

IT - a source of significant savings



Over the past few years, hotels and hotel companies have rightly invested heavily in information technology. Often such investments bring higher operating costs.

Demand is now slowing down for the first time in years. There may be opportunities to take out some of the IT fat that has accumulated. But beware. Many aspects of IT are critical to survival. How would you reduce IT costs in the short term without prejudicing the long term?

IT can enable tomorrow's customers and guests to buy hotel services and the majority of the people employed in IT have developed hard-to-replace skills.

The IT landscape is continually evolving and businesses need not only to survive any short-term challenges but also be positioned to take advantage of medium- and long-term changes. Much of the cost of IT is sunk. The business has the hardware; it has the software; it has the people. There will be implications on other parts of the business that would need to be understood before commencing with an aggressive cost savings programme.

I am certainly not advocating a 'slash and burn' approach. If I were to aggressively look for short-term reductions in IT costs, here are some of the areas I'd be looking at.

(a) People

- Review headcount – what is required for tomorrow's business rather than yesterday's; what will tomorrow's customers require of us by comparison to yesterday's?
- Review performance evaluations and aim to retain only 'Satisfactory' and above.
- Eliminate 'in-sourced' positions.
- Merge middle management roles to eliminate at least half the direct reports to the senior IT executive.
- Convert some full-time positions into part-time roles.
- Extend the CIO role to include operational support services including distribution, revenue optimisation, loyalty programmes, training, education and development plus property support services.

(b) Postponing:

- projects that do not have identifiable and acceptable rates of returns
- projects that are not business mission critical in tomorrow's world
- new hires – critical vacancies re-allocated from (a)

(c) Cut

- Look at creating new efficiencies and performance from current systems in place
- Cut unproductive processes and legacy ('because we always have') actions.
- Cease unproductive expenditure – cut out anything considered 'nice to have' or excessive in these tough times
- Cut T&E budgets and premium air fares.
- Review infrastructure costs – are you getting value and what can be cut or reduced?

(d) Vendors

- Consolidate suppliers and challenge prices.
- Review support contracts for value and service levels – what are you really paying for and is it necessary?

But we can't just sit on our hands made cuts. We need to invest for the future so I'd insist on an IT services development budget for four key issues.

1. Software-as-a-service

Can you cost efficiently convert from internally hosted solutions to externally hosted solutions? There may be a loss (perceived?) of flexibility but is this a price worth accepting?

2. Business Intelligence

Do your existing systems provide you with enough customer-centric knowledge to drive competitive decision making? If not, you should consider investing in such applications to protect your competitive position.

3. Revenue generating systems

Work on the revenue systems to tune, refine and spot opportunities to identify new sales channels and revenue leaks. Your marketing and sales forces will need IT to be flexible to reach out to new segments, new intermediaries, new customers, even as old segments, old intermediaries and old customers are falling away.

4. Outsource

- Review all non-core activities such as network management, security, email support, help desk arrangements, etc. - and outsource as much as possible
- Review internal implementation and support teams. If the utilisation rate and carry cost is not vendor competitive, it should be outsourced.

An overall saving goal is likely to be made up of savings from four separate sources and investments in four areas for the future. And, critically, IT savings should only be actioned once the implications to other elements of the business are fully understood.

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