CASE STUDY: ACCOR HOTELS

Abstract

With a corporate representation throughout the world, Accor Hotels (Accor) have become one of the largest players in the industry. It is an intricate organisation with multiple brands and qualifications of hotels, as well as supplementary products and services. Accor finds it important to incorporate the small and medium-sized hotels in managing customers’ needs and requests as they are the direct link to the customers. The small and medium-sized hotels could also contribute in improving the financial situation of the organisation as a whole, by selling at the right price, at the right time, to the right customer.

Case characteristics

- Sector focus: Tourism
- Business focus: Large company, comprised of SMEs
- Geographical focus (HQ): Paris, France

Case objectives

- Electronic Customer Management
- E-commerce
- SCM

Background and objectives

The cost of operation and competition has made it increasingly important for hotel operators to register and identify market development and customer demand. The short lead-time between production, sale and consumption also highlight the issue of dynamic pricing. Accor has made optimal pricing at each location for the individual customer a key operational element in their business. Thus, even though Accor is operated primarily by small hotels, each individual hotel operates according to a common revenue management system and practise.

Accor is a worldwide hotel group, managing, owning or franchising nearly 4,000 hotels in 140 countries, most of them SMEs. The hotels, headquarters and branch offices

1 This case study was conducted by Rambøll Management, Nørregade 7A, 1165 Copenhagen K, Denmark.
employ 157,000 employees worldwide and the group revenue was 7,071 million Euro in 2002. Accor Hotels runs a portfolio of economy to upscale luxury class hotels in both business and leisure. Brand names in Europe and the rest of the world (besides the US) are Ibis, Formule 1 and Etap Hotel, and in the US, Motel 6 and Red Roof Inns. Accor has a strong position in the budget hotel sector and the group is also very well positioned in the upper and medium scale hotel range with the Sofitel, Novotel and Mercure brands on all five continents. The company uses information technology to gain customers and has already invested and continues to invest substantial resources in achieving a leading position in the online hotel market (www.accorhotels.com).

Activities

A few years back, Accor was faced with the challenge that the subsidiaries, including hotels, used a wide range of computing environments. Each country or subsidiary had its own back-end system (finance system). This made integration between the backoffice system in headquarters and each country or subsidiary too complex and costly. Another challenge was an increasing need for a more efficient communication between headquarters and the hotels regarding revenue, pricing, forecast etc. Thus, in 2000, Accor started a project of building a business framework on a common IT architecture with easy integration capabilities, and selected Microsoft .NET to provide a common set of programming interfaces and commands.

Each individual hotel controls its own individual pricing and allocation strategy for its inventory. This allows them to adjust the system according to the needs of local customers, and as the system is interlinked with the group CRS system, the group keeps updated on Revenue Management worldwide. Accor’s CRS is integrated into the e-business set-up. In practice this allows the individual hotel to allocate and price its inventory with an instant update in the CRS system and the e-booking system. The CRS system is furthermore integrated in the financial systems at both hotel and group level as well. Accor has also integrated the CRS into the three largest reservation systems used by travel agents (e.g. WorldRes, Galileo, Pegasus, etc.), known also as third party websites. All these facilities and integrations optimise the capacity utilisation on a worldwide scale and make it possible for individual hotels to benefit from a worldwide booking system.

Accor runs a common website parallel with individual websites for each hotel chain. Both allow customers to access information, pictures etc. on the individual hotel and make an online reservation. Accor has not yet introduced a payment system over the Internet, but is planning to do so as soon as possible. They expect that getting still more customers to book online will decrease transaction costs and save commissions to third party websites or travel agencies. This whole chain of pricing reactions starts when the individual hotel alters its prices in the revenue management system. This allows the individual hotel to react according to customer and local needs, as it is the individual hotel adjusts prices on the system, despite the fact that it is part of a large chain with numerous enterprises and players involved.

Lessons learned

Accor Hotels has succeeded in implementing an electronic revenue management system tying the SME hotel operations together into a common network. This has improved its overall market performance, making it possible to foresee trends and market developments in an earlier stage. By linking the revenue management system to the CRS booking system, Accor has developed a forecast system optimising sales,
allotments and pricing strategies. Managers in local markets and in the Paris headquarters have the opportunity to closely follow the market development and make adjustments in marketing and sales efforts at the same pace as the demand and supply are changing.

The prerequisite for the operation of revenue management in Accor Hotels has been the development of a common technological platform for the entire group, including the small hotel operations. By making such a system technically operational, Accor saves costs on commissions for travel agents, as customers book directly at the chosen hotel. At the same time, these electronic bookings become traceable in the internal financial systems, thus saving transaction time and cost. For a revenue management system to have optimal functionality, it is important that its operation be supported by all entities in the system. If one or more of the hotels neglect the system, e.g. by not amending prices and ensuring constant updating, it will obscure the system’s functionality, as differentiation in prices will make it difficult to integrate the right information and data in all related systems – revenue, CRS and financial management systems.

Sources and references
The case study is based on the following data and material:

- Interview with Ms. Melinda Limoges, Accor Sales and Distribution Division (December 2003)
- Interview with Mr. Nicolas Besse, Accor Revenue Management Division (December 2003)
- Websites: www.accor.com

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