

h2c's Global CRM Report

The State of CRM and Guest Data Management

Personalization: The path to better guest relations

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Introduction

At large, Customer Relationship and Guest Data Management in hospitality can be broken down into many activity fields. However, email campaigns (targeting specific customer groups) are the backbone of today's guest communications, while personalized services (e.g., delivering individual guest treatments) are often lagging behind. As personalization is continuously increasing its impact on a hotel's performance, we are confident that h2c's study results will provide valuable insights for hotel companies and CRM vendors alike.

This summary of h2c's Global CRM Study aims to highlight the current state of hotel guest relationship management. It builds on detailed insights obtained from an online survey as well as expert interviews with hotel chains in Europe, Middle East & Africa, Asia Pacific and The Americas. H2c's research focuses on (1) the chains' satisfaction level with their current CRM activities and solution, (2) system features and functionality gaps, and (3) identifying major areas of improvement.

The impetus for this study comes from the increasing demand by hotels for more personalized guest services, primarily driven by leading e-commerce platforms (e.g., Amazon). Not only regional hotel chains but also international brands struggle to structure their guest data effectively. As data cleansing, the prerequisite for guest communication, remains difficult, the route to personalized offers seems lengthy. H2c's study sheds more light on the hotel chains' challenges and barriers, and enables CRM providers to identify functionality and services gaps, thus prioritizing their developments.



Key Takeaways

Enhancing the guest experience is not yet a routine process

Improving the guest experience is among the top priorities of hotels. But achieving this goal requires personalized data and content management processes that target the individual guest as opposed to whole client segments. While email campaigns form the backbone of most hotel chains' guest communications today, personalized communication and services often lag behind expectations, and are far from becoming established daily procedures.

Mastering CRM challenges starts with clean data

Getting the basics right starts with clean data, which requires a reliable data cleansing process. However, data automation was identified as the single largest CRM functionality gap. Since effective marketing messages must be built around relevant content, poor data will not produce communications that capture the traveler's attention. This tech deficiency is further underscored by missing personnel skills in guest data management, which can be widely observed across the hospitality industry, from CRM management functions down to operational staff.

One-size-fits-all is not the right CRM tech approach

Hospitality CRM solutions often provide an overload in system functionalities, as one-size-fits-all seems to be the most cost-efficient vendor approach. Even 24 months after CRM system implementation, the average utilization rate remains well below the head office and hotel requirements. Increasing CRM customization (e.g., hiding or eliminating unnecessary functions) will ease operations. Integration issues (often a reason for not using all functionalities) need to be solved so that the full-service offering can be used efficiently.

Expect more to come in data-driven services

CRM systems are increasingly taking the lead in guest data management, mainly at the expense of property management systems. This projected system shift is expected to provide hoteliers with more structured data, enabling data-driven decisions for their marketing activities and pricing in real time. While today's success in ancillary sales is rather low, data-driven revenue management is poised to gain traction within the next three years.

On the rise: CRM investments and company-wide engagement

More than eight in 10 hotel chains will increase their customer experience investments over the next three years (only 2% expect a spending decline). As a major differentiation factor, personalized services have a major impact on increasing brand value. With this strategic goal in mind, hotel companies are increasingly involving a wider range of corporate functions in their CRM strategy process. Also, operations are expected to increasingly number among the decision makers in CRM investment and strategy.

The State of CRM and Guest Data Management in Hospitality

Enhancing the guest experience is not yet a routine process

When asked what CRM means to hotel chains, they expressed concerns about data quality on the one hand, while aiming to enhance the guest's experience and increasing overall profitability on the other hand.

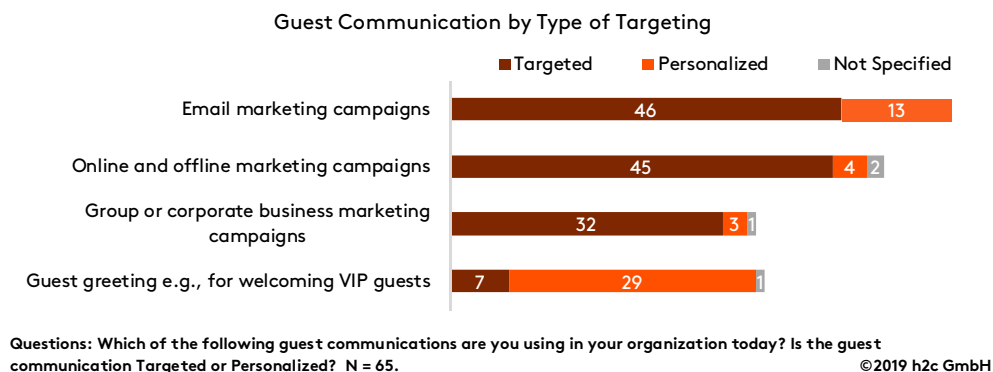
"CRM is the single source of guest data truth, the heart of everything."

"CRM means building positive customer experiences to enhance profit margins."

Often tied up with resolving CRM problems, today, only a few chains are well positioned to clearly improve guest experience. These challenges usually start with unstructured data, which is the basis for every marketing campaign. Consequently, effective targeting of individual guests with personalized messages and services remains out of reach for many companies.

Meeting customer expectations requires personalized services that clearly exceed merely executing flawless email communications or a personal greeting at the reception. Travelers are more likely to book hotels that provide relevant/individual offers. Although personalization is mandatory for driving loyalty, its adoption rate is still low. While the highest level of personalization is dedicated to the lowest number of guests (e.g., for greeting VIPs), the customer acquisition share for all types of marketing campaigns is still far from mature at present (see Figure 1).

Figure 1: Reality Check - Personalized Guest Communication is Lagging Behind



Mastering CRM challenges starts with clean data

Inadequate staff knowledge and missing skills for effectively managing guest data pose the greatest challenges for most of the participating hotel chains. Pure technology-driven issues, for example, software limitations, only rank third amongst the top CRM challenges (see Figure 2). But, conversely, missing software modules can also have a negative side effect on structuring guest data properly.

For half of all respondents, guest data is useless for guest communications, which is a strong call for action for both hotels and CRM vendors. As guest data management is very labor-intensive, it requires experienced managers for CRM strategy development, process implementation and training. Staff retention is a key success factor.

Figure 2: Major Challenges with Guest Data and Staff Skills



For hotel chains, data cleansing is the foremost important functionality improvement on their wish list (Figure 3). The high share of companies maintaining a predominately manual process for data cleansing (see Figure 4) reveals how far this core CRM functionality is from reaching maturity.

Figure 3: Data Cleansing in Highest Demand for Improvement

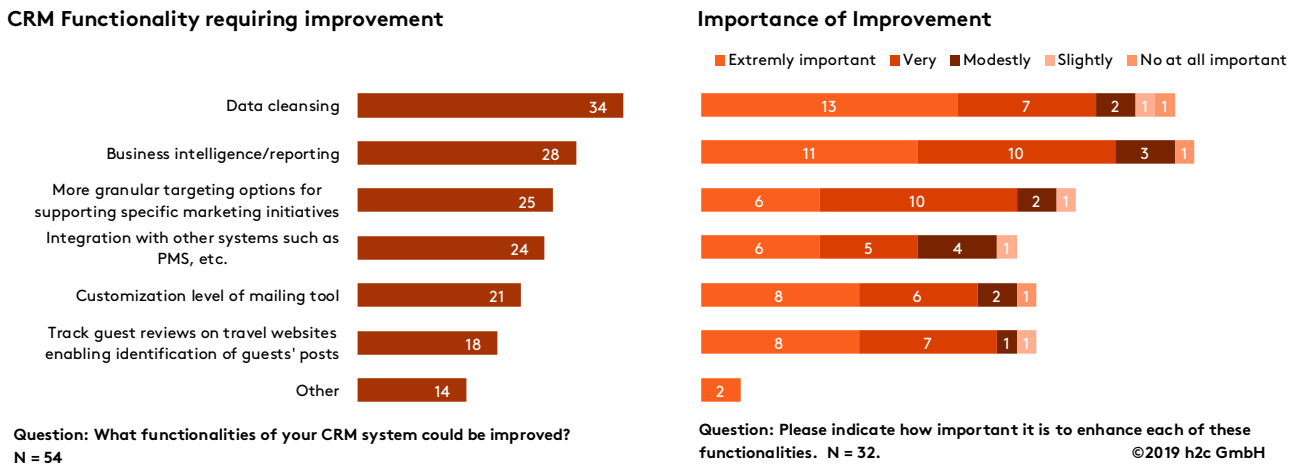
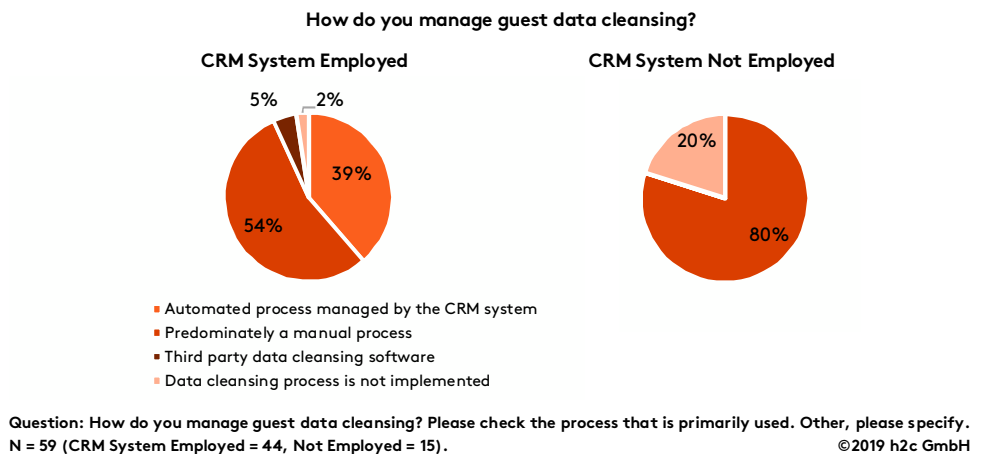


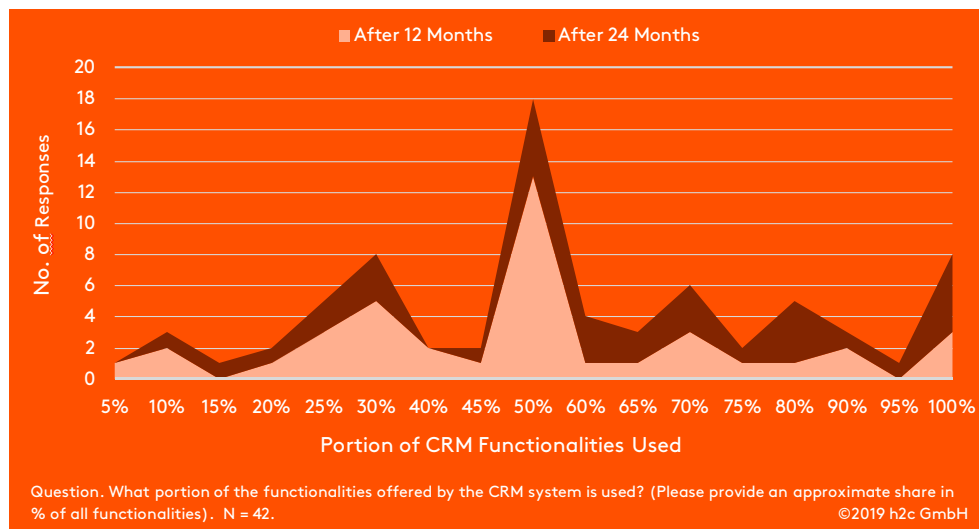
Figure 4: Guest Data Cleansing - Predominately a Manual Process



One-size-fits-all is not the right CRM tech approach

The scope of CRM requirements of hotel chains and their individual properties is very broad. As a result, vendors tend to align their technology developments towards a one-size-fits-all strategy, which often results in a functionality overload for system users. H2c's research reveals that only a few companies utilize the full potential of their CRM's available functionalities. For example, 12 months after CRM system implementation, seven in 10 companies use a maximum of 50% of the system's functionalities. Although this figure drops to 41% after 24 months (see Figure 5), it still leaves a large portion of the functionalities unused. The right cost-benefit ratio is often a balancing act for CRM system developers. More modular CRM services would not only benefit the bottom line of chains, but also provide hotels with more oversight of their CRM.

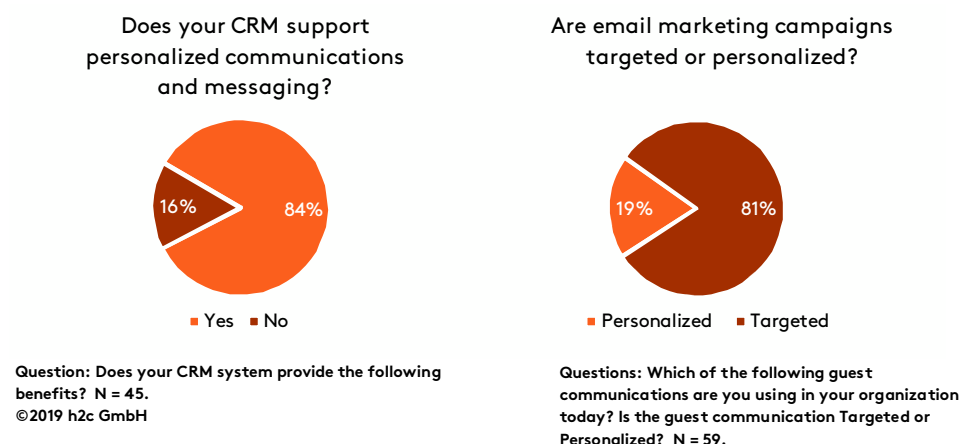
Figure 5: CRM Functionalities - Oversized or Underutilized?



In part, the underutilization of functionalities leads back to the hotels' limited skill sets or resources in general. Low staff proficiency is often a cause for unused CRM functionality. For example, 84% of the survey participants' CRM systems enable personalized communications, but only 19% of their emails are personalized (see Figure 6). For successfully managing CRM operations, system functionality alone does not suffice—personnel qualification is the driving force. Only the combined efforts of human resources and system technology leads to better personalization services.

Chains often do not utilize available CRM technology.

Figure 6: Personalized Guest Communication - Tech Capacity vs. Actual Operations

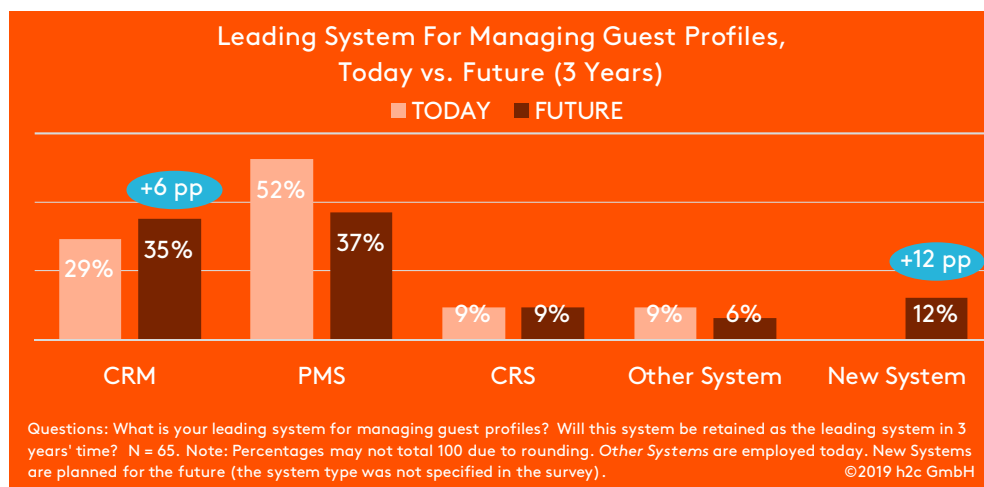


Expect more to come in data-driven services

Today, 52% of all companies manage guest profiles via their property management system (PMS). In three years, this share is expected to drop to 37%, while CRM systems increasingly transit into this role, reaching 35% during the same period (see Figure 7). This shift will be supported by new systems coming online over the next three years, adding another 12-percentage point (pp) gain in profile management. H2c predicts that a notable portion of the 12-pp increase in these new (to be defined) solutions will be assigned to CRM systems.

In three years, the CRM will surpass the PMS as the leading system for guest profile management.

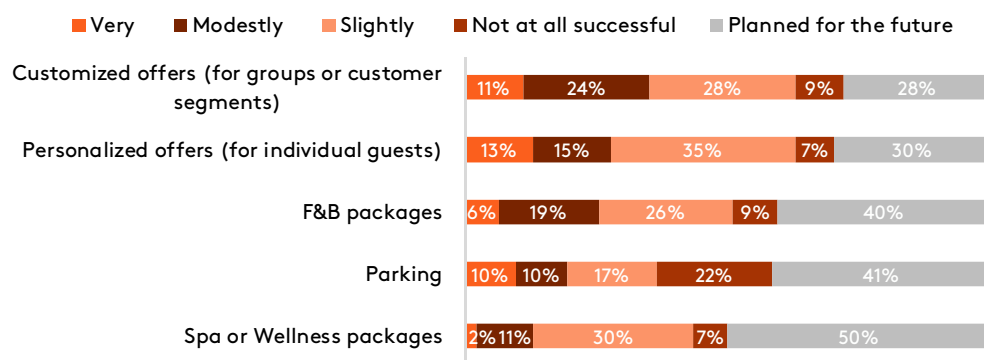
Figure 7: Guest Data Management Shifts to CRM Systems



Today's success rates of companies using guest data for ancillary revenue generation is rather low (meaning the share of *Slightly* and *Not at all successful* is larger than *Very* and *Modestly successful* in each category, see Figure 8). Only 28% of personalized offers were rated *Very* or *Modestly successful* versus 42% classifying them as *Slightly* or *Not at all successful*.

However, the shift from the PMS towards more specialized (CRM) systems for data management will lead to an increased share of data-driven revenue generation in the medium term. In the future, all types of ancillary sales especially will benefit from this development, for example, via individually packaged Spa & Wellness offers.

Figure 8: Data-driven Ancillary Revenue Generation - Hardly Successful or in the Planning Phase

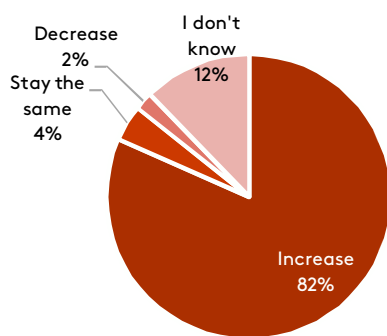


Question Q12: In your current organization, how successful are you using CRM data for ancillary revenue optimization? N = 54. ©2019 h2c GmbH

On the rise: CRM investments and company-wide engagement

Budgets for customer relations will continue to increase over the next three years. More than eight in 10 interviewees stated that their CRM investments are on the rise (see Figure 9). With growing consumer expectations (from users accustomed to Amazon and the like), these investments now fall in the category of a must-have rather than an optional nicety. New and enhanced CRM developments are progressing rapidly, especially driven by AI technology.

Figure 9: CRM and Customer Experience Investments Continue their Growth Trajectory



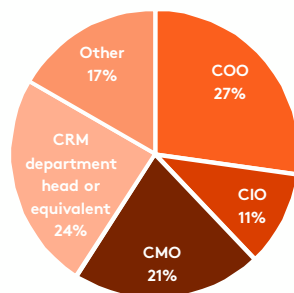
- More than eight in 10 see their CRM investments increasing – only 2% expect a decrease.
- Investments in CRM related processes and tools will grow rapidly over the next three years.
- CRM will be the largest segment of IT investments for many companies by 2023, when global CRM software spend is projected to reach [USD 35 billion](#).

Question: How will CRM and Customer Experience investments develop in your organization over the next three years? N = 49.
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Based on the high priority and increasing investments for guest services, many hospitality companies are expected to expand the circle of CRM decision makers. Today, two-thirds of companies have a single department that defines the CRM strategy. The main functions are the Chief Operating Officer, followed by the CRM department, and the Chief Marketing Officer. One-third of the chains involve two or more functions, which highlights the need for deeper integration (see Figure 10). In the short-to-medium term, h2c expects that a broader range of corporate functions will be engaged and take responsibility for the CRM strategy due to the increasing process and interface complexities.

Figure 10: Decision Makers Across Various Functions Define the CRM Strategy

Who takes the lead in making strategic CRM (investment) decisions?



34% of all respondents involve two or more departments/functions in their strategic decision process.

While CIOs / IT executives were the main decision makers in the past, responsibilities have transited to other C-Levels (COO, CMO) and CRM departments.

- Other:
- Director of Marketing (3)
 - CCO
 - Director of Distribution
 - CEO & Board
 - CFO
 - Hotel Owner
 - Revenue Manager
 - Director of Operations
 - Director of Sales

Question: Who takes the lead in making strategic CRM (investment) decisions? Check all that apply. N = 47 (Note: 16 responses included two or more involved functions/departments).

Conclusion

Although personalized services have been on the road map of most hotel chains for many years, various problems continue to hinder a successful implementation. Spoilt by Amazon-like experiences, today’s consumers are awaiting similar services from hotels. Even though this is not a fair comparison, the pressure on hotels increases constantly. Especially for regional chains, enhanced guest services have grown from what was once a nice-to-have feature to a must-have today. Providing these services requires an optimally-integrated system infrastructure with standard operational procedures and controls.

As technology evolves and CRM strategies become clearer for small and medium-sized hospitality companies, we believe that the pace of personalized services implementation will accelerate within the next three years. CRM needs to take the leap from an email marketing campaign focus to the next level, i.e. personalization, which enables individual offers and services.

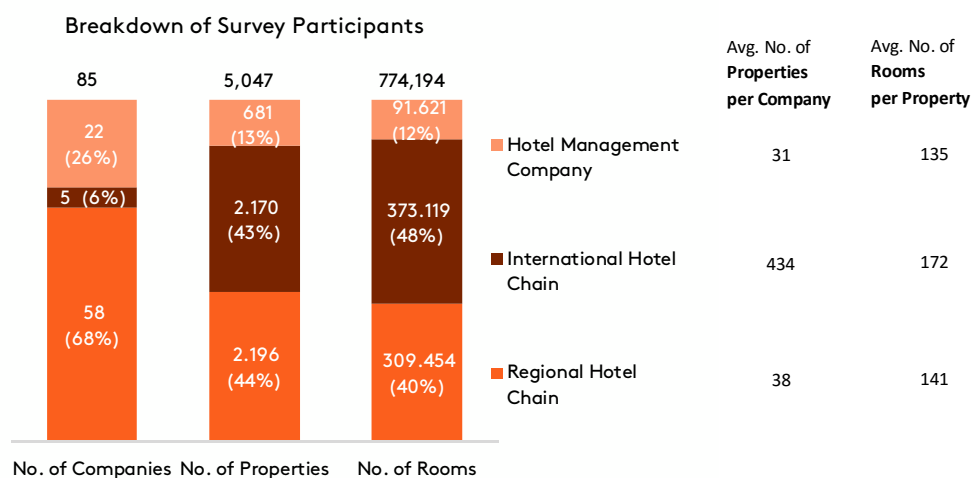
H2c’s research aims to shed light on major CRM functionality gaps as well as proficiency issues that hoteliers are facing today. The study should also help technology provider companies to identify system deficiencies and prioritize their product developments and client services.

Methodology

This study combines the findings from an online survey (completed by 62 executives of global and regional hotel chains), 25 executive interviews with hotel chains, and 11 interviews with technology providers including sponsors. Some findings are complemented by h2c’s secondary research. In total, the study includes the answers of 85 unique hotel chains and covers the following regions: Europe, Middle East & Africa, Asia Pacific and The Americas. The study participants are from various functions including the CRM department, marketing, guest relations, IT, distribution, revenue, and operations.

Designed on a global level, the study has a fair distribution across hotel categories by star rating and hotel chain type (global and regional). The surveyed 85 hotel chains represent more than 5,000 properties and 774,000 rooms worldwide (see Figure 11).

Figure 11: Interviewee Profiles



Question: Please provide us with the company type and number of properties and rooms. N = 85.

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REVINATE

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Our next custom research project, launching in October 2019, has a focus on hotel Internet Booking Engines (IBEs) and metasearch. If you are interested in becoming a sponsor or partner, please view the [prospectus](#) for more information on h2c's Global IBE Study.

Contact

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