

Can Sygnovate IT solutions succeed?

Sygnovate IT Solutions Pvt Ltd, a company headquartered in Pune offers end to end electronics security solutions. Sygnovate's range of products include fire alarms, CCTV Surveillance systems, access control systems, video door phones, gate automation systems etc. Sygnovate partners with leading global electronics, security systems and control systems manufacturers to provide end-to-end solutions to its customers in India. Sygnovate's products and solutions are used in airports, hotels, hospitals, companies, sports stadiums, industries and educational institutions.

In 2016, the company decided to diversify and launched "Hotexl", in partnership with Quikease.

What is "Hotexl"?

Hotexl is a Hotel Management Software (HMS) designed specifically for small hotels, inns, guest houses and B&Bs (Bed and Breakfast). Specifically Hotexl targets hotels who offer tariffs in the range 300 to 2000. The software manages check-in and check-out cash transactions at the front desk, reservations, inventory management and other functions of the hotel. The software also integrates the travel agents the hotel works with, all without the hefty price tag. Hotexl can be accessed from anywhere at any time since it is cloud based and the user can login from anywhere through the internet. Hotexl can be also be accessed in smartphones through an android based app and it is the first hotel management software in India to be available on android as well as on web. Some of the features of Hotexl are:



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Personalized correspondence: With pre-arrival and post-departure email templates, Hotexl enables connecting with the guests and enhancing their experience right through the transaction. The software can send a welcome message before arrival, provide tips on local tourist attractions and drop them a personalized 'thank you' message after their stay. The software also has automated birthday and anniversary wishes

Keep an eye on everything: In depth reporting features ensure complete overview of the daily running and performance of the property. The management can instantly view guest payment details, easily generate monthly performance reports, or select a view of outstanding payments in one simple click. The software also has a provision for exporting the data to excel.

Increased booking revenues: The software helps staying connected to the markets by controlling tariffs & occupancy and helps increase the hotel booking revenues by connecting to all channels of sales & distribution.

Pay-as-you-go: The pricing is transparent and low with no hidden costs. The hotel can quickly implement the package and follow 'pay as you go' model. It does not entail any additional spending by the hotel on added infrastructure. Sygnovate has kept both the initial costs and monthly subscription quite low so as to ensure quick returns on the investment.

Support : The company provides a 24x7 customer support products. The software is adaptable as an android application and as a web based hotel management software which works on tablet, Smartphone, laptop and computer.

The company has developed the Hotexl package with an intent to make it similar to that of a five star hotel management software, but at an affordable cost. The key highlights of the software are:

- Easy to use.
- Easy to understand.
- Easy to implement.
- Affordable
- No requirement of PC or servers.
- No technical knowledge required.
- Plug-in to the global customers.
- 24 x 7 visibility for hotels and hotel owners.
- Increased profitability

Hotexl is available in two variants

Hotexl Pro: Hotexl Pro is a regular Hotel Management Software, which is akin to an ERP solution for the hotel and helps manage their property from anywhere anytime.

Hotexl Advance: Hotexl Advance is a combination of Hotexl Pro, Payment gateway, Booking engine and website management. This is the version that hotels can make use for their complete internal and external management.

Next to nothing pricing

The software is available on SaaS (software as a service) mode and the hotels can subscribe to the same at an affordable price.

Hotexl Pro is priced at 1500 per month for ten rooms and any additional room is charged at 100 per room per month, while Hotexl Advance is priced at 2500 for ten rooms and for additional room at 150 per room per month. The hotels are expected to enter into an agreement and pay a joining fee of 7500 at the time of signing of agreement.

The company also provides temporary licenses, using which the hotel can use the software on trial basis for a specific time period, after which the hotel can decide whether to purchase/ subscribe or not.

Competition

The industry is highly competitive and is an industry where monopolistic competition is on play. There are over 50 vendors are listed in trade portal, Indiamart.com alone. Some of the key competitors are:

- **Hotsoft :** Hotsoft provides hotels an array of services that include central reservation system, online room booking and online reservation system with payment gateway. Hotsoft has more advanced features as compared to Hotexl software. Their major installation is in Kerala with hotels belonging to Kerala Tourism Development Corporation.
- **Syscon Software and Technologies-** Syscon Software & Technologies was setup in April 1997 with the objective of customized software solutions. The HMS they offer is named as “Seasons”. “Seasons” is a comprehensive Hotel Management System that computerizes principal operational and administrative functions in a hotel.
- **Microgenn Software Solutions** - Microgenn Software Solutions has been incorporated in the year 2002 in India. Microgenn has more advanced features as compared to Hotexl software.
- **Littlehotelier:** The Littlehotelier all-in-one package comes with a very smart and powerful Channel Manager, a commission free Booking Engine and easy to use Front Desk System which together is everything a hotel need for its smooth operation of property and to reach around potential guests across the world.

Few of the other HMS vendors are IDS HMS, Prism, VIN HMS, Hotelogix,

Ezee Absolute, Lucid HMS, Jdubo by Ibibo and few customised HMS providers.

Hotel Management Software Industry - Analysis through Porter’s five Force Model: As per Porter’s Five Forces Analysis, there are five important forces that will influence prices, costs and investment. The feasibility and potential profitability of a HMS can be determined by these forces. The Porter’s Five Forces Analysis is as shown in Table 1

Table 1
Porter’s Five Forces Analysis

Porter’s Five Forces	Factors	Threat Rating (on account of factors)			
		Low	Med.	High	Composite
Rivalry among existing firms	Industry Concentration		✓		High
	Industry Growth			✓	
	Product Differences			✓	
	Switching Costs			✓	
	Brand Identity	✓			
	Diversity of Rivals		✓		
Threat of New Entrants	Absolute cost advantages		✓		Medium
	Learning Curve			✓	
	Access to Inputs			✓	
	Economies of Scale		✓		
	Capital Requirements		✓		
	Brand Identity	✓			
	Switching Costs			✓	
	Access to distribution		✓		
	Expected retaliation	✓			
	Proprietary products	✓			
Threat of Substitutes	Switching Costs			✓	Medium
	Buyer inclination to substitute		✓		
	Price-performance; trade off of substitute		✓		

Bargaining Power of Buyers	Bargaining Leverage			✓	High
	Buyer volume	✓			
	Buyer information			✓	
	Brand Identity	✓			
	Price Sensitivity			✓	
	Threat of backward integration	✓			
	Product differentiation			✓	
	Buyer concentration vs. industry	✓			
	Substitutes available		✓		
Bargaining Power of Suppliers	Supplier concentration		✓		Medium
	Differentiation of inputs		✓		
	Impact of inputs on cost differentiation			✓	
	Switching costs of firms in the industry			✓	
	Presence of substitute inputs	✓			
	Threat of forward integration	✓			
	Cost relative to total purchases in the industry			✓	

As shown from the above table 1, Porter’s Five Forces Analysis clearly shows the threat of different forces as below:

- Rivalry among the existing firms:** There is intense competition among the different players in HMS System. More than the number of offering, most of the products are similar and not differentiated, Hence the rivalry to win over the customer is extremely high. To win over the customer, HMS software needs to be innovative and must be adaptable to changing customer trends and wants. Any failure could potentially cause its user base to migrate to other offering from its rivals. As a result the software vendors cannot fully pass on any price rise to the market due to fear of losing their market share. Hotexl aims to overcome

the rivalry by creating an affordable product focussing on a niche segment, viz. small hotels.

- **Threat of new Entrants:** Indian domestic software market is highly fragmented and unorganized. Especially, at the lower end, there are numerous players who offer customized HMS. However, these players are localized to the town/ city they are operating from. These companies do not have the bandwidth to go national. Considering these factors, it can be said that the threat of new entrants is “moderate”.
- **Threat of substitute products or services:** Currently, the small hotels use dairies, registers and excel files for maintaining their records. These can be considered as substitutes. This being a tradition practiced since decades, there is a resistance to upgrade to the new generation HMS software. Likewise, having a customised hotel management software built as per the user needs and wants also are substitutes. Thus, the threat of substitute products or services for the Hotel Management System industry can be marked as Medium.
- **Bargaining power of the Buyers:** The Indian Hotel Management System industry sector has several players with their vivid offerings at competitive rates. As a result, the customers have multiple options to choose from and can clearly articulate their needs. Thus, bargaining power of the buyers is high.
- **Bargaining power of suppliers:** The company employs highly skilled employees with rich experience to develop software systems. The company also employ testers for ensuring the quality of the product and for its stability. Few of the consulting and research agencies who come up with requirement analysis and data gathering can be viewed as suppliers for this industry. Thus the bargaining power of suppliers can be marked as Medium.

SWOT Analysis of Hotexl



Figure 1: Swot Analysis

Buyer decision making

Time and money are the crucial aspects of any industry and hoteliers agree that these are two precious resources that they cannot afford to waste. The constant daily activities and unpredictable arrival of guests means that managers/ owners of small hotels are usually flooded all day with impromptu tasks, leaving very little time for

managing the hotel's other operations. A large amount of both time and money is often spent tending to human errors and repetitive tasks. Thus, an efficient hotel management software can ensure that these aspects are effectively and efficiently managed.

Buying a hotel management software has never been more challenging as there are many choices available with each software having its own strengths and weaknesses. The small hotel managers/ owners being not really technically savvy, they tend to view any HMS with suspicion and apprehension. The onus is on the vendor to overcome the resistance of the hotels and bring them on board.

Though the company has a strong team of skilled developers, one of the major challenges they face is training the owners/ managers of small hotels. For the effective and efficient utilization of Hotexl, hotel managers/ owners are required to have certain knowledge about operating system, data management with Excel, apart from knowledge of HMS.

Before commercially launching Hotexl, Sygnovate conducted a survey to assess the factors that influence customers (small hotel owners) while buying a HMS software. The key factors that emerged during the study are:

- Most of the hotels are resistant to using technology and prefer continuing their legacy ways of managing reservations and accounts.
- Channel partners and hotel aggregators like Goibibo, MakeMyTrip, , OYO Rooms, Justdial etc. are making inroads into these hotels.
- Many hotels and lodges make use of two different guest registers in order to avoid tax.
- Many hotels prefer a onetime payment mode for owning software rather than subscription mode.

- Quality and on-time prompt service matter a lot for the small hotels.
- The initial joining fee of 7500 plus investment on computer act as a deterrent for the small hotels.
- In general, Hotel Management Software are expensive, so it may not be easier for hotel owners to purchase the solution very easily.
- The hotels are worried about the back-up of their existing data while upgrading to new software.
- Few of the hotels were interested in having the software's built as per their customization.
- As the software had just finished its construction phase, several bugs were found and reported.
- Though these hotels are small, over half of them take advance reservations

Opportunity for Hotel Management Software

The Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the services sector in India. The third-largest sub-segment of the services sector comprising trade, repair services, hotels and restaurants contributed nearly 6.5 per cent to the Gross Domestic Product (GDP) in 2015-16. Tourism in India has significant potential considering the rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty spread across the country. Tourism is also a potentially large employment generator besides being a significant source of foreign exchange for the country.

There is an urgent need for more hotel rooms in the country. Specifically, the requirement for budget hotels are growing by leaps and bounds as travellers including domestic tourists are looking for affordable and safe accommodation. ICRA has predicted that the

domestic hotel industry is expected to grow to US\$ 1.8 billion by 2016. Also online bookings are expected to grow to 25% in 2016. (Equitymaster, 2016). This augurs well for hotel management software since even the small hotels also want to get into the web or app based platforms.

The industry is expected to generate 13.45 million jobs across sub-segments such as Restaurants (10.49 million jobs), Hotels (2.3 million jobs) and Travel Agents/Tour Operators (0.66 million). The Ministry of Tourism plans to help the industry meet the increasing demand of skilled and trained manpower by providing hospitality education to students as well as certifying and upgrading skills of existing service providers. India has moved up 13 positions to 52nd rank from 65th in Tourism & Travel competitive index. (Indian Brand Equity Foundation, 2015)

The future

The current trend in the hotel industry requires streamlining of the hotel operations, maximizing revenues, robust monitoring and building a better guest experience. There is a growing need of a technology partner who understands the industry and can deliver innovative solutions to meet these challenges. Irrespective of whether the hotel is small, budget hotel or a smaller chain, or a global brand, there is always a need for Hotel Management Software that delivers measurable results and that can provide optimum user and guest satisfaction.

Being present in a highly fragmented industry where over dozens of players are present in the hotel management software space, it is imperative for a new entrant like Sygnovate to get the marketing strategy right to ensure success. The company seems to have got the product right – with cloud and app based versions and with the price that can suit the low budget hotels. As in any B2B product, the critical issue for the company is how they can communicate the value to the customers effectively.

Given the history of Sygnovate as a dominant player in the hardware-centric security solutions market, the challenge before the management is how they can crack open the market for affordable hotel management software?

Questions

1. Suggest a suitable market segmentation strategy for Hotexl.
2. Sygnovate is already having a sales team who are selling their security systems and the company is proposing to use the same team for selling hotel management software also. Analyse the pros and cons of this initiative and suggest a suitable approach.
3. Outline the promotional strategy that Sygnovate can adopt for Hotexl.

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