

Unlocking growth for small hotels through technology

By Brontë H. Lacsamana
Reporter

INDEPENDENT HOTELS are grappling with the task of predicting customer behavior, which is crucial for effectively selling rooms and services at the most advantageous price, according to an industry expert.

Small hotel owners find that the process, even on online travel agency systems, can be time-consuming, Rafael Daniel Jouwena, chief executive officer of online hotel management company Cocotel, said in an interview.

The use of artificial intelligence (AI) can help increase average revenue growth by 6%, with 40% of marketing and sales departments around the world able to do so, according to McKinsey's 2019 global AI survey.

However, these AI high performers are able to become such because of their manpower and capital. Independent hotels, in contrast, often struggle to compete with larger hotel chains that have dedicated teams to manage these aspects of the business.

For Mr. Jouwena and his business partner Reginald Go, this realization got the gears in their heads turning and led them to start Cocotel in 2019.

The concept envisioned a comprehensive platform functioning as a "one-stop shop" that enables customers to conveniently search, compare, and reserve accommodations, while simultaneously equipping hotels and resorts with the essential tools for successful marketing and efficient management of bookings and revenue.

"We want them to save cost by using our own property management system and at the same time our channel manager. Basically, they can save their money if they partner with us," he said.

This way, small, independent hotels that do not fully utilize technology can be given a fighting chance to navigate the complex state of tourism in the Philippines, further complicated by the pandemic.

There are over 500,000 hotels in Asia-Pacific, but only 1% are hotel chains. This means a whopping 99% are run by independent owners, said Mr. Jouwena.



PHOTO: ILLUSTRATION BY VISITOR MANAGEMENT SYSTEM - UNSPLASH

"The ones easily recovering after the pandemic are the big hotels, the five-star hotel chains. But how about independent hotels and resorts that are still struggling to improve their sales?" he said.

Though Cocotel deals with hotels and resorts, the struggle is real for all micro, small, and medium enterprises (MSMEs), which comprise 99.58% of Filipino businesses, as per the Philippine Statistics Authority.

ADAPTABILITY

Being adaptable to changes is the surefire way to secure the survival of any business, no matter how big or small, Mr. Jouwena said.

Being adaptive also reduces the risk of getting blindsided by sudden circumstances like a pandemic or a change in trends.

"Even traditional businesses have technology in order for them to actually grow or survive," Mr. Jouwena noted.

In 2019, a study conducted by McKinsey showed a nearly 25%

surge in the utilization of AI in conventional business operations. Since then, this growth has continued to accelerate, exemplified by trends and technologies like ChatGPT, which have disrupted businesses worldwide.

Digital marketers and copywriters have adjusted to utilize the artificial intelligence tool to boost search engine optimization for hotels, restaurants, and everything in between.

Mr. Jouwena said that online content creators now make use of ChatGPT to boost Google SEO (search engine optimization).

"Good thing Cocotel is a tech enabler startup, so we were able to adapt to changes like that in order for us to be at par with our competitors," he said.

McKinsey expects that AI-based price and promotion could deliver between \$259.1 billion to \$500 billion in global market value.

EDUCATION

Independent hotel owners, the

main market for Cocotel, may not always be keen on adopting technology, especially given how overwhelming it can be.

This is where education comes in, according to Mr. Jouwena.

"We create seminars for our hotel partners on the importance of dynamic pricing and revenue management ... This means we help them with revenue optimization and increasing their sales online," he said.

Small business owners, who may lack formal training in business expansion, may not always possess knowledge of practices such as dynamic pricing, which involves adjusting prices based on demand and supply fluctuations, he noted.

The many algorithms involved when dealing with online systems also deters these MSMEs from taking on the challenge.

For Mr. Jouwena, both the private and public sector must be involved in helping this sector of business owners, especially in the Philippines where

around 99% of businesses are MSMEs.

PARTNERSHIPS

One of the most important partners to have is the government, as the one responsible for policy and implementation on a large scale.

"They already have enough resources and communication lines to all partner hotels. That's why we want to support local government units (LGUs)," said Mr. Jouwena.

He noted that particular hotels with a high volume of bookings or guests can benefit entire communities, since more tourists implies more money coming into the local economy. Upskilling seminars boost tourism and local livelihoods.

A beachfront resort in Nasugbu, for example, may have more guests by leveraging better technologies to sell online, but this will mean they will need more employees.

LGUs can also help look after not just resort staff, but indepen-

dent tour operators, like those who rent boats for island hopping.

"This can stimulate the economy in that certain area and that's the reason we partner with the LGUs," Mr. Jouwena said.

Nationwide, the impact of visitors can be seen in the number of arrivals, which reached 2.65 million in 2022, according to the Department of Tourism. This translated to P214 billion or roughly \$4 billion in estimated revenue.

FORESIGHT

Revenge travel means businesses have to be in touch with the trends and needs of the season, noted Mr. Jouwena.

"We want to make sure that we are as competitive as possible for us to get the bookings first."

He said that hotels and resorts have to offer special promotion rates for the rainy season, falling in the third quarter of the year, since it is the weakest. They can then make up for this by charging higher rates during the Christmas season.

Methods like advance selling and competitive pricing help hotels pull through, with the goal to be fully booked all throughout the year.

"This is applicable not only to the hotel business; it's the same with others," Mr. Jouwena said. "As a businessman, you need to predict what will happen for you to be ready for unforeseeable circumstances."

PERSEVERANCE

Mr. Jouwena's one piece of advice to MSMEs is to simply start and then do one's best to succeed.

"It's really hard to start, but if you have the dedication to finish, that would be a good story for you to tell to other people," he said.

This involves demonstrating a readiness to take risks, but only after conducting thorough research in the specific industry, he added. Following that, it is essential to take action promptly because "if you delay, it will never materialize."

It took Mr. Jouwena ten years to start his business, and despite the difficulties caused by the pandemic, he said that the fulfillment is still worth it.

"There's no smooth road but at the end of the day, if you just believe, you will feel the rewards and feel proud of yourself," he said.

PLDT closes first Unity tower deal for P1.9B

PLDT Inc. has completed the sale of 135 telecommunication towers and associated passive telco infrastructure to Unity Digital Infrastructure, Inc. for P1.9 billion.

"The Master Services Agreement covering the leaseback arrangement for those towers also became effective as of today," PLDT said.

The transaction marks the first tranche of the 650 sale-and-leaseback deal with Unity, with the remaining transfers expected to be completed within the year. The total purchase price for the 650 towers and related assets is P9.2 billion at P14.2 million per tower.

Unity is a joint venture telecommunications infrastructure

platform between Aboitiz Infrastructure, Inc. and global private markets firm Partners Group. It builds and operates telecommunications towers and supporting infrastructure across the Philippines to help boost connectivity and service reliability.

Aside from its tower sale-and-leaseback agreements with Unity, PLDT also has deals with Edgepoint's Philippine unit Comworks Infratech Corp., edotco Group's ISOC edotco Towers, Inc., and Frontier Tower Associates.

PLDT President and Chief Executive Officer Alfredo S. Panlilio said during the company's first-quarter briefing that it had

yet to discuss what to do with its remaining towers.

"I think the focus is to complete stratosphere one and two. Our team is also tired in terms of closing these deals — a lot of paperwork, a lot of validation, and a lot of visits to the tower. We'd like to complete them first. Maybe it would take until the third quarter of this year to complete everything," he said.

Credit analyst CreditSights has said that it expects the company to receive a total of P32.6-billion proceeds from tower sales in 2023, "which would provide greater financial flexibility for capital expenditure and possible deleveraging."

The amount is part of PLDT's expected tower sales proceeds of P98.3 billion, of which P60.5 billion were closed last year.

The company's capital expenditure (capex) in the first quarter was P19.3 billion, 22% higher than its spending of P15.8 billion in the same period last year.

For 2023, PLDT has earmarked a capex of P80 billion to P85 billion, which is lower than the P96.8 billion it used in 2022.

Hastings Holdings, Inc., a unit of PLDT Beneficial Trust Fund subsidiary MediaQuest Holdings, Inc., has a majority stake in *BusinessWorld* through the Philippine Star Group, which it controls. — **Justine Irish D. Tabile**

SC affirms ABC block-time agreement with Primedia

THE SUPREME Court (SC) has affirmed the denial of GMA Network, Inc.'s petition seeking to nullify a 2008 block-time agreement between ABC Development Corp. (ABC-5), currently known as TV 5 Network, Inc., and MBP Primedia, Inc., for allegedly being illegal.

In a 30-page decision on Jan. 11 and made public on May 11, the SC Second Division agreed with a Quezon City trial court's ruling that said the petition was premature and should have first presented its case to the National Telecommunications Commission (NTC).

"This court finds the filing of the action before the trial court premature due to the existence of predicate factual issues demanding the [NTC's] competence, owing to the doctrine of primary jurisdiction," the high tribunal said.

The NTC has exclusive jurisdiction to regulate and control broadcast services in the Philippines as well as the ownership of television companies. It is also mandated under law to maintain "effective" competition among pri-



JUDGE FLORO

GMA claimed that 93.75% of ABC-5's airtime was controlled by the Malaysian firm, which it said went against the Anti-Dummy Law that imposes foreign equity restrictions on local companies.

private firms engaged in the operation of public service communications.

GMA argued that the agreement violated the constitutional limitation of foreign owner-

ship in mass media in the Philippines, which caused unfair competition among local broadcasting networks.

Primedia is a Philippine firm backed by Media Prima Berhad of Malaysia.

GMA claimed that 93.75% of ABC-5's airtime was controlled by the Malaysian firm, which it said went against the Anti-Dummy Law that imposes foreign equity restrictions on local companies.

The High Court said the NTC is in the "best position to judge matters relating to the broadcasting industry as it is presumed to have an unparalleled understanding of its market and commercial conditions.

Hastings Holdings, Inc., a unit of PLDT Beneficial Trust Fund subsidiary MediaQuest Holdings, Inc. which is the holdings firm of TV 5, has a majority stake in *BusinessWorld* through the Philippine Star Group, which it controls. — **John Victor D. Ordoñez**

8 th Floor, 8 Rockwell Building, Rockwell Drive, Rockwell Center, Makati City		
Balance Sheet		
As of March 31, 2023		
ASSETS		AMOUNT
Deposit in Banks		74,425,366.18
Available-for-Sale (AFS) Financial Assets (Net)		154,644,030.32
Accrued Interest Income from Financial Assets (Net)		1,043,185.63
TC Premises, Furniture, Fixture and Equipment (Net)		56,084,810.63
Other Intangible Assets (Net)		61,026,963.36
Deferred Tax Asset		1,496,255.41
Other Assets (Net)		180,542,214.49
TOTAL ASSETS		529,262,826.02
LIABILITIES		
Income Tax Payable		2,578,834.77
Finance Lease Payment Payable		35,589,704.69
Other Taxes and Licenses Payable		9,574,641.30
Accrued Other Expenses		63,892,806.94
Deferred Tax Liabilities		154,470.03
Provisions		20,736,413.21
Other Liabilities		7,584,266.98
TOTAL LIABILITIES		140,111,137.92
STOCKHOLDER'S EQUITY		
Paid-in Capital Stock		212,871,251.00
Additional Paid-in Capital		87,149,761.00
Retained Earnings		90,453,843.63
Undivided Profits		-1,366,129.81
Other Comprehensive Income		42,962.28
TOTAL STOCKHOLDER'S EQUITY		389,151,688.10
CONTINGENT ACCOUNTS		
(1) Trust Accounts		164,946,403,058.19
(2) Deficiency Claims Receivable		-
(3) Items Held as Collateral		-
(4) Late Payment Received		-
(5) Derivatives		-
(6) Others		-
TOTAL CONTINGENT ACCOUNTS		164,946,403,058.19
ADDITIONAL INFORMATION		
Return on Equity (ROE)		-1.40%
Return on Assets (RoA)		-1.01%
Percentage of total trust fees to AUM		0.48%
DOSRI Loans and Receivables		0
Past Due DOSRI Loans and Receivables		0
Total outstanding investments to DOSRI and related parties		0
REPUBLIC OF THE PHILIPPINES)		
MAKATI CITY) S.S.		
We, Phillip S. Hagedorn and Andrew P. Caw of the above-mentioned trust corporation do solemnly swear that all matters set forth in the above Balance Sheet are true and correct to the best of our knowledge and belief.		
(Sgd.) PHILLIP S. HAGEDORN		(Sgd.) ANDREW P. CAW
President		Head, ATRAM Funds
SUBSCRIBED AND SWORN TO BEFORE ME this May 15, 2023 affiant exhibiting to me their Driver's License No. N01-84-007815 issued in Manila valid until July 28, 2026 and Driver's License No. N02-93-212528 issued in Manila valid until November 18, 2031.		
ATTY. ROLANDO E. LAS PIÑAS Notary Public - City of Manila Notarial Commission No. 2023019 Valid Until: 01/02/2029 240-C/A/H Larcos St., Samp. Mik. Rot of Attorney No. 84033 PTR No. 02020021913, 2023 NIA IIP Membership No. 243348 / 0620/2022 MCLN Formulation G.B. © 14, 2008		
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