



Department of Economics and Business

Chair: *Management*

**Digital marketing
in the hospitality industry**

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Academic Year 2018/2019

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Introduction

In the last few decades, hospitality has become one of the largest and most dynamic sectors in the world. It is an industry that includes several transversal fields, such as lodging companies, food & beverage, travel, and tourism. The impact of new technologies has played a fundamental role in the growth of the whole business, revolutionizing both management, and customers behaviors.

Digital marketing represents today the primary path for marketing in the hospitality industry, and it will be the key to gain and sustain competitive advantage in the future.

Strictly connected with the expansion of the hospitality sector is the concept of sustainable development. The hospitality industry has historically had a strong environmental impact through energy and water consumption, use of consumable and durable goods, and constant waste creation. Given the central relevance of ecological sustainability, it is essential to stress how the entire sector is progressively adapting to new standards.

The interest in the hospitality market derives from its peculiar characteristics. The hospitality industry is unique because it focuses on non-compulsory income and free-time.

This thesis aims at highlighting the fundamental attributes of digital marketing in the hospitality industry, focusing in particular on the hotel sector.

The research method adopted consists of analyzing market quantitative and qualitative data, together with the observation of the major actual trends in a comparative perspective.

The essay is divided into three chapters. The first one deals with a general description of the hotel industry and its development, concentrating on the customers perception and new classification systems. The dissertation then goes on to analyze how this sector has changed following the impact of digital marketing, highlighting the close dependence of hotels and online travel agencies;

in conclusion, it would be investigated the relationship between sustainability and the hospitality industry.

1st Cap: HOSPITALITY INDUSTRY

What is Hospitality?

Louis, chevalier de Jaucourt describes hospitality in the *Encyclopédie* as “the virtue of a great soul that cares for the whole universe through the ties of humanity.” In other words, hospitality is defined as the link between customers (travelers, tourists, business travelers, and delegates, etc..) and a host, and the act of benevolence in welcoming and looking after the basic needs of customers and strangers, mainly concerning food, drink, and accommodation. In general, the Hospitality industry is a broad group of businesses that provide services to customers and is one of the biggest and fastest-growing industries around the world. About 1350 Million is the number of international tourists last year based on the study presented by the World Tourism Organisation.

According to the WTCC report, the share of the Hospitality industry to the Global Economy in 2017 was approximate of \$8 Trillion in 2017, which is forecasted to exceed \$10 Trillion by 2025.

Also, travel and tourism count for over 300 million jobs, that is close to 10% of total employment in 2017. When almost every society is fighting gender bias and the social obstacle, the hospitality, and travel industry employ 55% of the global workforces as a woman. The employment involvement of the hospitality sector is estimated to increase at a rate of 2.4% for the next decade. Thus, when other industries are facing job cuts, the hospitality industry is set to keep offering more jobs. Developing countries are going to have even more significant growth in the hospitality & tourism industry. Countries like India, Brazil, South Africa, etc. have eased norms to open up investment opportunities of the largest hospitality companies in the world. When all associated sectors of the industry are considered, the value of the industry becomes even higher.

The Hospitality industry has three primary areas:

The first area is accommodations, which comprises hotels, bed and breakfast, motels, and other lodging businesses. The second area is food and beverage, which

includes restaurants, bars, fast-food chains, and other firms that provide food and drinks. The last of the regions comprises travel and tourism, which comprehends airlines, trains, and trip ships.

Even though various statistics show that the industry is growing with a positive rate, observing these statistics, one will figure out that the significant growth in the industry depends only in the chain operated hotels and corporations. The hotel sector, as the most visible sector in the hospitality industry, is facing serious risks for the attractiveness of potential investors. Besides, the level of competitions within the hotel industry has increased in the recent years, to the point that it represents a threat both to new entrants into the industry and also to those companies that have been in the industry for many years. Many hotels are working to keep up with the level of competition, but only a few of those can sustain the pressure and make a profit in the long run.

1.1 The Development of the Hotel Industry

The definition of the Hospitality Industry and the Hotel industry are incorrectly believed to be the same things for several people. The main difference is that the Hospitality industry includes multiple different sectors, while the Hotel industry is a catch-all term, which comprises the services related to guest accommodation or lodgings.

The Hospitality industry origins began as early as Roman times. Eating out was part of Roman life. The first activities were found in the busy social and commercial areas of the city, thus around the forum, bathhouses and in the amphitheater area. The hospitia was considered a hotel. Originally, they were rented rooms in private homes, hence their name which is derived from hospitia, or the hospitality owed by a Roman host to his guests. One famous hospitia in Pompeii was the House of Sallust, and an old Samnite-style house converted into a hotel from a private residence. In addition, the caupona was a low-class

establishment. They provided accommodation, food and drink to non-residential guests. Medieval Europe's inn was the foundation of the modern hotel. These would provide for the needs of travelers, including food and lodging, stabling, and fodder for the traveler's horses. Today Japan's Nishiyama Onsen Keiunkan has officially been recognized as the oldest hotel in the world.

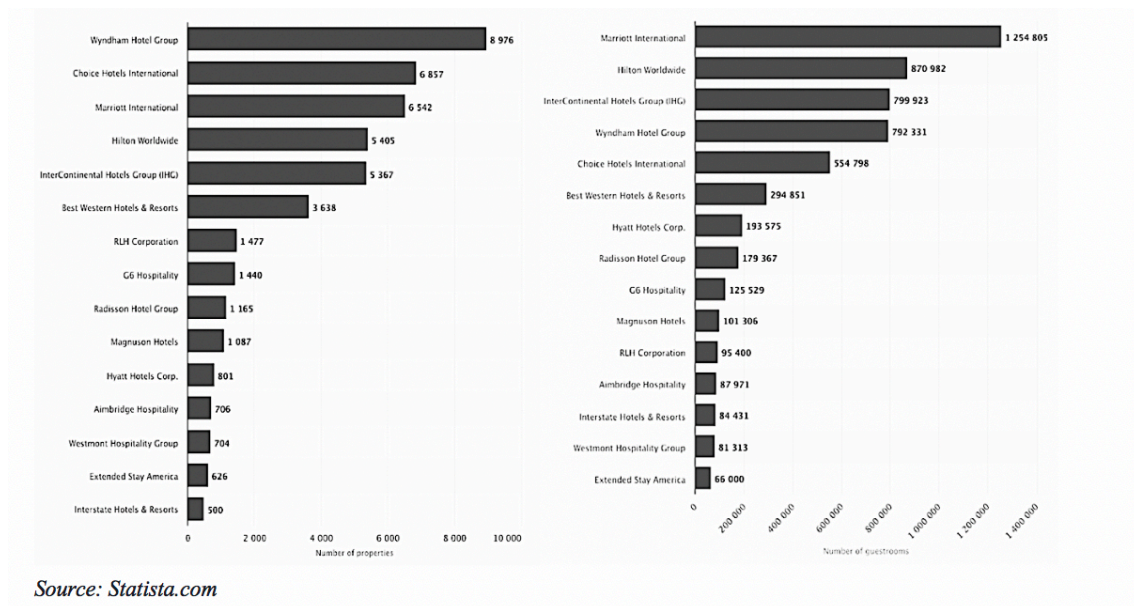
The technological, economic and social developments in the 19th and particularly the 20th century lead to huge changes in the hotel industry, and the main source comes from personal support, loans, investing companies, stock and shares, and governments. In addition, the improvement of global air travel has encouraged the growth of the hotel and tourism industry.

If we consider only the Hotel Industry, the market data, according to Statista and Deloitte, are impressive. The total revenue of the hotel industry in the USA reached \$200 Billion in 2018. Also, Millennial is set to become the biggest consumer sector in the coming years.

Travel and tourism industry is nowadays over 10% of the Global GDP, and the Hotel Industry accounts for half of that if we include the Food & Beverage industry and other lodging business.

Hotel Industry is expected to sustain by growing at 6-7% in 2020 and further on. Thanks to the large numbers of huge multi-billion companies that are opening in various locations globally, the number of business travelers are expected to continue rising. As companies in the hotel industry also focus on improving the customer experience, individual travel is also expected to rise.

Supported by strong hotel operating fundamentals, an abundance of capital and rising investor confidence, global hotel investment continues to increase. The global hotels market was valued at approximately USD 147.57 billion in 2018 and is expected to generate around USD 211.54 billion by 2026, at a CAGR of around 4.6% between 2019 and 2026.



The multinational Wyndham Hotel Group leads the ranking of the top hotel companies by number properties. As of June 2018, Wyndham accounted for almost 9,000 units in its worldwide portfolio, which ranged from economy to upscale accommodation. Its closest competitors were Choice Hotels International and Marriott International, which reported 6,857 and 6,542 properties, respectively. The hotel industry is full of competition and continues to show growth due to an increase of global travelers. The competitive nature of the industry is based on the number of properties a hotel company has. For example, Wyndham's acquisition of La Quinta Holdings added over 900 hotels to its property portfolio in 2018. It is leading hotel companies worldwide as of June 2018, by the number of guestrooms.

1.2 Classification of hotels

Hotel classification systems are used by almost all countries to create the hierarchy of hotels based on service quality. This chapter describes how different systems of hotel classification evaluate hotel properties to allocate "star" or "diamond" ratings. Traditional hotel classification systems are crushing under their own weight and have nearly become redundant due to better sources of information like the internet. The trust in star rating awarded through a hotel classification system is shaken. At the same time, the popularity of alternate sources like TripAdvisor is soaring like never before because of their offer detailed reviews written by

customers who have stayed in hotel properties. Hotel classification systems have no adapted to these changes and continue to exist in the pre-internet era.

HOTEL CLASSIFICATION SYSTEM SAMPLE				
Hotel classification system	Country	Official/ Un official	Voluntary / Mandatory	Year started
HOTEL STARS UNION	European Union +	Unofficial: Sweden & Switzerland	Mandatory in Lithuania	2009
		Official: Malta, Belgium, Luxemburg	Voluntary in Germany	
AAA Diamond Rating	United States	Unofficial	Voluntary	1936
Visit England	United Kingdom	Unofficial	Voluntary	2009
GastroSuisse	Switzerland	Unofficial	Voluntary	1891
Indian Hotel Classification System	India	Official	Voluntary	1954

The hotel classification systems ensure that the guests are informed about what to expect from a hotel. There are more than 100 different classification systems present in the world classified as “official” and “unofficial” systems. While the government is responsible for the official classification, the private agencies – like travel agencies and tour operators are responsible for unofficial hotel classifications. The World Tourism Organization defines a hotel rating system as classifying the (hotels, motels, and inns) into classes, categories, or grades according to their common physical and service characteristics. The hotel classification system, therefore, has to ensure that hotels of different star grades offer the acceptable level of necessary services to travelers.

However, researches hardly have any consensus with the factors that are necessary for guest satisfaction. The complexity in a hotel classification system arises because guests needs are not consistent in all allocation. As a result, the hotel classification system around the world differs from each other.

1.2.1 The HOTREC

The HOTREC – Hotels, Restaurants & Cafés in Europe – is the hotel associations of Austria, the Czech Republic, Germany, Hungary, the Netherlands, Sweden and Switzerland that have created the “Hotelstars Union.” Their partnership is providing a coordinated hotel classification with common standards and procedures in the participating countries.

The criteria used to classify a hotel in each of the five-star categories of the Hotelstars Union’s is divided among seven different areas in which the hotel star-rating system is based.

The first is General info, which includes the cleanliness and hygiene state, the preservation condition of all mechanisms and equipment, staff competency, car park, and facilities for disabled persons. Then is evaluated the characteristics of the reception in details, such as the open hours, the availability for phone calls, luggage and other services. The third area is concerning the general features of the rooms in specific aspects, and those are analyzed and ranked by size and services included, the number of suites, sleeping comfort features, room equipment, entertainment electronics, telecommunication, and general bathroom info. The last areas evaluated are Gastronomy, Event Facilities, and leisure activities. The Hotelstar Union considers a total of 270 features to classify a hotel. The revision of the common catalog of criteria, which takes place every five to six years.

The new criteria set, which has been reduced from 270 to 250 positions, will apply from 1 January 2020, with the Member States having time to implement the new rules by 1 January 2021 at the latest.

Customer expectations of the hotel industry have a strong association between the star rating and expectation of hotel hospitality. Guests a five-star hotel have high expectations that the guests staying in lower star rated hotel. However, the star rating system does not guarantee that this expectation shall be met automatically. The point is that star categorization is based on hotel structural quantitative factors, for example, rooms size, the size of beds, bathrooms, etc. without evaluating the overall condition of the hotel. It is clear that the star classification of hotels only

leads to an increase in customer expectations- higher the star rating, higher the expectations of the guest. The hotel is responsible to ensuring proper star ratings so that the guests are satisfied. There are examples of how a hotel can ensure that customer expectations are met even at a higher star level.

For instance, Burj Al Arab of Dubai, a five-star hotel, has pushed the excellence in service so far that media has started calling it a “seven-star” hotel. The hotel offers dual-level suites, exquisite gold-leaf interiors, gold I-pads, gold tattoos, caviar facials, a helipad, and butlers on all floors. The hotel rooms range in size from 1800sq ft to 8,000 sq ft. These are just a few examples of how a hotel can go beyond the boundaries of hotel classification systems and amaze not only the guests, but the rest of the world as well.

1.2.2 Social Media

The quality of hotel accommodation, the infrastructure of the hotels, facilities like food & beverages, reception are some of the features in which hotel classification systems are based. The inspection of the hotel properties takes place after 3 to 5 years (five years in the case of the Indian hotel classification system). The accreditation is done using symbols like stars and diamonds.

However, there is no clear consensus between different systems on hotels' evaluation. Even though there are few common areas, used by different systems for hotel evaluation- like the quality of guest rooms, bathrooms, provision of food and beverages, furniture, equipment and infrastructure, however, the major concern remains stress on the evaluation of hospitality & service that is the foundation of a hotel. The system of evaluation of the hotel properties is based on whether the hotel follows the official hotel classification system or unofficial. In the case of an official hotel classification system, the evaluation of the hotels includes the hotel licensing, permits, approvals and clearances from the different agencies of the government. The unofficial hotel rating system is focused on the evaluation of the hotel properties only.

None of them recognize the importance of social media, hotel rating websites, hotel websites, etc. in spite of clear evidence of gaining importance for guest booking.

The Internet and social media have made the systems of hotel classification nearly unnecessary. The biggest disadvantage of the official rating systems is that it mainly deals with the infrastructure and facilities. Also, the service quality is evaluated one time (at the time of inspection) only. Another weakness of the official hotel rating systems is that it is no longer relevant to the needs of the hotels who want to differentiate and serve a particular niche market.

However, the official star rating system is under pressure now because of online guest ratings. The Internet has allowed guests to share their experiences and rate the hotels, providing information to the other travelers about the hotels. Many platforms provide this information on the Internet; the most prominent of these platforms include TripAdvisor, which receives 315 million worldwide visitors a month, covers about 4.4 million accommodations, restaurants, and attractions. The site operates in 45 countries (TripAdvisor, 2017). Still, the biggest disadvantage of these reviews is that hotels can get positive ratings and high ratings posted on the websites. A recent finding of the United Nation World Tourism Organization (UNTWO, 2014) discussed that the guests visit 14 different travel-related websites to decide upon hotel bookings. Online guest ratings deserve to get a prominent place in the hotel classification systems because of their influence in hotel bookings. Few countries like UAE and Norway have included the online guest ratings in the hotel classification systems.

2nd CAP : DIGITAL MARKETING IN THE HOSPITALITY INDUSTRY

Technology has come of age, not just as a technical capability, but as a social phenomenon. It will continue its pervasive global impact on marketing strategies and program components in the twenty-first century and is changing markets and buyer preferences, and the rate of change is likely to increase in the future. Media transformation is most visible in the field of marketing.

For fifty years consumers media consumption was dominated by offline media. Then, in the 1990s, there was the Web, which enabled consumers with previously hard-to-find information about potential products and services, and consequently facilitated instant purchase at a distance. In fact, Internet usage time has exceeded that of traditional media, including TV, a key instrument of communication and marketing promotion. Attracting more attention of a possible customer has now become simpler, thanks to the great variety of multimedia devices to which people are constantly connected, and thanks to which they can be reached at any time of the day and in any place. In addition, a consumer is capable of analyzing a price, according to circulating opinions, and sometimes even of dictating it.

In the 2000s, there was the rise of social media, allowing to share information with each other, radically increasing transparency. Today more than half of all the media we consume comes through digital channels. As consumers' media consumption habits change, so does firms' ability to reach them.

Reaching consumers through digital networks offer several advantages over offline marketing. First, a firm's skills to target consumers, with the same characteristics, has increased greatly; for example, an online retailer can decide to advertise only to those consumers that have visited its online store. The second big advantages of digital marketing are measurement online. In fact, it's possible to track individual consumers across time and even across devices. Today, understand data, with the aim of sustaining the future of the business is a key for gaining competitive advantage and superior customer value. In addition, it is low cost and good in promotional material. Improving the hotel website often will get

better hotel business performance. Developing a digital marketing strategy is essential to increase bookings and the turnover of a structure.

2.1 Hotel Brand Building in the digital age

Building a strong hotel brand, as technology continues to raise the level of consumers expectations, will be essential. The success will depend on how much hotels will invest and custom on digital marketing strategies to improve every aspect of their brand, because how your customers perceive it is crucial for the hotel businesses. Moreover, the brand can dictate preferences among customers on their decision to choose one hotel rather than another.

Brands can be defined as intangible assets that help to get strategic advantage and generate financial value thanks to their capability to generate revenues.

A well-established brand came from the benefits of marketing efficiency and performance-related with that brand. In general, the main factors that generate revenues are customer loyalty, brand extension, and superior marketing efficacy. As brand awareness, brand loyalty, perceived quality, and the brand image grow, a hotel can exploit on the brand's value through price premiums, decreased price elasticity, increased market share, and more fast brand expansion.

Also, the value of a brand is taken into consideration for potential buyers and investors. Hotel companies are merging, giving rise to multinational brands like Marriott, Hilton, and InterContinental Hotel Group. Hotel brands can be a collection of five or more hotels sharing the same brand personality. A sub-brand is a brand that is associated with a mother brand but has its brand name.

Customers prefer branded hotels because they guarantee a consistent guest experience regardless of the city or country. Managers must understand how travelers perceive their brands, how brand reputation competes, and decide which actions and investments take to build a reliable, distinctive brand. Besides, they have to lead and inspire staff to consistently deliver on brand promises.

Reputation can be defined as the consistency between expectations and perception of experience. Brand reputation reveals how people feel about a company, products or services.

Subsequently, with the introduction of TripAdvisor and other OTAs, online reputation has become a key to determining performance in the hotel industry. Usually, it is measured through the ratings that the travelers give in online reviews. Measuring brand reputation is really complicated because travelers review hotels rather than brands.

Cornell University has analyzed over 15 million reviews of branded hotels in the U.S. and Canada posted to 65 online sources between the 2017 and 2018, and released the 2018 Hotel Brand Reputation Rankings report.

The study provides scores and rankings of different areas and compares performance to the previous year. In total, 179 brands are ranked with six segments. In each segment, a list of top 25 hotels by GRI is provided, as well as rankings of a brand by reputation, improvement, and department.

The Global Review Index is the benchmark of the hotel market for measuring online reputation and is used by thousands of hotels worldwide to compare reputation management efforts. It is based on review records from 175 online travel agencies (OTAs) and more than 45 review websites.

Chain Scale	Avg. GRI	Change	Reviews Per Property	Change
Economy	68.9%	+0.8%	287	+83
Midscale	77.7%	+0.7%	414	+97
Upper Midscale	83.4%	+0.6%	428	+95
Upscale	85.5%	+0.7%	585	+109
Upper Upscale	86.2%	+0.8%	1,305	+253
Luxury	90.3%	+0.4%	1,636	+361
Average	82.0%	+0.7%	776	+166

The results show that economy hotels received an average of 287 reviews, while luxury hotels received an average of 1,636 reviews. Nevertheless, economy brands

recorded the lowest average score, at 68.9%, while luxury brands earned the highest average rating, at 90.3%.

Also, improve the brand in the hotel industry has revealed to encourage sales and more precisely, the interest by the customers to pay a premium for the hospitality service if they believe the brand guarantees a certain level of quality. Furthermore, hotel reputations are improving over time with increasing chain scale. The change in reputation across brands is four times higher than the change across chain scales, with the result that online status is mostly a function of brand and sub-brand rather than segment or hotel location.

Even if the report was restricted to hotels in the U.S. and Canada, the study suggested that the results would be similar globally. “We might see that location is a bigger contributor to heterogeneity as we go global, but the message about consistency within brands is universally applicable” (Cristopher Anderson)

2.2 New digital channels

Digital marketing has made a remarkable change in how the hospitality industry operates and has opened new channels to communicate with a growing number of Internet users.

Contact points are the assets where the company can build a relationship along the purchasing process (advertising, pre-sales, payment, and post-sales). The synergic management of the various contact points and interaction channels between the company and the consumer can optimize the consumer’s experience.

Social media marketing (SMM) also called Internet marketing, utilizes social networking websites as a marketing tool. The goal of SMM is to increase brand exposure and broaden customer reach. In addition, social media optimization (SMO), that is a strategic process in which original and creative online content is generated to motivate an audience and to interact with a particular website, brand or product. Such contents, conceived and created in various formats, once published in a social channel, will generate interest and, therefore, access flows to the site to which they will be addressed. In other words, the importance and the

advantage of SMO are to extend the interaction of the public from a social page to the site. Therefore, a company that adopts this strategy will see not only an increase in interaction on its page, but an increase in visits to its site, with at least two important results, such as the improvement of the positioning, both in the short and long run, from a SEO perspective, and increasing its online reputation. The SMO depends very much on the quality of the contents that are published, and this is why it falls within a much broader and more complex strategic plan. Thus, optimizing a hotel website will be effective in getting a better hotel performance.

A major role in digital channels competition is played by the Search engine marketing (SEM), that is the branch of web marketing that applies to search engines, and it includes all the activities designed to generate qualified traffic to a specific website. The purpose is to bring to the site, through search engines, the largest number of visitors really interested in its contents through the Search engine optimization (SEO). It refers to all those actions aimed at improving the scanning and indexing of a document present on a website by search engine, such as Google and Yahoo, in order to advance and maintain the positioning in the SERPs (search engine result page). It is a method of getting the website in the search engine results, and this process works with the keywords and about the website frequency in search engine listings. The website with the highest score is measured by the number of visitors, and by those who visited the site frequently on the search results page and by how many times a site appears in the search results list, it will help to get more visitors to the site Web that are potential customers of a hotel. Consequently, the good positioning of a website in the search engine response pages is functional to the visibility of the accommodations and services that a hotel can offer. In addition, online videos through Youtube hotels can describe and present their facilities precisely by viewing their rooms, views, restaurants, spa, bar, coffee shop, etc.

2.3 The influence of Online Travel Agencies

The reservations in the hotel industry and travel, in general, have considerably changed.

The greater confidence in new online technologies leads to a progressive replacement of traditional travel intermediaries with other types of intermediaries: the O.T.A. (online travel agency).

They are described as online platforms that allow you to easily and immediately book not only a hotel room, but also airline tickets, rental cars and, in general, most of the facilities that you expect to have to use during a trip. Using a system through OTA means using an automatic system that sends the hotel the credentials and information relating to the booking.

These operators know the real hotel availability of each hotel, the hotels sign a contract with the OTA, which receives a commission on the reservation that varies from 13% up to 30%. All the OTAs contractually require hoteliers to determine and reserve the best and most competitive rates, i.e., to respect the so-called Parity Rate. The OTAs automatically and constantly check that this parity is respected; if they detect differences in the sale price for the same type and period, referring to the individual Hotel website, they will immediately quarrel the owner of the hotel. So, with a good approximation, on all OTAs, you will find the same price for the same room, service and period.

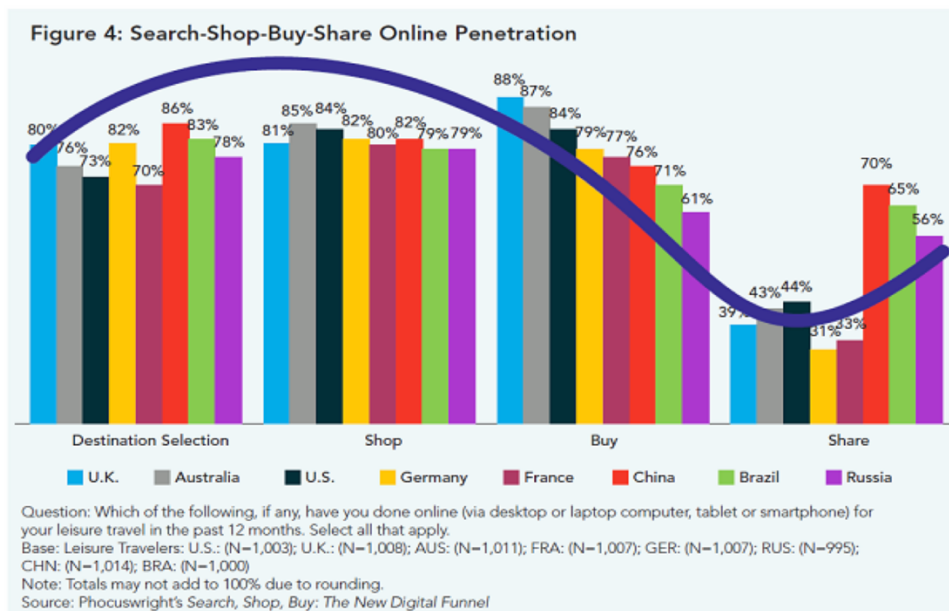
The first online hotel bookings were directed to a search engine and to visit the hotels' personal websites. The booking was finalized through a phone call, a fax or an e-mail. Before, the commercial relationship took place directly between the client and the hotel. But customer behavior has changed dramatically. Currently, the public increasingly uses automatic booking through OTAs. Furthermore, the reviews allow potential customers to understand the quality offered by single structures.

The operation is very simple, the booking is a direct confirmation, the availability database is immediately updated, the user receives the booking confirmation directly in his e-mail box, and he will also receive the account for any changes. There are two types of reservations: credit card as a guarantee and immediate payment. These systems cover the hotelier if the client does not show up on the day of his arrival. In the first method used for example by Booking.com, the credit card is a guarantee and only once the hotel has arrived will it be paid; in the second method commonly used by Expedia.com is the portal itself which directly get the

amount of the reservation and in the hotel it will be sufficient to show the reservation. The payment methods are varied, but the most common are certainly those by credit card or Paypal. Also, the cancellation policies are various, based on the type of rate (refundable, non-refundable, last minute, etc.), and in case of no show or late cancellation, the penalties will be different and charged to the customer, usually it is charged the full amount of the stay or the amount of the first night.

Since their entry on the scene, these new subjects have often been at the center of numerous criticisms, declared responsible for the loss of direct bookings for hotels and for demanding commissions often too high. For example, OTA like Expedia and Priceline, to date hold 70% of the American market and 62% of the European market, respectively.

While working with OTAs can be an advantage for hoteliers, this increase in growing market power will lead hotels to limited negotiation possibilities on commissions. Commissions that are increasing and have a significant impact on hotel profit margins.



Today, travel planning takes place primarily online in all world destinations. The main reasons for this preference is the possibility of being able to book more

services in a single space without having to bounce from one site to another, they are easy to use and a perception that the OTAs offer a more advantageous price. Not least the fact that the portals offer the possibility to compare rates and offers and to read the reviews of other travelers.

3rd CAP: Sustainability in the Hotel Industry

“Over half (55%) of global travelers report being more determined to make sustainable travel choices than they were a years ago, but barriers include a lack of knowledge and available or appealing options when trying to put this into practice.” (Booking.com 2019)

These sustainable preferences include the accommodation sector. “73% of global travelers intending to stay at least once in an eco-friendly or green accommodation when looking at the year ahead.”

In addition, 70% of global travelers would prefer to book accommodation, knowing it was eco-friendly, whether they were looking for a sustainable stay or not.

The principle of sustainability is sustainable development, which relates, in an interconnected way, to the environmental, economic and social sectors. Sustainable development is progress capable of ensuring the satisfaction of the needs of the present generation without compromising the possibility of future generations to realize their own.

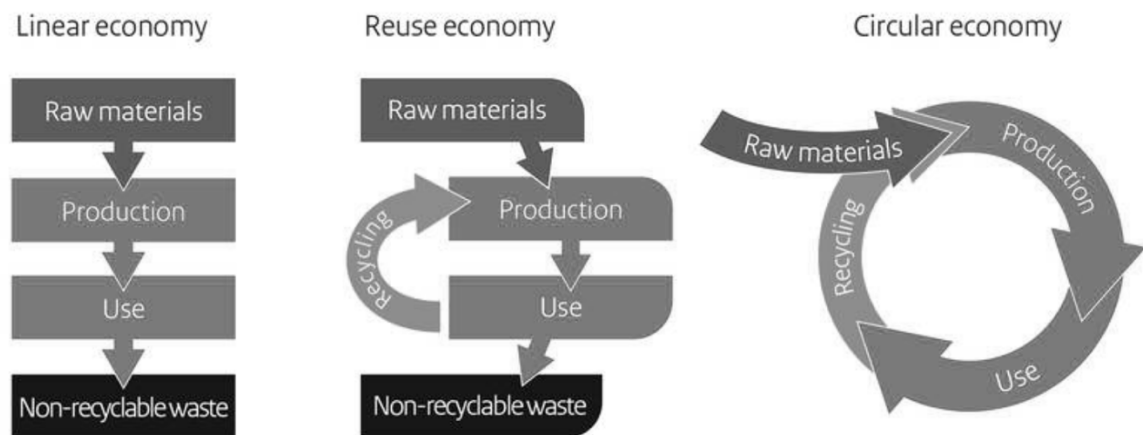
Sustainable hospitality is not just a rising trend in the travel industry. It is also rapidly becoming a global priority, and moral imperative, among the leaders of the hospitality world. According to the Cambridge Institute for Sustainability Leadership, tourism contributes 5% of global greenhouse gas emissions, and this figure is expected to rise by 130% between now and 2035. Meanwhile, to comply with the Paris Climate Agreement, the hotel industry should reduce the emission of greenhouse gases by 90% by 2050 (based on the 2010 parameters). These data are critical, especially if we consider the growth rates forecast for the hospitality sector.

3.1 From Linear Economy into Circular Economy

The circular economy is an industrial and social concept that embrace general sustainability goals, trying to harmonize both environmental and conservation, and economic growth, in opposition of linear economy. In a circular economy, the flows of materials are two types: the biological ones, able to be reintegrated into

the environment, and the technical ones, destined to be revalued without entering into the ecosystem. The hospitality industry has a direct impact on natural resources consumption and the environment. In fact, hotels are one of the most energy-intensive building due to their function and operations. Therefore, the implementation of sustainable practices is gaining more attention in the hotel industry.

FROM A LINEAR TO A CIRCULAR ECONOMY



Hotels are adapting initiatives for the environment, and, whether a green hotel is certified or not, sustainable management is useful to contain utility costs, like electricity, gas, water, food waste, paper, etc. With the correct environmental management of the hotel business, advantages are obtained by reducing and optimizing some costs, achieving significant savings. Consequently, managers should be conscious of the environmental and energy characteristics of hotels in order to know which are the sectors towards which to orientate the interventions to favour cost-cutting and the fight against waste.

The start is from methods and techniques sustainable with the objective of obtaining economic advantage both in the short and the long-run. There are a series of ecological trends applicable in the hotel sector to solve serious ecological problems.

Water scarcity is a growing global phenomenon, particularly due to population growth and climate change. Hotels, being big water consumers, have both financial and moral interest in reducing water consumption. Reduce water consumption in hotel rooms to the minimum necessary is possible by encouraging guests to use water and towels responsibly, minimizing water usage from bathrooms, laundry services, and swimming pools. For the cause, some facilities are introducing new technologies such as showers that recover and filter the water used.

Furthermore, in the construction of new hotels, it was proposed a new approach, the “three zero concept”: using labor and construction materials of the place (zero kilometer), paying attention to proper energy management and the reduction of emissions (zero CO₂) and introducing the concept circular economy in building techniques (zero waste). The next step in recycling is to eliminate disposable plastic products. This would greatly help to limit the gigantic amount of waste that results from their construction and waste disposal. Getting rid of plastic bottles and envelopes would be a good starting point.

The environmental impact of food waste, which includes the emission of carbon dioxide, is not just morally irresponsible, but also has financial consequences. On the social side, statistics state that more people die from hunger than AIDS, malaria, and tuberculosis united, and 800 million people remain undernourished, while 2.1 billion people are overweight or obese (UNWHO). On the financial side it is difficult to find any hotel monitoring system in place, while independent examination finds out that, in the four and 5-star category, an average of 500 served covers per day, the equivalent of 245,000 USD per year is throw away. Hotels can contribute by, for example, using more local food, conduct a food waste audit, exploiting leftovers, and intervening on social habits to make sure that food waste is considered unacceptable to everyone.

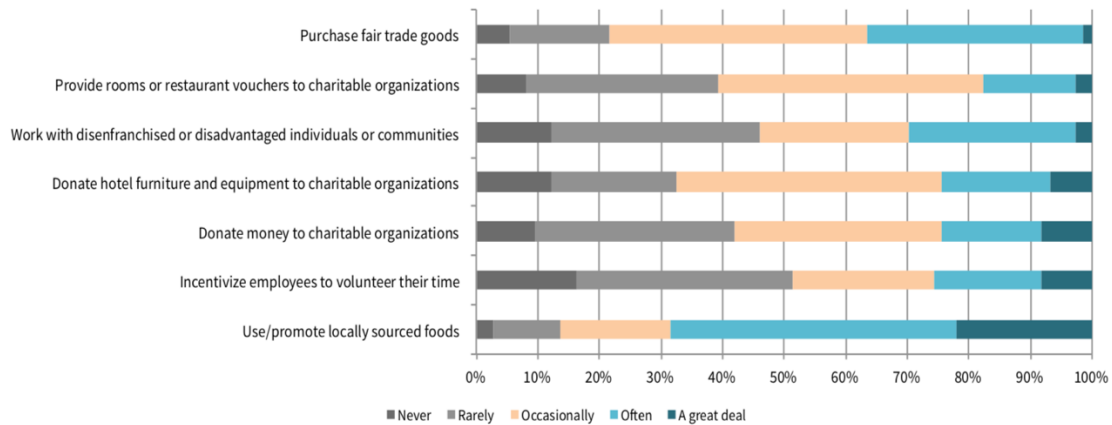
Despite the fact that the hospitality industry has a big responsibility in these subjects, many fail to acknowledge the problem, that is usually either underestimated or simply ignored.

3.2 Corporate Social Responsibility

Corporate social responsibility (CSR) is, in economics and finance, the field concerning the moral implications within the strategic business vision: it is a demonstration of the will of the enterprises to effectively manage the problems of social and ethical impact, within them and in the areas of activity. Pursuing a social responsibility policy means, in practice, adopting a strategic and operational direction aimed at responding to the economic, environmental and social expectations of the organization's stakeholders. It implies the adoption of productive processes that are able to limit the environmental impact of the company on the territory, and the realization of initiatives aimed at favouring sustainable consumption habits or promoting socially active behaviours; for instance, by donating resources to the community to finance projects in the fields of art, education or, more generally, social issues. Corporate social responsibility is essential to help hotels companies to manage, at the same time, the impact of the environment, the communities, and revenues. Generally, there could be a different level of CSR implementation, reasons, and its impact on hotel performance. CSR implementation can range from Pre-CSR to Synergetic and Holistic Corporate Sustainability. In other words, from the situation in which a firm does not take any actions, except if it is discordant by the law, to the highest CRS implementation. Hotels may undertake CSR by a consequence of regulations, because it is considered beneficial for the profit, and because it is deemed to be effective. Likewise, CSR application may be motivated by operation goals or due to strategic orientation.

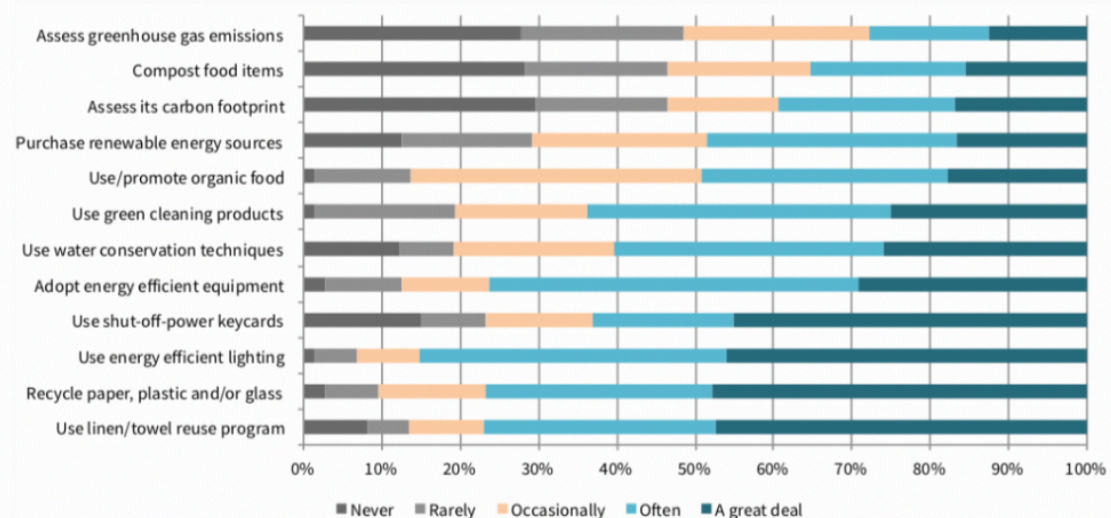
The Study of Prof. Demien Hodari and Prof. Michael Sturman, in collaboration with the European Hotel Managers Association, used both financial and non-financial methods to understand the link between CSR implementation and hotel performance.

Figure 1. Environmentally responsible activities in hotels.

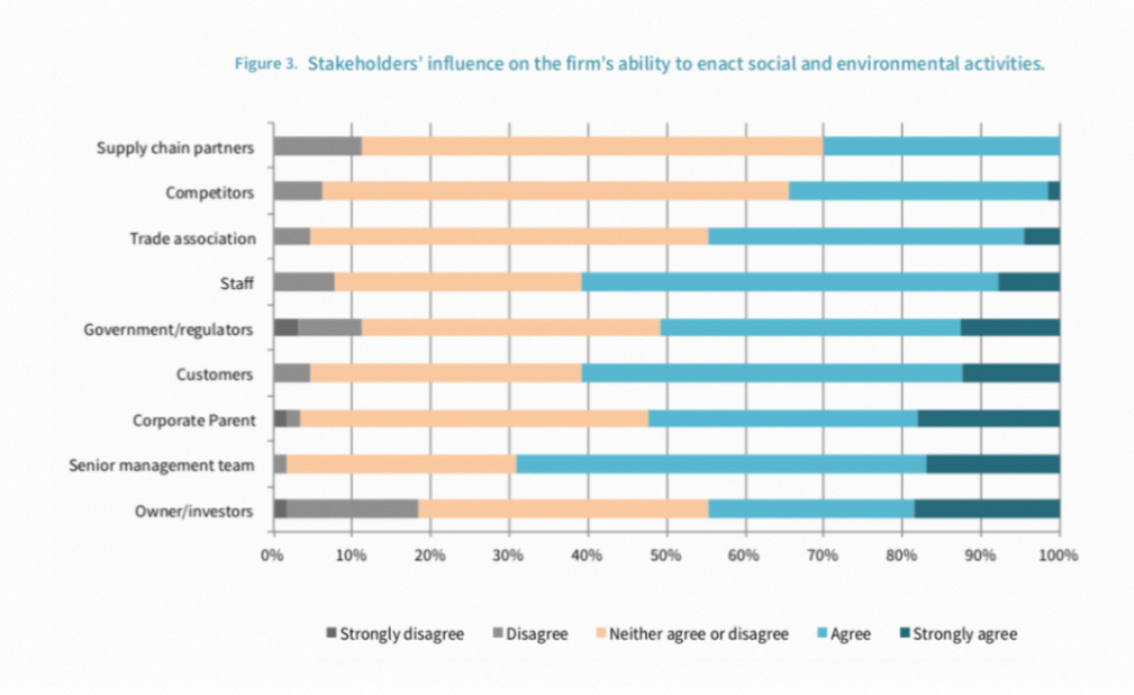


The study shows that environmentally responsible actions (figure 1) are taken seriously into consideration by hotels, while socially responsible activities (figure 2) are rarely or only occasionally committed, excluding the locally sourced food. That means that hotels do not engage all the activities equally, so there is not an overall dimension of ethical implication engaged (social or environmental). Also, managers' sustainable strategies are driven mainly by a sense of care rather than to generate profit. Interesting, appear that hotels are pushed in CSR more for awareness of actual responsibility than profit reason, and least of all because they must respecting regulations or laws.

Figure 2. Socially responsible activities in hotels.



While, analyzing how the pressure exercised by different stakeholder influence the level of CSR implemented by a hotel, it was also found that corporate parents, senior management teams, shareholders, and investors influence were highly correlated to the hotel’s ability to enact social and environmental activities, more than competitors and supply chain partners. (figure 3)



Conclusion

This essay has demonstrated that, in the current technology era, digital marketing is essential in the hospitality industry. Since the 21st century, customers habits have changed, and they are using the web for any info. Especially in the hotel sector, people started from consultation and searched for information to direct booking. At the expenses of classical methods, such as travel agencies, direct phone calls or e-mails to the hotel, reservations are increasingly direct towards digital channels, and hoteliers, aware of this change of direction, are implementing different strategies to be able to continue to satisfy its customers.

In this thesis, it has been analyzed how the Internet and social media have optimized the perception and the evaluation of various services, making traditional classification systems nearly unnecessary. From investments on Social Media Marketing and Search Engine Marketing, hotels could get not only an increase in interaction on its page but an increase in visits to its site, increasing the brand reputation.

Nowadays, hotels are still heavily dependent on OTAs, with all the advantages and disadvantages of it. Surely, the global visibility represents the first great advantage of being included in the online booking portals. Instead, the main disadvantage is represented by the commissions that the hotels must pay for each reservation it receives through these intermediaries, consequently affecting the structure's revenues. However, hotels are not powerless. With the technology available, they can radically differentiate the experience for consumers by offering exclusive direct booking deals that are not available to third-party platforms. Hotels can develop a stable trust-based relationship, through loyalty programs, personalizing the choice of the room, recommending activities or tours based on the preferences of the guest, such as outdoor activity, sports, museums, etc. "These services are not just about knowing and anticipating the guest preferences but allowing the guest to self-serve by informing the hotel of their wishes" (Cindy Estis Green). OTAs standards are not that attractive when compared to the hotel's possible variety of options, with the result that they will be a disconnect with the customers.

Also, the design of the website and the value of the brand play a major role in the struggle between direct booking and OTAs, influencing the choices among travelers on their decision. Hotels can exploit the visibility gained by the online travel agencies to attract customers to the official website. It is a phenomenon called "billboard effect", resulting from the evaluation of consumers' probable booking process.

The topic that concludes this thesis is the impact of the hotel industry on the environment. Even though that the hospitality industry has a big responsibility in the consumption of resources and energy, still many fail to recognize the problem, that is usually either underestimated or simply ignored. But emerging and growing global "green" movements are creating ecological trends that will increase the competitive advantage of hotels by reducing waste costs and attracting more customers, being more determined to make sustainable travel choices. Sustainable hospitality is not just a rising trend in the travel industry. It is also rapidly becoming a global priority, and moral imperative, among the world leaders of the hospitality.

The idea of the thesis comes from a personal interest in travel and the world of hotels. The possibilities of discovering new things and comparison of different geographical and anthropic realities are aspects of this sector that fascinate and excite me.

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