbnb, and also reported that Airbnb accounted for 8% of overnight stays in New York, which was considered strong.

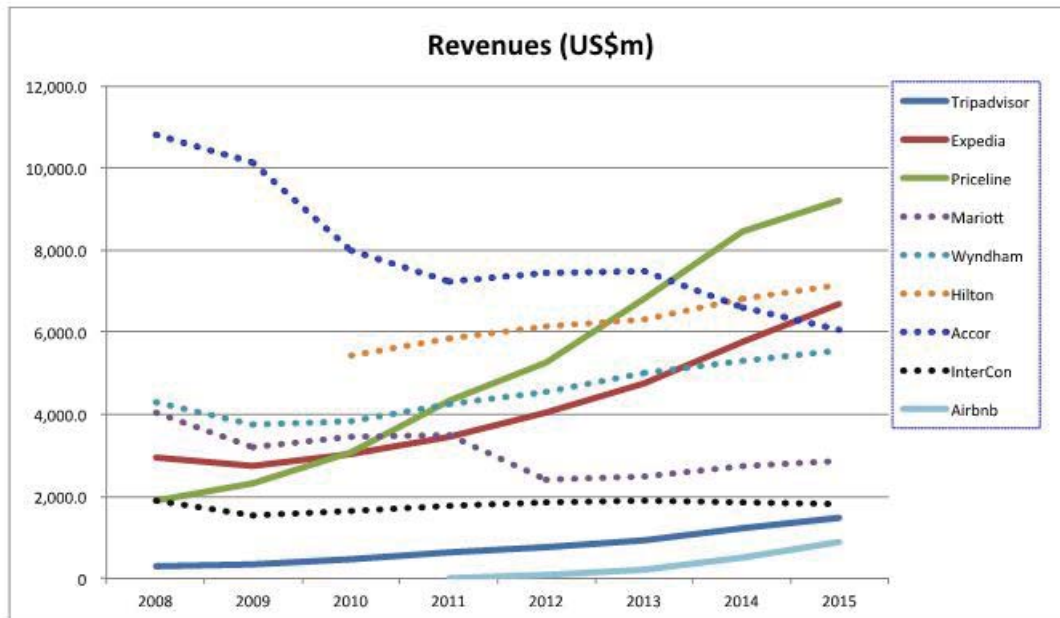
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22 With the exception of Accor's Bazin, who said: "I have huge respect for Airbnb. I said that. I know the guys. I think what they created is strong, formidable, scalable, and provides actually a good service. But, it is competing with us, and it would be foolish to say it has no impact. Of course, it has an impact." "Interview: Accor Hotels CEO on Moving Fast While Others Fail," Skift, 19 Nov 2015.

23 "Airbnb Is Thriving. Hotels Are Thriving," *Slate*, 6 July 2015.

24 "The Rise of the Sharing Economy: Estimating the Impact of Airbnb on the Hotel Industry," Boston University, 14 Dec 2013 (updated 27 Jan 2016).

**Exhibit 11**  
*Revenues of Hotels vs. New Online Players*



Source: S&P Capital IQ, Wall Street Journal (for Airbnb).

**Exhibit 12**  
*Examples of Tech and Book Review Sites, Blog Sites Popular with Consumers*

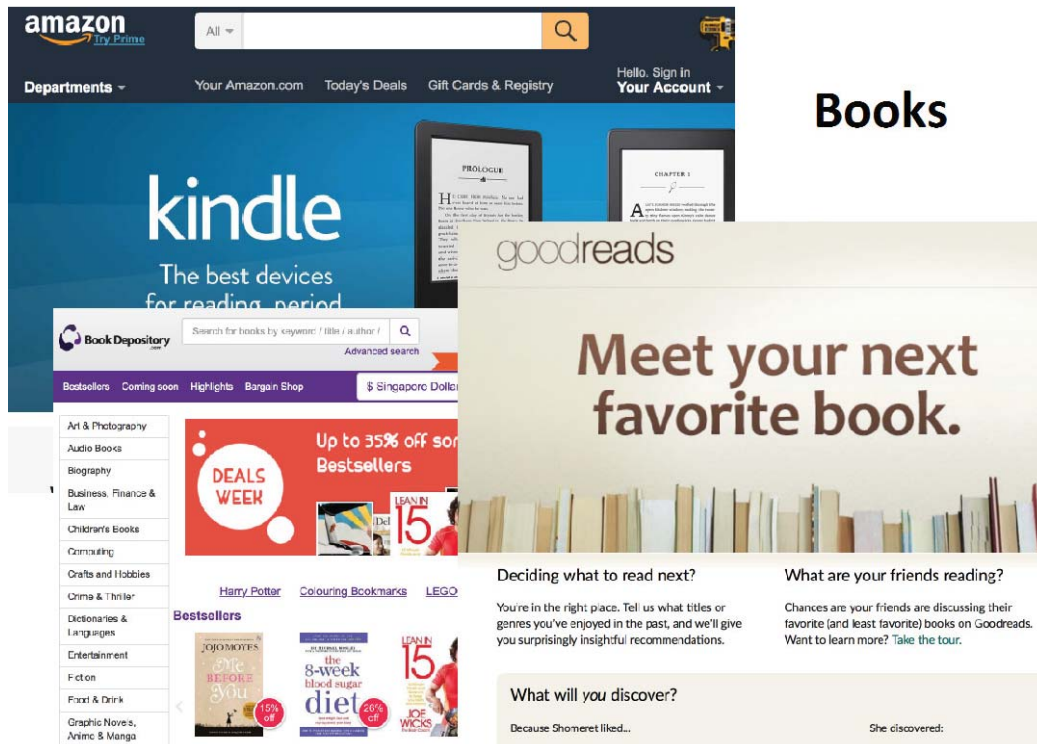
## Tech

Shared from Sploid

### What Makes a Movie Great?

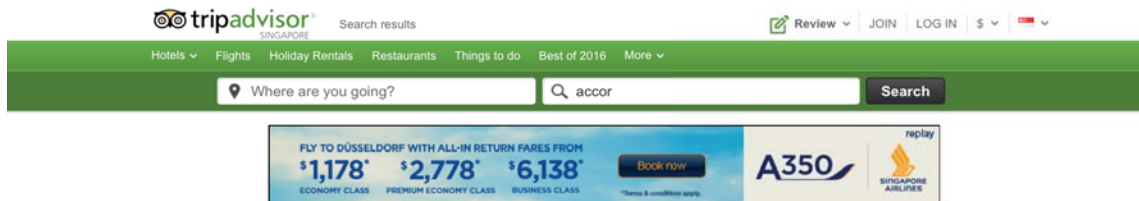
Casey Chan  
Yesterday 10:00pm

66
3

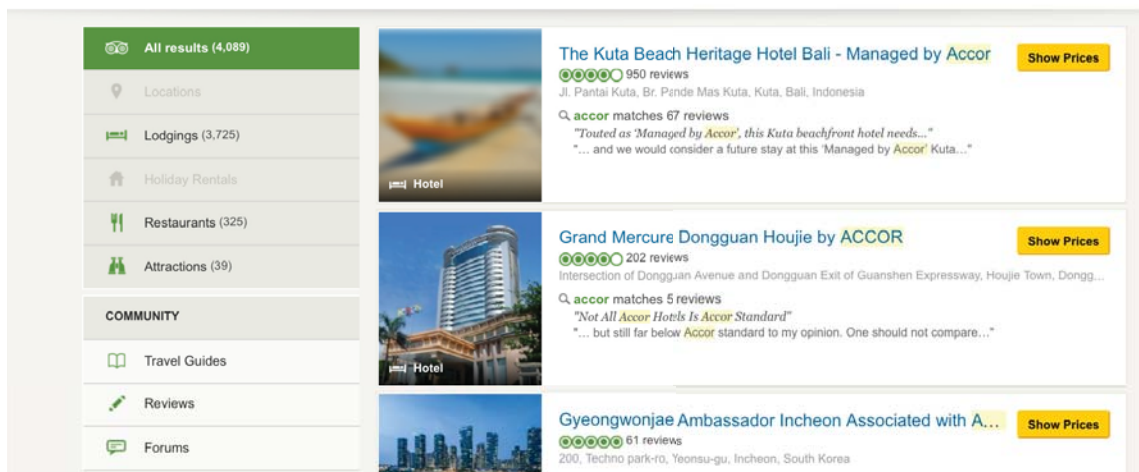


## Books

### Exhibit 13 *Shift of Power to the Consumer*



#### Search results for **accor**







Tea #tea#hotel #beautiful #rendezvous  
#sofitel #deco #decostyle #asia #macau  
#travel #photo #winebar...



#philippines #manila #pooltime amazing view  
△ i liked it ☺☺



Great rooftop pool at @viehotelbangkok  
#thailand #bangkok #pool #viebangkok  
#travel #traveller #hotel



All checked in for our wonderful stay at  
The Pullman Auckland! Fantastic welcome  
and serve on arrival! @kelsopo4  
#nzallstarsfamil #nzallstars #team2  
#pullmanauckland #comfybeds  
#spaciousrooms



Sunset at the beach #pullman #beach  
#Danang #resort #sunset



#complimentary#cake#love#heart#c  
hocolate#instafood#instagram#insta  
holiday#bali#igttrip#holiday#chocola  
telover#instago#instapic

## Our Customers are changing...



### TELL MORE

Use of Social Media  
and peers feedback  
has impacted  
their choices

62% responded feedback survey

315M visitors each month  
at Trip Advisor

70% guests used social media  
during last trip



### COMPLAIN MORE

More online processes  
and greater in-house  
expectations /  
disappointment

43% of complaints answers  
by the hotel

86% of customers will pay more  
for a better CX



### SWITCH MORE

More choice  
and less patience  
for a second chance

89% of customers switched  
because of bad CX

22 websites before  
choosing an hotel

54% Chinese, 36% USA,  
35% UK use metasearch



### EXPECT MORE

Customers get used  
to privilege / priority  
treatment everywhere

+8%  
Feeling recognized  
for Platinum (83%)

Loyalty 3.0  
Customers want  
Experiences more  
than benefits

NB: CX = customer experience.

Source: Accor.



**Exhibit 14**  
*Centralized SML*

Video with digital strategist with Intel's Social Media Center of Excellence, about how Intel approaches social media <http://vimeo.com/9098353>

Social Media Centre of Gatorade



Source: Mashable.

**Exhibit 15**  
*Datasets to Go with the Case*

<i><b>Dataset</b></i>	<i><b>Content</b></i>
<i>D1a #reviews/channels 2013 _2016</i>	<p>This data represents the volume of reviews on Accor Hotels from online sources (Booking.com, TripAdvisor, etc.) from 2013 to 2016 across different geographies.</p> <ul style="list-style-type: none"> <li>• The sources and geographies are indicated in Column A.</li> <li>• For each year, there are two columns: # reviews (raw) and Performance Score (an average of all ratings received in the year)</li> </ul>
<i>D1b Competitive ranking end of May 2016</i>	<p>This data represents the performance score of Accor hotels (column C-E) and #reviews (column F) as well as response rate to satisfaction questionnaires administered by TrustYou on behalf of Accor by segment:</p> <ul style="list-style-type: none"> <li>• sheet 1: budget</li> <li>• sheet 2: economy</li> <li>• sheet 3: midrange</li> <li>• sheet 4: upscale</li> <li>• sheet 5: upper upscale</li> <li>• sheet 6: luxury</li> </ul>
<i>D2a-D2g: Detailed TrustYou reports for 7 hotels</i>	<ul style="list-style-type: none"> <li>• Sentiment analysis (p2)</li> <li>• History (p3)</li> <li>• Sources and competitive benchmark (p4)</li> <li>• Detail of sentiment and web cloud (p5) as well as additional information about each performance attribute</li> </ul>
<i>D2h</i>	Detailed dashboards for a few hotels
<i>D3</i>	Examples of UGC before, during, and after a stay
<i>D4</i>	Examples of questionnaires used by Accor Hotels (s2-6), Booking.com (s8-9), and TripAdvisor (s11)