

Startups in the realm of hospitality, the advent of the experience economy

Hospitality dates back to antiquity, this obligation to provide free food and shelter to the traveler who, in exchange, recounted his adventures.

In fact, this gift was not quite free, as it induced a relationship of reciprocity between two people. The duality in the word host was born:

“The one who receives and one that is received.”

This term has evolved over time. Hosting first stopped being free. Indeed, after the agrarian revolution and the industrial revolution, we are actors of a third revolution that supplanted the latter by its importance: the service industry, with a significant corollary: Hospitality.

This sector is one of the fastest growing and resilient but a very traditional one. That's why it

attracts young entrepreneurs that see opportunity for a more inventive and technologically connected approach.

“Today a group like ours cannot dare to innovate. You will do it for us and if it works.... We will acquire you!” Says the director of one of the leading hotel operator in world to Olivier Devys, co-founder of the new hotel chain concept: Okko Hotels. Olivier created a new chain that surfs on the “blue ocean” wave movement of “affordable luxury” (incepted by Michael Levie with the his proven CitizenM concept). Hotels located in the center of city with rooms that are more compact but more connected with Wifi, IPTV and VOIP almost for free. There is no in-room services, the guest experience is laid out in the ground floor where clients can rest or work in the lobby or eat at the self-service cafeteria.

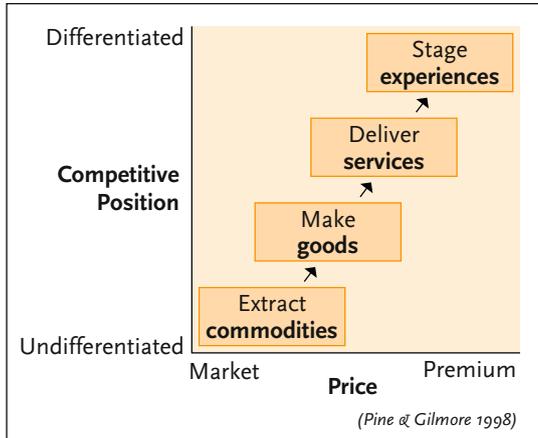
This underlies the fact that hotelier are risk averse and reluctant towards innovation that is by essence, change.

The world has dramatically changed. Creative destruction occurred; Schumpeter would be proud. The power is now in the hands of consumers. Thanks to technology they are “self-directed buyers”: they know what they want, how they want it and what price they should pay for it. The time where salesmen could edict the conduct of the masses is over. The control is now in the hands of marketers. They can interact with prospects on all channels by providing the most useful information and content through



social media and websites, whether it is video, downloadable fact-sheets and so forth. All that in order to guide their weighted decisions.

Online Travel Agencies have killed “mom-and-pop” travel firms and are perceived as the leech that bleeds out the hoteliers in order to ensure a steady visibility and demand. But, look at it in another way: today you can build your own hotel, connect it to *Booking.com* and have clients the first year by “just” giving in 20% of you room rate and not invest a dime on marketing nor promotion.



There is a rise of initiatives to recreate a direct link between the consumer and the hotelier. This young French startup called *Fairbooking.fr* tries to motivate the guest to do direct booking and aims to by-pass the OTAs. In exchange you get advantages and rebates (discount, added services, free breakfast, etc.).

The future of startups in the industry is bright; there is room for improvement and untapped markets to apprehend.

Hotelnight.com, *Laterooms.com* and its French counterpart *Verylastroom.com* are tackling the problem of last-minute availability thanks to a direct link to Global Distribution Systems. They offer a mobile application to book a hotel room on the same day, at an unbeatable price. This startup from Marseille has just completed a first round of financing of € 400'000.-, evidence that investors believe there is still place for innovation in the hospitality industry.

According to Nicolas Salin, CEO of the company, “there is always room for new entrants that go faster, are more agile, and which have more specialized products on a given market.

The B2B market is not left out in this startup innovation frenzy. Businesses like *Pricematch.fr* have the ambition to industrialize yield management principles and provide a revenue maximizing dashboard to the long tail of small hotels and BnBs.

One of the founder, Tancrede Besnard has no shortage of arguments when asked why he chose to



embrace a risky venture rather than getting a wholesome pay in a big firm: “We have built this with our own hands. There is nothing more gratifying. No other company would have given the opportunity to youngsters like us to create, try new project, fail and start all-over again.”

This startup has no trouble in finding new talents and young graduates from top-notch colleges, even when they offer them a lower salary...For now.

“Today, I am an entrepreneur and that is an engine, an incentive that has no price.” Says Aime Dushimire in charge of business development and customer relations and who has previously refused a position at Goldman Sachs after graduating with a salary that would have attracted more than one!

These new innovative companies are great opportunities for graduates. They provide a valuable alternative especially in the midst of the current economic downturn.



PHILIPPE KHODARA

has proudly graduated from EHL in 2011. Right after, he left for New Delhi to develop a new hotel concept targeting the emerging middle class. He created for this project a patented modular building system that would make possible to mass produce most of the room interior to decrease costs and optimize construction time. Passionate by technology and innovation, he tumbled on *Hotelcloud* and realized right away the huge disruptive potential addressing the unmet needs in hospitality connectivity. Follow me on twitter: @PKHotelcloud.

What about substitute products?

Disruptive startups like Airbnb and Housetrip are eroding the market shares of hotels operators and serviced apartments and it’s not only about price.

In less than five years, Airbnb created the biggest sharing economy marketplace where hosts provide houses, rooms, couches and even sometimes caverns or islands all across the world. Some are in prime locations and city centers and can be a cheaper alternative to hotels and a more immersive discovery experience of a new destination by “going





FLORIAN SAVOYEN

Florian is a true "Hotel-a-holic". Having graduated from EHL in 2012, he fell in love with hotels and palaces while traveling around the world with his father, a professional of the sector. Enjoy a hotel is good, but to be part of the adventure better. After several experiences in properties like Park Hyatt Paris Vendôme, Beau Rivage Palace Genève, Mandarin Oriental Paris, he decided to join Hotelcloud to develop the French market. What he is passionate about is to work with the great professionals of the sector.

local". They have registered a big organic growth (up to 1600% monthly) thanks to the "network effect" of happy hosts talking with their friends about this revenue producing platform. Not a dime has been spent in marketing. It's a scalable business that is now worth billions.

Airbnb has embraced the "experience economy" (Pine & Gilmore 1998), the strongest differentiator and the hardest to copy. They provide more than just an accommodation, but a relationship with local hosts and neighborhoods. As referred by Pine & Gilmore "commodities are fungible, goods tangible, services intangible and experience **memorable**".

Their strategy is clear. "Neighborhoods" is the brainchild of their recent acquisition of Nabewise, a "hyper-local" recommendation startup that provides information on local activities. Airbnb partnered with local experts to create unique content in their native languages, they polled users to understand their desires and mandated photographers to take exceptional pictures. The "Neighborhoods" feature is now live in 15 cities and aims at bringing the traveler to the right place according to his needs and expectations. The idea is to reduce the "first SERVQUAL gap" (the gap between consumer expectations and management's perception of their expectations) and provide a tailor-made travel experience.

What can hoteliers do to counter these substitutes? Why not providing this "local" experience with the help of technology? It is with that goal in mind that David-Benjamin Brakha created Hotelcloud and developed a platform that is the guest travel companion. Available before and during the trip from a simple link, guests can browse and discover all events and activities in the hotel's surroundings and start booking in advance hotels' services and external services (such as tours, ticketing, events, transportation), anything relevant for an immersive journey.

As David-Benjamin states it "We want to empower travelers by putting amazing experiences at the tip of their fingers". You can book before your arrival a massage to relax after those long hours of traveling... And order your breakfast while sitting on your bed and a ticket for tonight's show from the same interface.

The idea is to bring back the hotelier at the center of the guest experience. By providing all information and services in a seamless way, Hotelcloud greatly impacts guest satisfaction while providing hoteliers with a new revenue-generating mobile strategy.

"We chose Hotelcloud for their ability to be proactive and innovative. They are always trying to think out of the box in order to create new features to better meet guests' expectations" says Jennifer Boccara the General Manager at the luxurious Parisian hotel, The Hotel de Sers.



Hotelcloud is more than an innovative startup, it is also a prime employer of EHL students! After two years of existence it has employed over 6 students and plans to recruit much more in the future. "I was working on a 448 room hotel development project in India, had a great payroll but I wasn't happy. Everything was so slow... When I met Hotelcloud, I saw the clear potential and I felt I could make a difference. I fell in love with the vision and the team. Plus, in a startup you live in "fast forward" mode, you end up doing many things that weren't in your job description... It is very interesting and rewarding, every day is different!" says Philippe Khodara, newly appointed UK business development manager.

So, why do students want to embrace the startup world? The Facebook & Instagram syndrome could be an explanation, but it's more complex than that.

In a startup, hierarchy is flattened and sometimes non-existent. It's very easy to talk to the CEO, to brainstorm and add your input about a given subject, even if it's not your "turf". Transparency is also a strong factor. In small startup it's not uncommon to know what's left on the bank account. And that has a direct impacts on the team's perception of how valuable their contribution is in the venture.

The hospitality industry and startups have a love-hate relationship; some need each other and other compete against each other. Hoteliers need to be less defiant toward technology, startups and innovation in general.

It is important that hoteliers and schools understand that there is a huge potential in promoting and partnering with startups because in the end, the only way to increase and sustain GDP growth in these times is by helping and investing in innovation so it can create wealth and jobs.

Philippe Khodara
and Florian Savoyen

