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GEORGE CORBIN (MARRIOTT INTERNATIONAL), INTERVIEWED BY GERALD C. KANE

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Marriott International Inc.’s senior vice president of digital, George Corbin, knows this all too well. “For any company that is being disrupted by digital, it’s important that they not just be able to recognize if there’s a potential threat to its existing business; the bigger challenge is, how and what do you change to make the transition from where it is to where it needs to be?” he said in a recent interview with MIT Sloan Management Review’s Digital Business guest editor, Gerald C. Kane.

**How are digital technologies changing the way business is done at Marriott?**

In just about every way imaginable. I’ve been here for 14 years, and I’ve seen the travel industry continue to be disrupted by digital. In the first wave, the advent of sites like Expedia, Travelocity, and others changed the consumer purchase experience from one conducted through hotel call centers or offline travel agents to one that uses OTAs [online travel agents] and third parties.

These sites were a major disruption to the hotel industry, as bookings and transactions through these new third parties were substantially more costly to us than booking through our own direct channels.
That prompted the development of our own digital channels to reach the consumer directly. Marriott.com, obviously, was the first one for us. After that, we began to take advantage of the advent of search engines, which drove a change in terms of thinking about how we could get visibility farther up the consumer purchase funnel.

A whole series of new strategies and tactics had to be employed to win consumers at the early stages of consideration and evaluation. We had to teach thousands of our hotels that you need to publish the right content on our web platform in order to be found by Google. If you don’t, that sale is either going to be lost entirely, or go to a third party where it’s going to cost you much more for that same booking.

The massive consumer shift to mobile is another major disruption. All of the experiential elements and online functionalities we’ve built up over the years now have to move to a smaller screen that is ubiquitous and always on. That has prompted a new set of strategies and tactics, around the booking side of the experience and during the trip and during the stay.

At Marriott, our early mobile platform was really focused on the booking experience and the transaction, but now we’ve moved deeply into what we call the “win-the-stay” portion of our strategy, which is where we provide different levels of guest services through our mobile app that are relevant in the moment.

The sharing economy companies like Airbnb seem to be huge disruptors right now — yet you painted a much longer timeframe of digital disruption for the travel industry, and you didn’t mention them at all. Why not?

We’ve always had competition. We have faced disruption before, and we’ve adapted; it’s how you get to be 90 years old and the world’s largest hotel company, even though we started out as a root beer stand.

We should be thoughtful in what constitutes a truly disruptive force versus a company that is opening up a new market segment or use-case within an industry. For example, Netflix was a disruptor in the home entertainment market because it used streaming to completely change the model for how content was accessed and consumed, and the pricing model for it. We don’t see home-sharing replacing hotel stays, but certainly supplementing them.

But digital has certainly reframed how we think about our competitive sandbox.

Up until a few years ago, folks outside of the digital arena would say that our competition was Hilton and Starwood, which we recently acquired, and Intercontinental. But that’s too narrow, since most disruption to the industry has come from outside this circle of competitors. We have recalibrated the company to think about 3 rings of competition: The inner ring is hotel companies. The second ring is online travel agents, and home-sharing services, like Airbnb. The latter serve slightly different segments, with different consumer use-cases, but nonetheless must be considered among our competitive set.
The third ring is the companies we generally didn’t really think of as competition. These are companies like Google, Alibaba, and Apple. Each of them has a tremendously strong influence and impact upon the travel industry, because they control primary consumer access to the web and to travel content like travel apps and travel sites, and have a huge installed customer base. In our experience, if one of these players makes a minor change, whether it’s an algorithm or a user interface, it can send a ripple across the entire industry.

So, you’ve now painted a picture of pretty serious disruption in your industry over the past 15 years. But how has the disruption affected Marriott in terms of the culture of the company?

Depending on the nature of the change, a company’s culture can be an asset or a liability. For Marriott, the shift to digital has, at its core, been about changing how we deliver service — whether making it easier for customers to book rooms using our website, or making the hotel stay experience better with our mobile app.

Fortunately, our culture really helped here. Marriott’s decades-long culture of service proved to be a great asset in making this transition to digital. For example, when we used the mobile app to roll out digital services like mobile check-in, mobile checkout, and mobile service requests, these were things that on-property associates could already relate to. So with training and some relatively straightforward adaptations of familiar processes, our hotels were able to execute well — like 98 to 99% task completion — on these new digital services.

For any company that is being disrupted by digital, it’s important that it not only be able to recognize if there’s a potential threat to its existing business, but to understand how and what to change to make the transition from where it is to where it needs to be.

Many people assume that technology or some aspect of the customer behavior is the hardest part of the digital transformation process, but they’re not. You have to ascertain which parts of your current operating model might need to be transformed to adapt to the new digital reality. All organizations have operating models that have been constructed over the years to mitigate market risk. If the market is being fundamentally disrupted, do these legacy control measures help or hurt your ability to adapt and succeed in the new environment? Some of them work very well for the new disruption, and some don’t. Each company needs to look at this with an objective and hard eye, and then change where needed.

With digital disruption, we’ve had to make changes to everything from how corporate goals are set, how capital allocation decisions are made, how we're organized, right down to how we recruit, retain, measure, and compensate talent across the enterprise, even beyond the digital function.

Take, for example, a company’s funding model. A lot of companies are set up so that their funding decisions and capital allocation decisions, are based upon a set of assumptions about what drives value creation for a company. The question becomes: to what extent have these assumptions been changed by digital? Oftentimes, capital is precommitted to certain types of investments within the company, and getting that to change can be difficult. When we found new ways to finance our digital strategy, innovation accelerated.
Do you have any guidance for these companies on how to make this happen?
Some of our biggest behind-the-scenes innovations come through funding model innovations — finding ways that we can get a growth opportunity to become self-financing, preferably by tying it to a scalable growth index, like online transactions.

The initial investment can vary. Sometimes, we’ll do something that we’ll put in an initial seed fund, but then we will also set up a recovery mechanism to determine how we’re going to pay off that seed investment, and we just have to accelerate that as much as possible.

As you read our 2016 digital business report, what were some of the big things that resonated with you?
First, what struck me was that your study found that 87% of companies felt they were being disrupted by digital, but that only 44% felt they were adequately prepared. A majority of them cited “internal issues” as the single biggest challenge in getting prepared. So this, again, is where companies need to undertake a broader digital transformation that goes beyond the technology, and digs into the operating model. You need to do this in a way that is enterprise-wide in scope, multi-disciplinary in reach, and that is sustained and durable over a long period of time. It’s not an event; it has to be a fundamental migration to a new way of doing business.

When we decided to focus efforts on our “win-the-stay” strategy, for example, we began upgrading the customer’s actual stay experience, not just their booking experience, by leveraging digital technologies.

As we looked at this next big part of our strategy, we determined that customer loyalty really depends on the quality of the stay. I can build the best website on the planet, do the best search campaigns to reach you, intercept and bring you in and give you the best website experience. But if that stay experience is not great, that customer is not coming back. How do you execute something like that globally?

First, this required close coordination across internal partners throughout the company to make sure that every feature we added to the app was delivered properly to our guests. One of the major complaints I had seen in the app store among competitors’ apps was that it listed room service or check-in capabilities, but the food would never be delivered or the check-in didn’t go through to the front desk. So, the problem was the companies hadn’t worked with the operations side of the business to actually execute the functionalities the app was claiming to have. Fortunately, we recognized this and worked with operations to get it right nearly every time for our guests.

So, what was the secret to making that happen?
For one, I began focusing on spending more time with my counterpart, the head of global operations for Marriott. I spent more time with him than with members of my own team, and we were able to build a tremendous deployment capability in the operations side that became a key factor in the success of mobile for us. They had folks who knew the hotel business intimately and were able to mobilize the ground forces across thousands of hotels.

They were the ones who trained tens of thousands of associates globally on how to handle an arriving customer who has used mobile check-in. Here’s how you welcome them. Here’s the script that you use. You’ve got to have
this ready for them when they arrive. All this has to be in order, so that they know and feel that this is a different and better experience. The sheer act of mobilizing that many people in dozens of languages in nearly 100 countries worldwide was the win.

Our mobile app became a big differentiator between our competition and us. But it wasn’t easy, there was some tension there that needed to be settled. Originally, the digital team thought they owned the customer experience, but so did operations. It was great that we all seemed to be focused on the same thing, but internally, we needed to draw clear lines — to figure out roles and responsibilities that would ensure that everyone was actually focused on the same goal, and that’s what we did.

Today, when we set business goals, both the digital and operations teams sit in the same room, and set them together. We are accountable for the same performance objectives, so much so that we now have people in operations with “digital” in their titles; digital is a huge part of their jobs.

It sounds like to hit these “win the stay” strategy goals, you had to reorganize, or at least collaborate across boundaries in ways you hadn’t before. That sounds like a nontrivial change on the back end.

Yeah, I would say so. Partnership is so important to our success here. For example, we’ll align on the objective that we’re looking to grow guest engagement through the app, so we want a guest engagement metric. We want to grow what we call “intent to recommend,” which is probably one of the best indicators of true loyalty.

So, we align on those objectives and we hold everyone accountable to that, and we report on these types of metrics. (And there are many more types of metrics that we all measure and examine jointly: operational effectiveness, cost, etc.) A number of these [key performance indicators] we report all the way up to the CEO level. Our CEO is very invested in digital and in digital transformation. That’s helped to knock down barriers and lead to even better collaboration across the business.

How has digital impacted the way you recruit and develop talent in your group?

Gaining and retaining talent in a digital area still remains a challenge.

I would put the digital expertise half-life at closer to 18 months now because our space is changing so fast. Most of my job now relies on technologies that did not even exist three or four years ago. These massive, accelerating changes in the digital arena make it difficult to stay on top of everything all at once.

The challenge for us has been continuing to bring in the right talent while training and developing the skills of the people we have in order to keep up with the changing markets. Sometimes that has meant that people learn by doing, but sometimes it has been through conferences and webinars, and even bringing in specific vendors to work on certain projects and learning through working with them.

Ultimately, our people are motivated and energized by the ever-changing nature of this space and therefore of their jobs. Our growth is a great testament to the kind of opportunity this affords them as individuals, and I’m very proud of what they have accomplished here.
About the Author

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