

# Ask an Insider: Rex Warren

*In a recession economy, everyone is trying to do more with less. This includes not only management working with less staff, but customers spending less money yet wanting more value. What does the future of hospitality marketing and management look like then in this climate?*

*Rex Warren, assistant professor at The Hospitality Colleges at Johnson & Wales University (JWU) in Providence, Rhode Island, sees today's environment as a "very difficult balancing act for anyone engaged in delivering any service to a consumer" because of the cost pressures on one side and demands of competitive nature of the business on the other.*

*As inflationary pressures increase, brand challenges will go beyond cost containment "to better deliver what the guests need and want without sacrificing ultimately the profitability," says Warren. Tomorrow's hospitality, beverage and restaurant management will need to learn how to lead in the face of this challenge.*

*Warren works with JWU students to "deepen their connections" from classroom to career, teaching classes such as Front Office Operations and Strategic Marketing. Warren was former senior vice president and chief financial officer for the North America Division of Starwood Hotels and Resorts Worldwide. He has 30 years of hotel experience including corporate strategy, finance, accounting and revenue management. Warren also ran a family restaurant and bar in his early career.*



## Let's talk about the top trends in hospitality marketing.

I think everyone is really rapidly growing in their ability to harvest usable information from their marketing research, and from their marketing information systems. You know for a long time we were all buried in data and frankly it was difficult to put it to work. But, now the data analytics and the ability to follow up on some of the insights are really incredible. They're greatly helping companies improve the way they communicate with their customers. I think they're also improving ways to drive value.

## Can we talk about a couple of concrete examples?

Using business analytics, the Starwood team was able to determine a great deal about what drove true customer loyalty as opposed to just earning and redeeming points. Now, they are trying to revamp the program so that it actually delivers on those things. One of the things that we found was that it's very important for people when they are traveling for pleasure, with their families, to be recognized. Not so important when they are traveling in a business capacity; then they're really all about the upgrades, the room type. But when they're traveling for pleasure, the recognition piece was very important to them, so revamping the way frequent guests are greeted upon arrival, how the interaction with the general manager is handled etc. Those are some of the things that will ultimately unlock some real value.

## So in that respect, it's that experiential kind of brand building.

Yes, absolutely. The other large body of work that's been done over a number of the years is customer profitability analysis. That has led Starwood to really rethink the way they deliver the benefits of their frequency program. Frankly, one of the things they are finding is their most frequent guests are not

their most profitable guests. But, those that operate frequency programs may at least see it as sort of a truth. But to be able to just validate it, then more important is trying to figure out what to do about it. The second thing about this, I see a lot of companies struggling with in the current economic environment is control spans. With the recent reductions in management staffing, everyone is trying, really struggling with whether these imposed bans are sustainable. So, companies have really done some major reductions in force over the past couple of years and they are finding in various degrees that it's not sustainable. The underlying business processes have not changed. They're just trying to do more with fewer people, and while some of that is probably going to be okay, a lot of it won't be.

## Do you think that goes counterintuitive to the whole customer experience, in trying to build positive experience while doing less with more?

Oh, absolutely. It's a very difficult balance. And I think what we see happening today is you never know when you've got it right until you've gone too far and so there's going to be some balancing back and forth as time goes by. The other thing that's going to happen although it hasn't yet, is cost controls have always been important and proving productivity has always been very important, but my personal belief is that we are going to start to see inflation across the board. It's inevitable. As the economy recovers and government policies are what they are, although currently we have not a huge amount of inflationary pressure on products, ultimately we will have significant pressure. That's going to be another area that's going to require management focus to try to contain it at least to the point where you're not competitively disadvantaged.

*continued on page 27*

How do you see your students reacting to kind of the way the world is right now and what sort of prospects they can hope to gain in the hospitality industry?

They see what's happening around them and they're concerned. What I tell my students is that this isn't the first economic cycle we've ever been through and it won't be the last. The hospitality industry and its related businesses, restaurants, bars, etc. ultimately will grow rapidly. The demographics of global travel support that. While we are very, very sensitive to consumer discretionary spending capability, which will be a problem in this country for a number of years, ultimately the demand for leadership talent is going to be significant. The kids that we are teaching today were born after 1990, surprisingly, they really have never experienced anything like this so putting it all in at least some historical context for them so that they don't think it's the end of the world is helpful. Telling them that helps them understand what their roles will be is also important.

Can you give me a sense of how you think that's not only impacting everything from maybe your enrollment to local businesses within the hospitality sector?

I do hear and read and listen to is the state of Rhode Island is really caught between a rock and a hard place. They have one of the higher tax structures in the country. They have one of the highest unemployment rates in the country, they have in the case of Providence specifically, they've made a lot of public infrastructure type investments and those are struggling. Now, as far as the education components, Providence is obviously home to a number of really fine educational institutions and there is a huge student population there. I think all of the people that are in that environment recognize that the students and the associated economy of the universities is somewhat protected from the overall macro economic at least for a while. In the longer term, the state needs to focus on the strategy of encouraging the educational enterprises that are there to grow even more. I don't think Rhode Island is necessarily in any different shape than most of the other states. But because it is smaller and surrounded by Massachusetts, New York and Connecticut they really are between a rock and a hard place.

Any food trends you are seeing? I probably profile one or two different kinds of restaurant groups every couple of months and the discretionary spending there doesn't seem to be hurting folks as much as you might think.

I do think there are a couple of trends that are emerging. Number one is I see a lot of people especially in my age group more interested in unique experiences. We all grew up with the familiarity of McDonalds and some of the other major national chains. A lot of us are really more focused on individual proprietors, individual restaurants that have a very unique identity and in some cases unique themes. I think a lot of these restaurant operators have done an amazing job with reconfiguring their menus to take advantage of a lot the trends. The small plates for example, it's almost a cross between an appetizer and an entrée but it's helping them drive average check. The people that are really focused on the culinary side, especially on the small plate trend, seem to be doing very well. They're also setting a bar for a lot of the major nationwide chains, I think.



What do you hope to accomplish now that you are teaching?

I think two things. Number one, to help the students understand the difference between management and leadership and to really help them focus on becoming

leaders because there are really significant differences between the two. I think traditionally a lot of schools have trained people to become managers. I think more and more it's becoming more incumbent upon us to train leaders. So, that's number one. The second thing is, even in these sort of gloom and doom times, to be able to point to reasons for optimism and reasons why they should really embrace and enjoy the industry they've chosen.

What do you think the most important thing you can impart now in your new role of taking your experience into the classroom will be?

The hospitality industry is centuries old. And, after centuries we're still as highly competitive as ever and learning new things about it everyday and learning how to take care of people in different ways and to do so more and more efficiently as time goes by so it's pretty exciting, actually. I get really excited about it. For me personally, to have the opportunity to step away from a corporate role and really devote time to helping the kids and spending time with them and getting to understand where their heads are at and in trying to design and implement educational experiences for them that are valuable is really just a great challenge. It is something I've wanted to do for quite a while and so I'm really very thrilled at the opportunity.

*Remaining optimistic in the current economic adversity is not something younger generations have had to face. Warren explains that while most of the major companies have laid off between 20 and 30 percent of their management, not all of those people will go back. "*

*And so, as the economy does begin to improve, there is going to be a big vacuum for management and leadership. I think the kids that are graduating in the next couple of years are going to be well positioned to take advantage of that," he says.*