



BIG DATA – The key to boosting your hotel's value



BIG DATA
KEY TO BOOST
White Paper

BY DR. MICHAEL TOEDT

In today's digital world, Big Data = Big Business.

To quote The Economist in 2017, “*The world’s most valuable resource is no longer oil, but data*¹.” Yes, I’ve used that quote before in [blogs](#) and [White Papers](#), but with one very good reason: it’s true! What is more, those words were written just two years after another much-quoted article in TechCrunch, which pointed out that some of the world’s fastest-growing brands have nothing tangible to offer consumers²:

The ‘something interesting’ is a customer interface based on data alone and that, in many cases including Airbnb and other Online Travel Agents (OTAs), is taking revenue away from the companies that provide the

actual products and services at the end of the supply chain. With the OTAs, that means hotel groups, who are losing out in a big way – largely due to their inability to leverage the power of ‘Big Data’.

“Uber, the world’s largest taxi company, owns no vehicles. Facebook, the world’s most popular media owner, creates no content. Alibaba, the most valuable retailer, has no inventory. And Airbnb, the world’s largest accommodation provider, owns no real estate. Something interesting is happening².”

**Tom Goodwin, Senior VP of
Strategy & Innovation at Havas
Media, 2015**

Indeed, according to “The Business Research Company”, the OTA market is expected to grow at a compound annual growth rate (CAGR) of 5.9% from 2025 and reach \$1,259.1 billion in 2030³. Could we say the same about the likely rate of growth for direct hotel bookings over the same time period?

OTAs such as Airbnb, Booking.com, Expedia, TripAdvisor and so on have two things in common. One: they own nothing tangible, as

already noted. Two: they are extremely valuable because of the quantity and

¹ The Economist. [The world’s most valuable resource is no longer oil, but data](#). May 2017.

² TechCrunch. [The battle is for the customer interface](#). March 2015.

³ The Business Research Company. [Online Travel Agents Market 2022 – Global Forecast To 2030](#). December 2021.

quality of ‘Big Data’ they hold. And both of these respectively give OTAs their ability to turn that data into action!

Compare the value of the largest hotel chains with the value of the booking holding (which includes booking.com). You will realize that the value of the hotel chains falls apart! And because investors love ‘Big Data’, they’re favoring the data providers (OTAs) over the end service providers (hotels), which is impacting the latter’s revenue and company value.

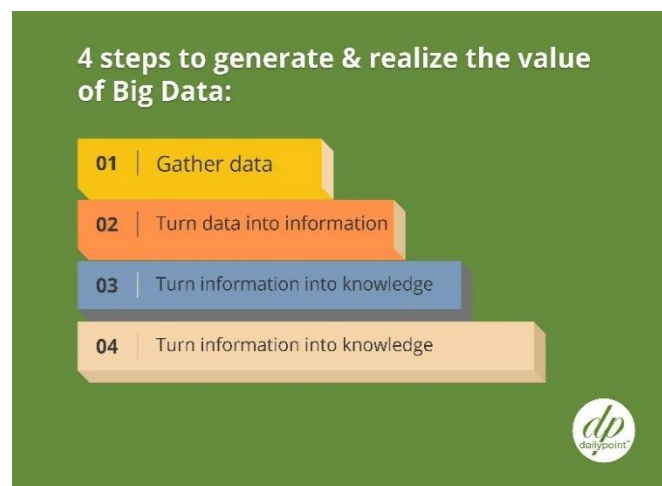
But where exactly are hotels going wrong here? And how can they put it right so they can realize the true value of ‘Big Data’, not only in terms of profit margins but in other ways too, such as improving operational efficiency, staff productivity and guest satisfaction? These are questions I will answer later on in this White Paper. First, however, I will examine what ‘Big Data’ means to hotels, how it can be used and why it is so important.

‘Big Data’ and the Hotel Industry

Generally speaking, ‘Big Data’ just means the huge and ever-increasing amounts of structured and unstructured data that businesses of all types collect every day. The data can be of a variety of types and originate from a wide range of sources.

In our industry, the main sources which generate data are the PMS, POS including Spa, Website, Loyalty Program, Internet Booking Engine, Wi-Fi, CRM, Table Reservation System and surveys. The

advantage of all these sources is that the data is not normally anonymous, which means it is highly valuable. BUT: it is only valuable if you know how to use it! Data is just like a raw material in that it must be refined to make it meaningful.



Only if you are able reach step 4 can your data become the valued asset it represents for companies such as booking.com, Airbnb, Uber etc? (As you can see, this list does not contain any hotel companies – unfortunately for our industry.)

Big Data can be characterized by the three Vs: Volume (amount of data), Velocity (speed to process) and Variety (many sources). I always add Veracity (data quality management to make the data usable) and Value to these, making five Vs.

Some researchers also add that, in order to be classified as ‘Big Data’, the information needs to be too large to be processed using traditional data processing methods, such as databases. I personally think this is nonsense. It is

better to say that the data amount is too big to be handled manually, which is almost always the case in today's digital world.

Of course, when it comes to leveraging value from data in all instances, artificial intelligence (AI) and machine learning processes are an integral part of the process. However, the most important thing for our industry is to consolidate and cleanse all data sources and create one single, Central Guest Profile which contains the company's entire knowledge about the customer. This single profile must then be used in all IT systems along the customer journey, so that everything can work in harmony towards, ultimately, driving more revenue for the business.

This is where value gets generated. And since most hotel companies fail to fulfill these prerequisites for 'Big Data' success, they are losing ground and do not get high valuations on the stock market.

In the Hotel Industry, Big Data consists primarily of information about guests. This is a huge advantage which is ready and waiting to be used by hotels. After all, the 'transparent consumer' is what Facebook and all the other web giants try so hard to build – and hotels could create it relatively easily if they had everything they needed at their fingertips.

Of course, with the assistance of AI and machine learning, this valuable information could then be further used for predictive and behavioral analysis. But, do not make the mistake of doing steps 2 or 3

of the above process first, as you will fail (and the list of 'Big Data' losers in our industry is already too long.) Gathering *clean* data first is essential.

There are lots of ways hotels can use 'Big Data' to their advantage. These include:

Personalized guest experiences

From providing the right on-site offers to making sure the guest's room is at their preferred temperature on arrival, 'Big Data' enables hotels to really 'go the extra mile' when it comes to personalized services. It is also very useful for pinpointing where the hotel needs to improve, as well as areas that are performing well. The results? Higher guest satisfaction levels, more repeat business and more glowing online reviews.

Individualized marketing communications

This goes further than simply addressing a guest by name on an email, or segmenting guests into groups such as 'business travelers,' 'spa users' or 'golf club members.' By analyzing and refining guest behaviors and preferences at a highly granular level, it is possible to create marketing communications that genuinely speak to each guest on a 1:2:1 basis. You can find out more about this (and how the dailypoint™ Content Bot can help) [here](#).

Informing business developments

'Big Data' is an excellent resource for futureproofing hotels through investment in the right developments. By collecting data from customer interactions, including

the use of tools such as social listening, it is possible to find out not only what guests think about the hotel's existing services and facilities, but also what they would like to see in the future. Combining this knowledge with results from surveys that ask the right questions (what do your Key Target Groups *want*?) also helps remove reliance on gut instincts from decision-making.

Competitor analysis

What are your rival hotels doing differently from your business? What are they better and worse at? What do their guests like and dislike about their customer care offering, marketing approach, facilities and on-site services? Gathering 'Big Data' on your competitors through a range of sources such as social media, review sites, travel publications and simple word of mouth can be highly illuminating.

Looking at all these benefits, it is clearly a no-brainer that any and all hotel companies (from the smallest to the largest) should be making the best possible use of 'Big Data' to improve guest services, streamline business functions and ultimately, maximize the company's value. So, why isn't this happening?

Where hotels are going wrong with 'Big Data'

The biggest problem is that the typical hotel IT stack simply isn't built with 'Big Data' in mind. Traditionally, hotel technology has been complex and fragmented, with a mixture of on-premise and cloud-based systems hampering integration and leading to the creation of data silos. The tech stack is inflexible and process-oriented, being mainly built around the PMS. Each system from the PMS, RMS and CRS to the IBE, CRM and POS, is doing its own thing for its own department.

The inevitable result of this set-up is the existence of multiple Guest Profiles – up to 30 versions according to our own research⁴! This is a huge barrier when it comes to harvesting 'Big Data', as nothing is centralized. It becomes difficult or even impossible to cleanse and consolidate guest information to the high standards needed for creating those invaluable guest insights we looked at earlier.

The most frustrating part of all this is that hotels actually have all the data they need – but they are very bad at managing it effectively so it can be used to their advantage! The issues at hand were clearly manifested in h2c's 2021 study around automated personalization and global

⁴ *dailypoint, internal data*

insights into AI and machine learning, which was supported by dailypoint™ amongst others.

This research found that 71% of the 86 global hotel chains surveyed had difficulties in achieving clean data, a further 49% had problems around data aggregation and 32% lacked data quality. For a massive 80% of hotels, technical issues including system integrations were among their main challenges⁵.



To reap the rewards of ‘Big Data’, hotels must take action to overcome these challenges. That means becoming customer-centric instead of process-centric, which will facilitate the creation

and maintenance of a single, clean and up-to-date profile for each guest, also known as the ‘Golden Record’.

This ‘Golden Record’ is the not-so-secret weapon that OTAs are using right now. It explains why they are winning the ‘Big Data’ battle over hotel groups, and will continue to do so until hotels reconfigure their IT stacks to focus on centralized guest data management. The key buzzword here is: Central Data Management (CDM). The CDM is a new type of platform with complex data cleansing functionalities, which creates and maintains the ‘Golden Record’ using data gathered from other systems in the hotel tech stack.

Open the door to ‘Big Data’ with Central Data Management (CDM)

The introduction of CDM is not designed to replace these other systems, all of which have their right and proper place. Instead, the idea is to link each solution together using open-API technology that enables deep two-way interfaces between the CDM and other leading systems within the IT solution, including the PMS.

Systems such as [dailypoint™ 360](#) and the [dailypoint Data Laundry™](#) can automatically harvest data from both internal and external sources to create and

⁵ h2c: [Automated Personalization Study: Global Insights on AI and ML in Hospitality](#). November 2021.

cleanse centralized guest profiles in real-time. The dailypoint360™ Profile Engine can then deploy AI and machine learning to transform the resulting ‘Big Data’ into insights that can be used to offer personalized guest experiences and individualized marketing communications, using a system such as the [dailypoint™ Content Bot](#).

At the same time, the dailypoint™ Privacy Dashboard ensures that the company can fulfil their legal obligations to protect guest rights, in line with data protection legislation such as GDPR and CCPA. Together, these systems complete the ‘jigsaw puzzle’ of successful guest data management, as you can see below.



Hotel employees will also benefit from CDM through improved data accessibility and simplified data management processes, many of which can be automated. The idea of trying to keep each system within the IT tech stack individually

updated is a piece of wishful thinking which no longer has any place in our digitalized world.

Staff and guests alike will enjoy higher satisfaction levels thanks to ‘Big Data’ – and the business will see a positive impact on productivity, efficiency and its bottom line.

A note of caution

It is easy to see CDM as ‘just another IT project’ that can either be handled in-house or outsourced to a third-party vendor. In my view, however, this approach is a mistake. Changing the IT stack to focus on the single guest profile is not an IT project; it is an extensive change management project that will affect every department and function within the business, from the top down and the bottom up.

That means it is absolutely imperative to gain the buy-in of CEOs, who need to fully comprehend the bigger picture and the reasons why Central Data Management is necessary for hotels to compete effectively against the OTAs. The first stage in the process is therefore for CEOs and their C-Suite colleagues to become more tech-savvy and take pains to understand the true value of ‘Big Data’.

If the required changes in IT infrastructure to enable CDM are not led from the top, there is a genuine risk of failure – not just for the change management project itself, but for the hotel’s overall chances of future success.



As with all change management projects, the larger the company, the longer it takes and the higher the risk of failure. Investing in Big Data therefore offers the biggest opportunities for small and medium sized hotel companies, where decision-making processes and overall changes can be agreed and implemented much faster than in large organisations.

Could dailypoint™ help to futureproof YOUR hotel business?

To find out more about our suite of advanced hotel tech products, please visit www.dailypoint.com.

To arrange a demonstration of dailypoint™ 360, the dailypoint Data Laundry™ and/or the dailypoint™ Content Bot,

please call us on +49 (0)89 189 39 69 0

or email sales@dailypoint.net.

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



dailypoint™
Central Data Management

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.

For more information, visit www.dailypoint.com



dailypoint[™]
Central Data Management

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For more information: michael.toedt@dailypoint.net

www.dailypoint.com