dailypoint™
Central Data Management

Is your hotel stuck in a digital cul de sac?

How to leverage Big Data and outshine the OTAs



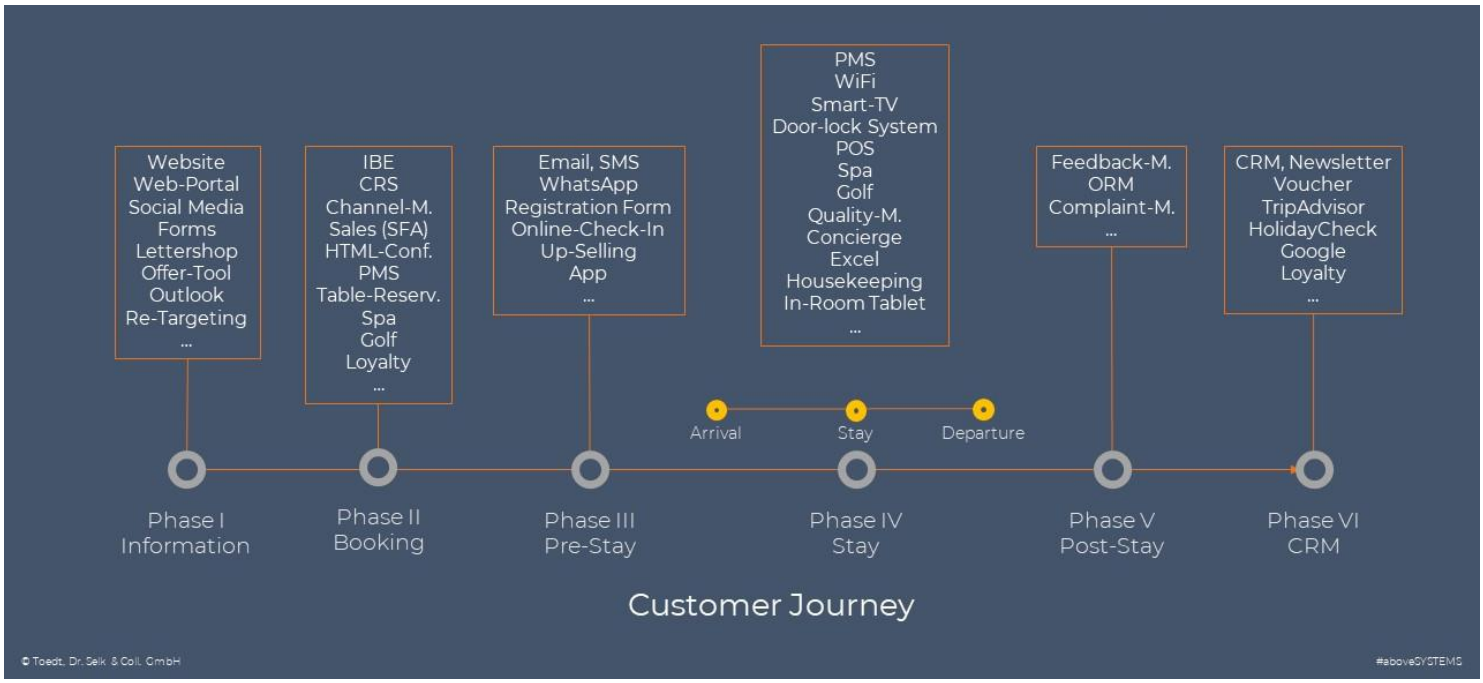
BY DR. MICHAEL TOEDT

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In our last White Paper, we discussed the Customer Relationship Management (CRM) system and how it is used in hotels. This time, we will take a look at the wider tech stack and examine why, in many cases, it is ineffective in enabling hotels to access the power of Big Data and in turn, compete successfully against the Online Travel Agents (OTAs). Let us start with the archetypal problem of multiple guest profiles within the IT stack and why this will inevitably lead to a digital dead end for hotels.

A typical customer journey for the hotel guest

The image below demonstrates the six key phases within the hotel guest's typical customer journey, along with the various IT systems and applications that may be used or engaged with at each stage:



As can be seen, there are around 30 different systems and apps here. Now, imagine if (as is often the case) some or all of these platforms are disconnected from each other with no means of centralizing the guest data. Each time the hotel enters information about the customer into an application, the guest does this themselves, or a new booking comes in, a new profile is created. As the customer journey moves from phase to phase, more and more versions of the guest profile are produced – and the hotel could end up with around 30 of them!

To illustrate the point, a 2018 survey based on 4.5 million stays found that 68% of hotels had at least two profiles for each guest stored in the hotel's Property Management System (PMS). The average was 2.3 profiles for returning guests, whilst 18% had three profiles and 14% four

plus. In some cases, there were many more than four[1].

> "Trying to keep all of these 30 systems and applications manually updated with the latest guest information is impossible. Not only will the hotel end up falling foul of data privacy laws such as GDPR and CCPA, but it will also be unable to make use of Big Data to offer the highly personalized services and communications that today's guest is looking for. Furthermore, basing the hotel's reporting on poor quality data will almost certainly lead to questionable decision-making. The hotel is stuck in a digital cul de sac with no easy means of escape."

Personalization: why it matters (and why the OTAs are so good at it)

Today's customer does not just want an individualized experience: they demand it. A 2021 study by Infosys found that 86% of consumers say personalization plays a key role in their purchasing decisions[2], whilst McKinsey & Company found that 76% of people get frustrated when they are not treated as an individual[3]. Some consumers will even vote with their feet, as revealed in Twilio segment's '2021 State of Personalization Report.' This found that 45% will take their business elsewhere if a brand fails to offer a personalized experience[4].

Hotel guests are no exception to this rule – and personalization has become even more important since the outbreak of COVID-19. According to hospitality.net, a massive 90% of travelers now expect an individualized experience when they book a hotel[5]. Offering these highly personalized experiences not only entices guests in the first place, it keeps them coming back. And in today's climate of ever-rising costs, it is essential for hotels to balance the reduction of acquisition costs with maintaining profit margins – and offering personalization at every phase of the customer journey holds the key to success.

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[1] *Study based on 4.5 million stays by Toedt, Dr. Selk & Coll. GmbH. October 2018.*

[2] *Infosys. Rethinking retail: Insights from consumers and retailers into an omni-channel shopping experience. 2021.*

[3] *McKinsey & Company. "The value of getting personalization right—or wrong—is multiplying." November 2021.*

[4] *Twilio segment. 2021 State of Personalization Report. 2021.*

[5] *Hospitality.net. Online booking trends and stats every hotelier should know. October 2022.*

"OTAs have long since mastered the art of individualized communications and offers, leaving hotels lagging behind," says Dr Michael Toedt. "The reason they are so good at this is simple: they work from a single, clean version of each guest's profile. This means they can use the centralized data they collect to unlock the power of Big Data and create valuable insights that are then used in highly targeted, often automated marketing communications.

"Through the use of Artificial Intelligence (AI) and machine learning, the OTAs can build up a clear picture of things like the customer's favorite towns and cities, usual accommodation type and star rating, preferred board basis and so on. Combining this knowledge with personalized loyalty or discount schemes like the booking.com Genius program is the perfect formula for repeat bookings.

"What is more, it also enables the creation of cross-promotions for relevant added extras such as airport taxi transfers and attraction tickets. This takes these up-sale opportunities away from the hotel, further boosting the OTA's profit margins whilst hurting those of the hotel. It is precisely this approach, i.e., the clever use of Big Data, that gives OTAs their high values on the stock market compared to hotels. It also explains why the OTA sector is expected to grow at a compound annual growth rate (CAGR) of 5.9% from 2025 and reach $1,259.1 billion in 2030[6]. Indeed, Booking.com alone was worth $8.9 billion in 2021[7]."

Right now, the OTAs look to have a clear advantage when it comes to personalization. Yet hotels should actually have the edge in this respect, in that they have personal contact with guests rather than a merely transactional relationship. Hotels have the ability to collect huge amounts of information that are unavailable to OTAs, from the guest's preferred room temperature to their favorite drink or dining menu item, to the days and times they like to use the gym, spa or golf course.

Perhaps surprisingly, many guests are more than happy to hand over their personal details in return for an individualized experience. In a 2021 study conducted by IHG Hotels & Resorts voco hotels, almost 50% of travelers surveyed said they were willing to share the personal data necessary to promote a

[6] *The Business Research Company.* *Online Travel Agents Market 2022 - By Service Type (Vacation Packages, Travel, Accommodation), By Mode Of Transport (Air, Others), By Mode Of Booking (Online, Offline, Direct), And By Region, Opportunities And Strategies – Global Forecast To 2030.* *December 2021.*

[7] *HotelTechReport.* *50+ Hospitality statistics you should know.* *February 2023.*

personalized stay – which means the data is there for the asking[8]!

Moreover, what constitutes an 'individualized experience' may not always be what hotels are expecting. In the IHG survey, for example, 33% of guests wanted late night comfort food, 29% wished for enhanced bathroom amenities and 29% would like afternoon tea or happy hour drinks delivered as room service. In addition, 26% said they wanted a personalized welcome package, or the option of having breakfast in bed[9]. How can hotels offer unique services like these if they do not know their guests desire them? Or if the information is present, but dispersed across multiple profiles?

Unfortunately, even when personal data like this is collected and stored, it is impossible to leverage the capabilities of Big Data and turn it into usable insights when multiple guest profiles are in existence. The digital cul de sac strikes again, preventing the hotel from offering targeted sales and marketing communications, tailored offers and discounts, high quality guest recognition and service levels, and even value-based complaint management.

Achieving the Golden Record: how to create a single guest profile

As we have explored in several previous blogs and White Papers, the main issue preventing hotels from achieving the elusive Golden Record of a single guest profile is placing the wrong system at the heart of the IT stack. Usually, this is the Customer Relationship Management (CRM) system or the Property Management System (PMS), although it could be one of a number of other options such as the Central Reservation System (CRS) or an Enterprise Service Bus.

None of them will work. The only answer is to adopt a system based around Central Data Management (CDM), supported by a robust Data Quality Management (DQM) system. Hotels must rethink how they approach technology and respin the focus of their solutions to enable the creation and maintenance of single, clean guest profiles.

"To achieve the Golden Record, a number of fully integrated, intelligent systems need to be in place," says Dr Michael Toedt. "To explain the process in terms of dailypoint's own services, you must start with the CDM, which could be described as an enhanced version of a real Customer

[8] *Hotel Business. IHG: High-quality service top priority for 78% of global travelers. December 2021.*

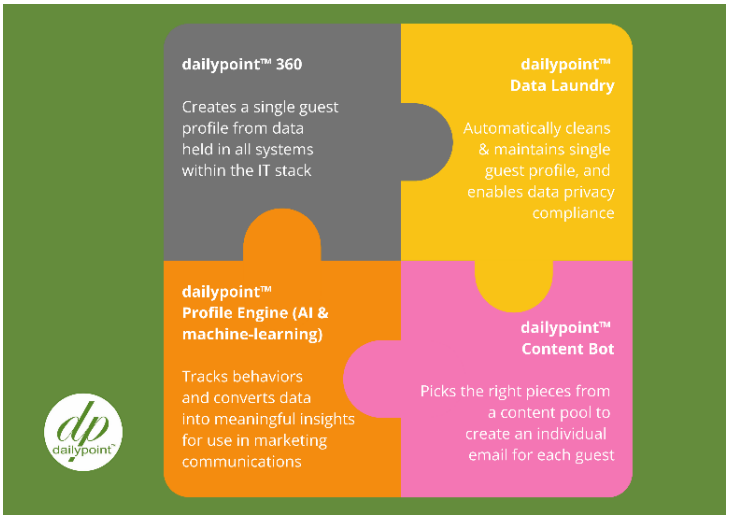
[9] *Hotel Business. IHG: High-quality service top priority for 78% of global travelers. December 2021.*

Relationship MANAGEMENT (not MARKETING) solution.

"Our CDM system, the award winning dailypoint 360, acts as the hub of the IT stack, collecting guest data from all other connected platforms, holding it centrally AND pushing the corrected data back to the connected systems. It is not a data silo, unlike many CRM systems which only sit in the marketing department.

"The other systems within the tech stack could be seen as the spokes of the wheel as they are not only dependent on the hub, but are fully connected to it. A critical component is our DQM, the dailypoint Data Laundry, which is the most sophisticated automated cleansing process in the hotel industry, consisting of about 350 unique steps. Meanwhile, the dailypoint Privacy Dashboard makes sure the hotel can fulfil its legal obligation to protect guest rights by ensuring compliance with data protection regulations such as GDPR and CCPA.

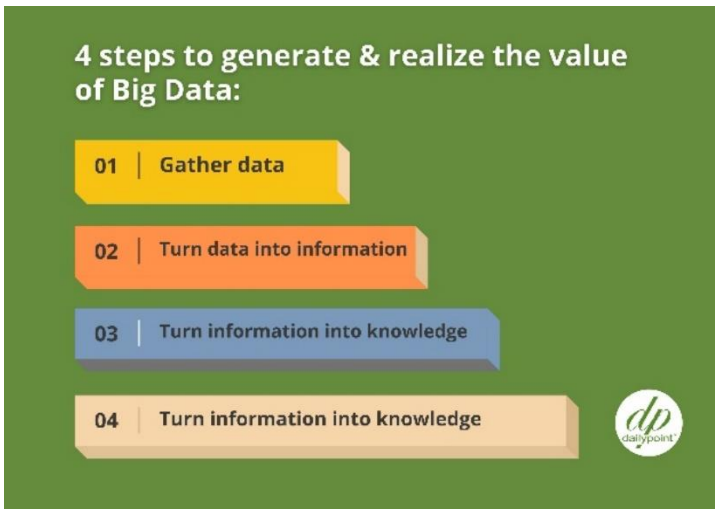
"At this point, the dailypoint Profile Engine comes into play. It is this element that deploys AI and machine learning to transform the Big Data that has now been collected, centralized and cleansed into meaningful guest insights. These are then ready to be used to create and offer personalized guest experiences and individualized communications at all customer touchpoints.



"Of course, all hotels have a myriad of third-party systems provided by multiple different vendors, which also collect valuable guest data. Provided these are cloud-based – which they should in today's day and age! – the dailypoint Marketplace offers secure connectivity using an open API on the OTA / HTNG industry standard, so all these other important systems can access the central guest profile quickly, easily and securely. Over 200 solutions already benefit from the dailypoint Golden Record.

"This may all sound quite straightforward once the right platforms are in place. However, it is important to remember that there is a set process that must be followed before Big Data can be successfully turned into usable guest insights.

This can be summarized as follows:

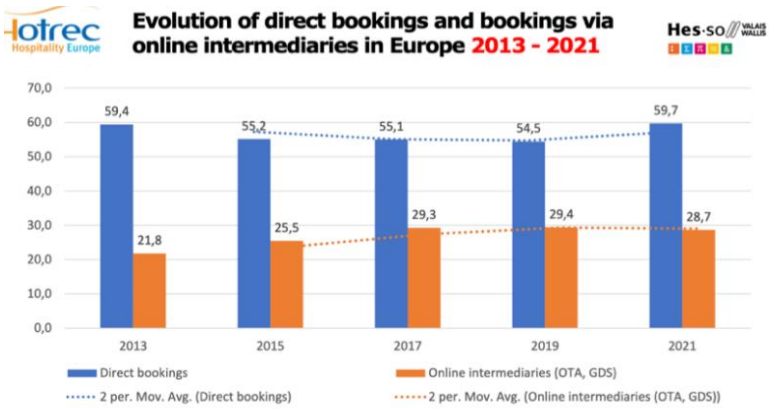


"Only if you are able to reach step 4 can the data become the valuable asset it represents for the OTAs and enable hotels to compete with them on a level playing field. Having a fully digitized IT stack with open-API connectivity is only one part of the wider solution. The ability to access Big Data and make use of Artificial Intelligence (AI), automation and machine learning are essential to completing the picture."

Is the tide already turning for hotels?

Whilst hotels still hold nowhere near the stock market values of the major OTAs, there does seem to be an ongoing shift in consumer attitudes towards bookings. During the pandemic, for example, when some hotels were closed, more people gravitated towards using OTAs – perhaps because the choice of sites was limited.

The HOTREC European Distribution Study 2022 then showed a slight fall in OTA market share during 2021, when most lockdowns came to an end[10].



However, the OTAs have recently seen another resurgence in bookings, with market research carried out in 2022 finding that 70% of respondents prefer to use them for reasons of 'simplicity, membership rates and security.' Those who want to book directly, on the other hand, said they do so because this enables them to request added extras and get the best price. It was also noted that '…direct booking channels' flexible terms, easy changes, and quick refunds are winning travelers over.[11]'

[10] *HOTREC. Hotel Distribution Study. June 2022.*

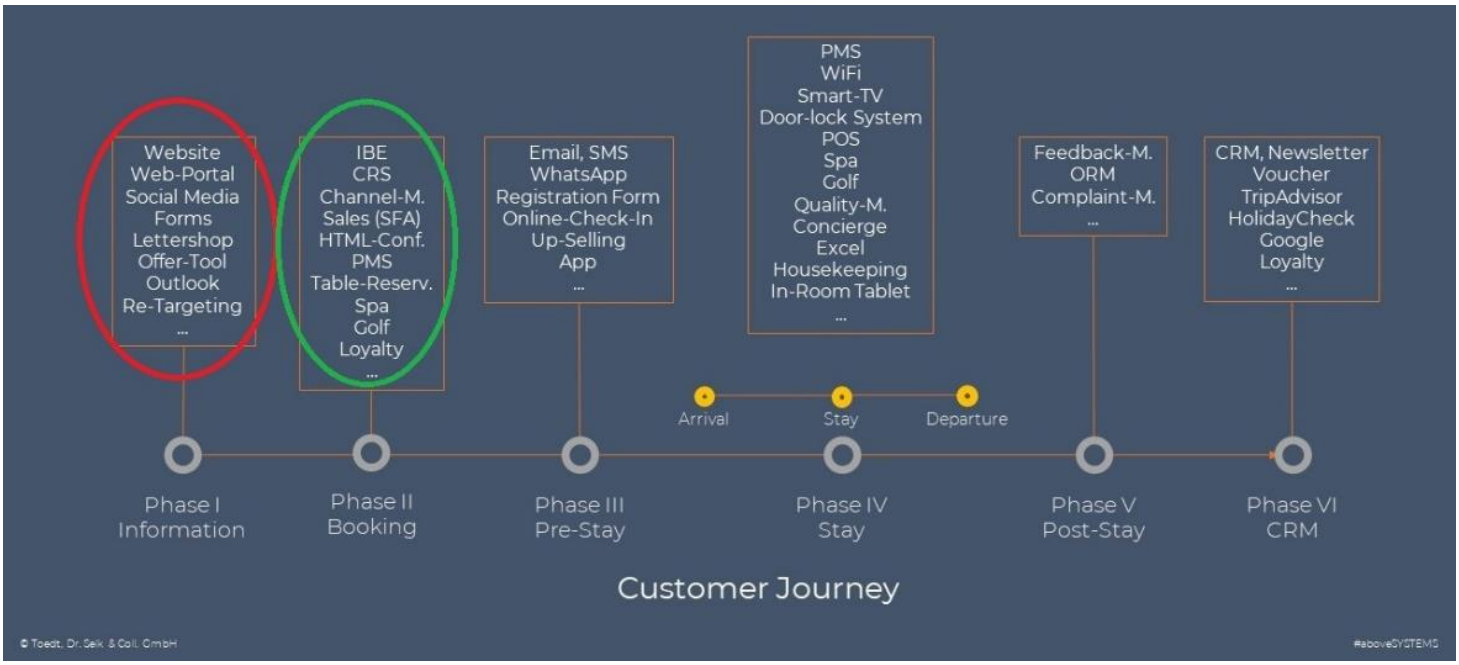
[11] *Trekksoft. OTA vs direct booking: what is the best option in 2022? October 2022.*

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Yet hotels still seem to be losing out on market share to the OTAs!

The overall growth in online bookings across all channels essentially comes down to a growing need and desire for information on the part of guests. As far back as 2015, Expedia reported that travelers were visiting an average of 38 websites before making a booking[12]! Whether or not people visit that number nowadays, they undoubtedly still carry out in-depth online research and scrutinize the websites they visit in great detail. From lists of facilities to reviews, photographs to room service menus, the modern guest wants to find out as much as they can about a hotel before booking.

And whilst the OTAs are often the starting point, where better to find the latest and most accurate information than the hotel's own website and social media channels? (A telling statistic here is that the average browser abandonment rate for OTAs is 81% - indicating that they are often used only to compare options, not to make the booking[13].) This is exactly why the ability to offer a unique, personalized and secure service from the very first part of the customer journey (Phase I: Information) has never been more important for hotels. Follow that up with a seamless and efficient Phase II and the booking is highly likely to be direct, whether it is ultimately made online or otherwise.



[12] *HotelTechReport. 50+ Hospitality statistics you should know. February 2023.*

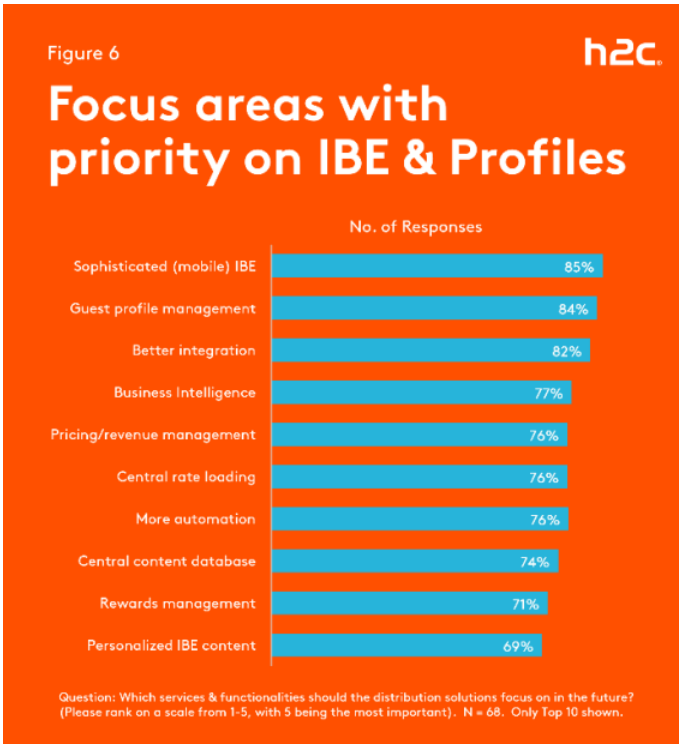
[13] *SaleCycle. 2022 Travel ecommerce stats & trends report. 2022.*

Dr Michael Toedt concludes: "As we have seen, it is imperative for hotels to get the customer journey spot on, right from the very first direct touchpoint. The correct systems need to be in place and fully connected using open API technology, so that the full power of AI, automation and machine learning can be deployed to provide a first-class guest experience at every phase. Collecting, cleansing and utilizing Big Data correctly and compliantly is an indispensable part of this process – and hotels that do not put the right IT solutions in place now are likely to be left behind.

"It is good to see from new data published by h2C in February 2023 that more hotels are starting to appreciate the importance of innovation and technology to their ability to thrive. The study showed an especially strong focus on the Internet Booking Engine (IBE), guest profile management and systems integration which, as we have observed, are all critical aspects of an effective hotel tech stack[14]:

"But despite these advances, according to dailypoint's own research, 30 to 90% of all hotel data management projects still fail because of data quality issues[15]. It is high time hotels followed the OTAs' example and revolutionized their tech stacks to refocus on the Central Data Management and Data Quality Management systems.

"Only then can hotels escape from the digital cul de sac that is hindering their operational, sales and marketing activities, and give their guests the high quality, individualized services and communications that are needed for success in today's complex and demanding world."



[14] *h2c. Global Hospitality Distribution Study. February 2023.*

[15] *dailypoint internal data.*

About the author: Dr. Michael Toedt

Dr. Michael Toedt is CEO and Founder at dailypoint™. He is a renowned expert in the field of Big Data and CRM. Michael started his career in his parents' hotel business and the Michelin Star gastronomy. He started his second career in the field of CRM, and in 2005 founded Toedt, Dr. Selk & Coll. GmbH (TS&C). TS&C, today known as dailypoint™, is recognized as a premiere software company and think tank for data-driven management.

In addition to his work at dailypoint™, Michael Toedt is, among other things, a lecturer at the University of Applied Sciences in Munich, Germany on the topic of "CRM in Tourism" as well as a lecturer at Hotellerie Suisse. He publishes books and professional articles in the field of CRM, Big Data and digitalization regularly. In 2016, Michael wrote his doctorate on the influence of communication on sales figures in the luxury hotel industry. In 2021 Michael was listed “One of the 10 Most Promising CEOs” by Industry Era.

For more information, visit **www.dailypoint.com**/publications

About dailypoint™- Software made by Toedt, Dr. Selk & Coll. GmbH

dailypoint™ is the leading Data Management and CRM platform for demanding individual hotels and hotel groups. dailypoint™ collects data from all relevant sources such as PMS, POS, website, newsletter or WiFi and automatically creates a central and consolidated guest profile. In 350 steps, the data is processed and enriched by means of artificial intelligence (AI) to create a guest profile like never before. The cloud-based SAAS solution consists of 16 modules and is complemented by the dailypoint™ Marketplace with almost 200 solution partners. dailypoint™ not only offers measurable marketing, but also covers the entire customer journey and thus supports all departments within a hotel. The integrated Privacy Dashboard is also the central element for the technical implementation of the GDPR.

dailypoint™ is headquartered in Munich, Germany and is sold and supported worldwide directly or through its distribution partners D-EDGE and XNProtel.

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