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Property Management Integration

Redefining the Role of PMS in Hospitality
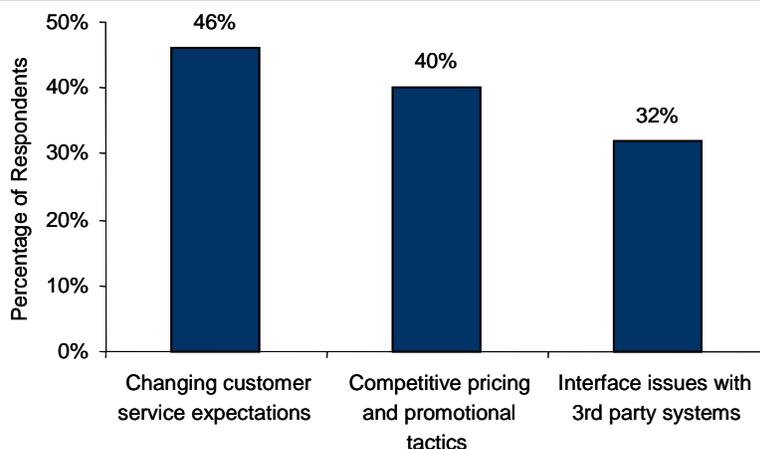
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Property Management Integration: Redefining the Role of PMS in Hospitality

According to the June 2009 _Next Generation Hospitality_ benchmark report, 67% of hospitality organizations indicate little or no integration of the myriad of property management system applications they use for operational workflow. This low level of integration can disrupt the daily operations of organizations as it pertains to servicing the guest, meeting revenue and service goals, and running seamless hospitality/food and beverage operations. Between November and December 2010, Aberdeen surveyed 51 hospitality executives to examine property management initiatives and strategies. The purpose of this Analyst Insight is to examine the current state of PMS integration, and the emergence of customer data integration as a key component of hospitality success.

Changing Pressures in the Hospitality Industry

According to the June 2009 _Next Generation Hospitality_ benchmark report, the overwhelming pressures felt by hospitality executives are economy-driven: the need to ensure continued growth and expansion (45%), the pressure to reduce revenue risks due to soft market conditions (30%), and the need to ensure business sustenance or survival (26%). However, as travel expenditure has continued its slow recovery, hotels and resorts are turning their attention towards the guest in their property management initiatives. According to Aberdeen data, the top two property management related pressures are guest-centric (Figure 1).

Figure 1: Guest-Centric Pressures

n=51

Source: Aberdeen Group, December 2010

Analyst Insight

Aberdeen's Insights provide the analyst perspective of the research as drawn from an aggregated view of the research surveys, interviews, and data analysis

Property Management Systems

Property Management Systems are software that automates the operations of a hotel / resort, restaurant, casino, or cruise line. This automation includes the integration of front-office applications and back-office applications to allow for complete management of the entire property. When running at its full potential, the system should be able to integrate all value-chain areas within the hospitality corporate network into a single functional repository for data management, planning, visibility, and reporting.

Currently, 46% of survey respondents identified changing customer service expectations as the top business pressure they are facing. Today's guest is expecting more out of the experience of staying at a hotel or resort, such as personalized service and improved amenities, and these organizations must therefore change the way they are doing business in order to meet these changing expectations. The best way to exceed these expectations is to arm hotel and resort employees with the tools to better service guests. According to Aberdeen's September 2009 _Upgrading the Guest Experience_ report, 63% of hospitality companies are benchmarking guest expectations for consistent service delivery, mapping services with the guests needs, and establishing more stringent training guidelines for responding to customer feedback. These tools and strategies are part of the overall property management strategy, as the entire organization must run as a finely tuned machine to execute on the operational and customer metric goals established by management.

Forty percent (40%) of survey respondents have identified the need to respond to competitive pricing and promotional tactics as the second-highest top-of-mind pressure. Competitive pricing and promotions have a direct impact on property management decision making as hotel and resort executives need to strike a delicate balance between discounting and maintaining the brand. As competitors employ deeper discounts, hotels and resorts must determine at what point these discounts cannibalize slim profit margins and actually put them at a competitive disadvantage. Even budget hotels can only discount so much, and are moving towards simple amenities such as a free hot breakfast and Wi-Fi to entice guests. Luxury brands, on the other hand, need to maintain their brand value, and discounting becomes less of an option. The response from these organizations has been to make the property as guest-centric as possible. These hotels and resorts can begin by making guest information readily available to all hotel employees to improve the personalized experience they seek.

The third top pressure identified by 32% of survey respondents is interface issues with third party guest reservation systems. As hotels look to improve their demand visibility across the enterprise, all operational applications must be able to communicate with each other including third-party reservation systems. Forty-eight percent (48%) of responding organizations are unable to share data across internal and third-party systems, which make it impossible to achieve one view of the property or one view of the customer. In order to achieve a truly integrated property management initiative, there must not be gaps in the lines of communication. These interface and integration issues represent a giant hurdle that hotels and resorts must conquer in order to succeed in the constantly evolving guest-centric hospitality environment.

Hotels and resorts are exploring innovative ways to make their business more guest-centric. The next sections of this report will address how property management strategies, capabilities, and technologies address these market pressures from both company size and technology adoption perspectives.

Demographics

Of the 51 responding hospitality organizations, demographics include the following:

√ _Job title:_ Senior Management (34%); Director (17%); EVP / SVP / VP (14%); Manager (13%); Consultant (13%); Other (9%)

√ _Department / function:_ Sales and Marketing (27%); IT (21%); Business Management (18%); Operations (10%); Finance (10%); Customer Service (9%); Other (5%)

√ _Segment:_ Hotels (51%); Resorts (21%); Restaurants (16%); Other (12%)

√ _Geography:_ North America (61%); Asia-Pacific region (21%) and EMEA (18%)

√ _Company size:_ Large enterprises (annual revenues above US $1 billion)-11%; midsize enterprises (annual revenues between $50 million and $1 billion)-24%; and small businesses (annual revenues of $50 million or less)-65%

"If the PMS is user friendly and easy to interface with all third parties and internal systems, it is very convenient for base line team members to operate easily and take good care of guest needs."

~ Operations Manager, Hilton International

Strategic Actions: Data Integration

Aberdeen data has shown that the top strategic actions identified by survey respondents revolve around IT and data integration across customer and business function silos, as well as developing loyalty initiatives and consumer insights (Figure 2). Forty-six percent (46%) of respondents have indicated that the top strategic action is to align business and customer requirements with IT for business optimization. Essentially, hotels and resorts are looking to optimize their IT infrastructure to reduce to the total cost of ownership of applications, increase revenue and margin, and maximize customer service due to the expansion in customer touch-points. This strategy is necessary to eliminate the gaps that generally exist between the IT infrastructure and the business and customer requirements, such as extended in-room and other value-added service offerings, which will enable the organization to run more efficiently and profitably.

Figure 2: Top Strategic Actions

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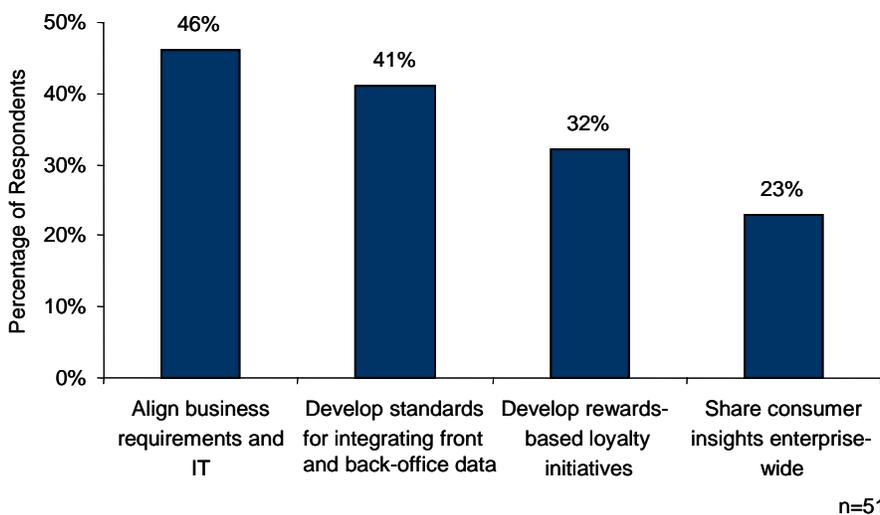
Source: Aberdeen Group, December 2010

The second top strategic action, as identified by 41% of respondents, is to develop standards for integrating front-office and back-office data. The integration of data silos allows the hotel or resort to achieve a unified view of the property and of the guest, leading to better service allocation and performance, improved revenue forecasting capabilities, improved inventory accountability, and customer service capabilities. A unified view of the property allows employees to utilize the PMS to access records for room availability, staffing levels, and reservations, among others. Additionally, customer data can be pulled for guest preferences, spending habits, on-premise activities, and dining reservations. By developing standards for data integration, hotels and resorts are creating a series of checks and balances to ensure the integrity of the data, from internal procurement, inventory, room availability, marketing, finance, and customer data standards.

"These initiatives will provide access to relevant information to customers in real time and enhance their decision making process through an efficient mechanism anchored on cost reduction."

~ VP, Business Development, Single Property Hotel, APAC Region

Thirdly, 32% of respondents are planning to develop rewards-based loyalty initiatives as part of their property management strategy, and an additional 23% plan to share consumer insights enterprise-wide. These two strategic actions indicate that hotels and resorts are putting an increased emphasis on the guest experience and engagement, rather than just the technology. Additionally, these strategies are tied to hotels and resorts improving data collaboration techniques, as an increase in customer and business data allows the property to use enhanced analytics to create more precise loyalty and promotional offers.

According to the December 2009 *Hospitality Loyalty* report, Best-in-Class hospitality organizations were twice as likely to utilize rewards based loyalty incentives. As part of this approach, these organizations focused on retaining current customers, rather than winning new customers, by using customer analytics and tiered rewards strategies. Coupled with the sharing of consumer insights across the enterprise, hotels and resorts are arming employees with actionable customer data to create a more enjoyable experience. Best-in-Class organizations realized a 13% increase in year-over-year customer retention, compared to a 5% increase for Industry Average organizations, and a 5% decrease for Laggard organizations.

Property Management Capabilities

Hotels and resorts are reliant upon the need to regularly upgrade PMS infrastructure and real-time reporting capabilities for optimizing property management. The top capability possessed by 64% of survey respondents is a schedule of regular upgrades to the property management system infrastructure (Figure 3). Upgrades can occur as part of customer or employee requests for specific functionality, network enhancements for customer, and employee-facing application performance, new application integration capabilities, or regulatory issues requiring infrastructure change.

These changes are going to improve the functionality of the property management system as employees are armed with a more robust operational and customer process-related functionality with continued enhancements. The upgrades will help to provide a better overall guest experience while reducing manual labor hours and costs. According to the June 2009 *Next Generation Hospitality* benchmark report, while 57% of leading hospitality organizations were providing regular upgrades to their property management system. This year's results indicate that there is an evolution in the use of property management systems geared towards guest-centric technology, dictating more rigorous upgrade schedules.

Loyalty Best-in-Class Definition

√ Current customer retention rate: 81%

√ Increased year-over year customer retention: 13%

√ Reduced year-over-year customer attrition: 5%

"Property management integration can play a huge role in all aspects of optimizing the guest lifecycle - before, during and after guest stay. It also allows for a single view of the property, and makes managing the daily operations that much easier."

~ VP Customer Service, Tier 2 Hotel North America

Figure 3: Current Property Management Capabilities
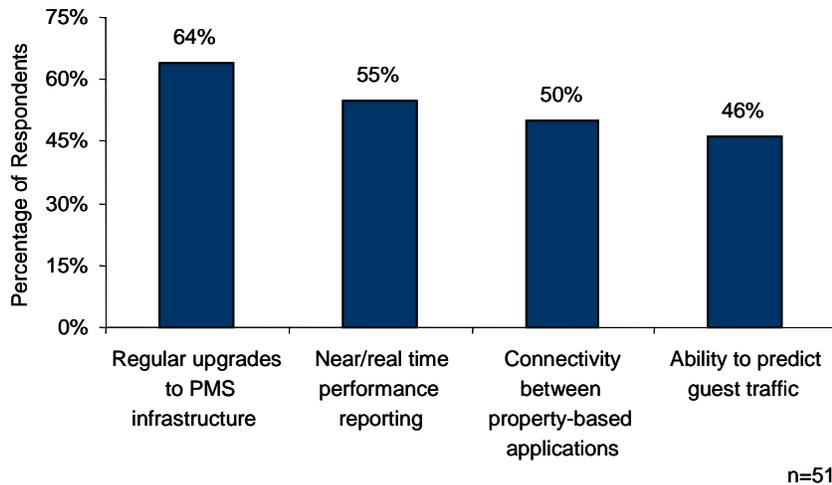
Source: Aberdeen Group, December 2010

Fifty-five percent (55%) of hotels and resorts possess the ability to provide near / real-time reporting of performance across all departments. Near / real-time reporting can be applied across a number of areas, including customer, operational, and financial areas of the business. This capability allows organizations to evaluate their performance and make the necessary changes from an inventory, pricing, workforce, or marketing standpoint. Additionally, it creates a "one version of the truth" mentality within the property as employees from all departments have visibility into the performance of the property as a whole. Cross-departmental visibility, currently achieved by 40% of respondents, opens the door for more collaboration, allowing for more customer touch-points and service availability. Organizations such as Minor Hotels and Resorts, a multi-property chain based in the APAC region, have implemented real-time reporting for advanced visibility across the enterprise.

Fifty percent (50%) of respondents currently possess the ability to ensure real-time connectivity between all property-based applications, such as POS, inventory management, revenue management, customer loyalty, central reservations, CRM, and BI. Connectivity between the property applications allows for one view of the property and the guest. It also ensures there are no gaps in performance or reporting. Hotels must have confidence that operational applications, from revenue management and inventory management to central reservations and CRM, are able to communicate with each other, and close the loop with the property management system. As hotels and resorts are able to close these gaps, it allows for seamless reporting and ensures that property data is readily available in real-time. Organizations that are able to connect property-based applications have seen a **3%** decrease in the cost of IT operations over the last year, compared to a **3%** increase for those organizations that have not ensured connectivity.

"We have been able to integrate our revenue management system as part of PMS and enhance data exchange with back-office systems."

~ Fraidy Pinto, IT Manager, Tier 1 Global Hotel Chain

A fourth capability identified by respondents is the ability to predict guest traffic in peak season and non-peak season (46%). According to Aberdeen's September 2009 _Upgrading the Guest Experience_ report, leading hotels and resorts are twice as likely to possess demand trend predictability for customer flow capabilities. As hotels and resorts are better able to predict guest flow, it allows for proper staffing levels across the property. Additionally, it allows the front desk to utilize incoming guest records within the property management system to introduce upgraded packages and offers based on the forecasted availability of amenities. This capability is a key component of a revenue management strategy, as hotels are able to sense spikes in travel and can adjust prices and packages accordingly, ensuring maximum occupancy margins.

Planned Property Management Capabilities

The top planned capability identified by 55% of respondents is management incentives for PMS business process performance based on pre-set criteria (Figure 4). According to Aberdeen data, one area of concern for 32% of hospitality organizations is the high rate of employee turnover. While this has always been a challenge in the hospitality industry, increased competition has had a significant effect on an organization's ability to retain its best employees. To ensure top management remains satisfied, hotels and resorts are implementing incentives based on application integration and business performance. As the organization meets monthly / quarterly, or yearly goals, managers who also meet their goals receive additional performance compensation. This is a way for the manager to feel vested in their job, and is a first step towards reducing voluntary turnover.

Figure 4: Planned Property Management Capabilities
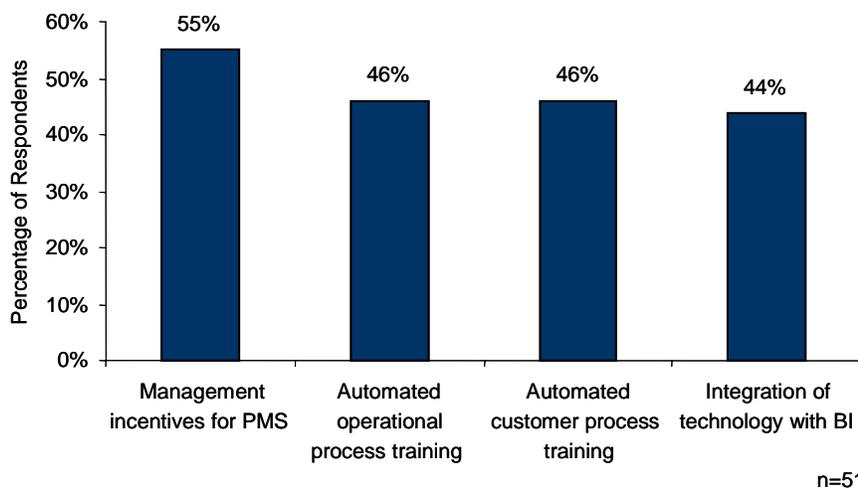
Source: Aberdeen Group, December 2010

The investments dedicated to training new employees are considerably high. Accordingly, nearly half (46%) of hotels and resorts are implementing automated training cycles for both customer and operational processes.

This is significant increase compared to the June 2009 *Next Generation Hospitality* findings, where only 26% of respondents indicated plans to implement automated training portals. Automated training portals can be integrated into the property management system, allowing "on-the-fly" training for new employees through the use of pop-up web-based tutorials within the system. As employee training is streamlined, the costs and time associated with customer and operational tasks within the property can be significantly reduced.

The fourth most planned capability, as identified by 44% of respondents, is the ability to ensure standards based integration of property-based applications with BI. By integrating property-based applications with BI tools, such as dashboards and daily reports (both ad-hoc and standard), hotels and resorts are presented with a wide array of key performance metrics. These can be delivered to decision-makers in a single consolidated view, including RevPAR, system up-time, inventory to budget, and forecast accuracy among others. The dashboards and reports present the metrics in a high level summary, and identify problem areas within the organization. This real-time look into the performance of the organization enables changes to be implemented more quickly, allowing for problems to be solved rather than overlooked.

Property Management Enablers:
Integration is Key to Success

According to the June 2009 *Next Generation Hospitality* benchmark report, only 33% of hotels and resorts have indicated complete integration of property-based applications with their property management system. Hotels and resorts have long suffered misalignment due to legacy IT systems that are not integrated for managing the property effectively.

Hotels and resorts can utilize standards-based integration or Service Oriented Architecture (SOA) to improve application integration. Currently, 40% of respondents are using or plan to use these techniques, with nearly a third (30%) of respondents indicating that they will be able to improve data integration while reducing IT complexities. Data from Aberdeen's June 2009 *Next Generation Hospitality* report has shown that integration of operational modules, customer touch-points, and systems is the key to customer and operational success in the hospitality industry. At that time, 41% of hospitality organizations were preparing to integrate property management system applications for their operations workflow within the next 12 to 24 months.

This year's data reflects that those organizations have made significant strides towards an integrated view of the property. The results from this year's survey, as seen in Figure 5, show that the PMS integration plans of hotels and resorts are moving in the right direction, with current integration of applications such as revenue management, inventory management, and central reservation systems. The fact that the leading pressures around property management are guest-centric is clearly evident as 41% of

"We currently have three property management systems in place. With one PMS above property we can synchronize all property room reservations in real time."

~ VP IT, Tier 1 Global Hotel Chain

respondents currently integrate their customer loyalty application (37% plan to integrate) and 43% currently integrate their CRM (32% plan to integrate) into the property management system. The planned integration of these applications into PMS is a sign of the new customer-centric role of property management systems in the industry. However, the fact that so many organizations are still only in the planning stages of property management integration shows there is still work to be done.

Figure 5: Property Management Integration
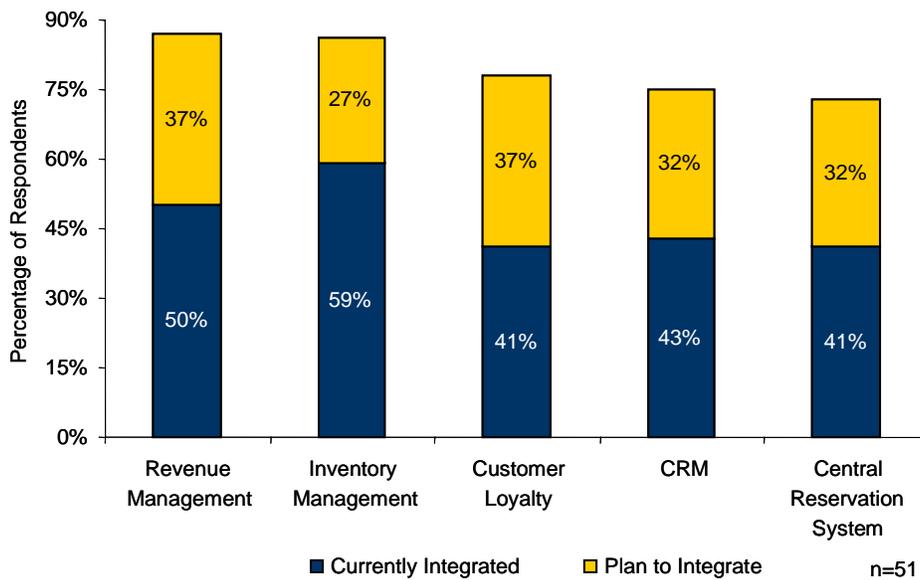
Source: Aberdeen Group, December 2010

Revenue Management

Revenue management tools allow hotels to set the appropriate rates after running through several occupancy scenarios. According to the August 2010 *Hospitality Revenue Management* report, those organizations that have invested in an integrated revenue management tool have seen a gross margin increase of 3% compared to a 4% decrease for those organizations that have not. Proper pricing strategies based on demand, customer trends, and competitive pricing tactics need to be implemented in the property management system. This visibility into pricing strategies for the revenue manager allows for more targeted pricing and promotion campaigns.

Inventory Management

Hotels and resorts must combine demand sensing with inventory visibility to maintain a proper balance of varied priced inventory, allowing for discounts in overstock situations and higher prices for high demand times. By integrating inventory management into the central PMS system, organizations have better access to enterprise-wide inventory levels, which aids in replenishment and demand forecasting. As Aberdeen data has shown,

"The PMS allows us to improve customer information availability, integrate accounting systems, and encourage online packaging for customers."

~ Don Martine, Executive, Martine Inn, North America

for hotels and resorts, inventory visibility is vital for ensuring proper room availability, specifically for large groups as identified by 59% of respondents. It is also important for optimized food and beverage service operations and re-ordering, housekeeping, and add-on services and amenities, such as spa reservations, golf tee times, dining options, and other on-premise activities.

Customer Loyalty

Currently, 41% of hotels and resorts have integrated their customer loyalty application into the property management system, and an additional 37% plan to implement over the next 18 months. The customer loyalty application allows the hotel employee to utilize customer data for up-sell and cross-sell opportunities based on customer spending thresholds, tiered membership levels, rewards available, among others.

As hotels and resorts are able to integrate this application into the property management system, the employee is better armed to use loyalty data and incentives to meet the expectations of their guests. By focusing on current guests, rather than trying to lure in new loyalty members, these organizations can save time and money associated with customer acquisition strategies. Pan Pacific Hotels, a global chain of hotels and resorts, recently launched a multi-brand loyalty program across 12 brands and nearly 300 hotels. The integration of this information into the property management system allows the guest to maintain one record across all the properties, with loyalty information available to front-desk staff upon arrival at the property.

Customer Relationship Management

One of the key areas of technology integration is centered around guest data - the integration of CRM into the property management system. Data from the December 2009 *Hospitality Loyalty* report indicates that leading organizations were utilizing a CRM system to develop highly personalized direct marketing promotions, consisting of direct mail, email, web couponing, and SMS offers, amongst others.

Currently, 43% of respondents integrate customer data into the property management system, and an additional 32% plan to integrate in the next 18 months. This is incredibly important to the industry, as layering customer data on top of the property management system allows for a single record of the guest across the entire property, and allows for updates to the profile depending on spending and behavior patterns.

Organizations like the Mandarin Oriental Hotel Group and Hilton Hotels have successfully integrated guest data through the CRM into their property management system for a single view of the guest across the enterprise. As Table 1 shows, the impact of CRM integration on property performance speaks for itself: hotels and resorts with CRM capabilities integrated into the property management system are seeing higher customer satisfaction levels, improved customer retention rates, and increased RevPAR, all of which are key metrics for hospitality success.

"PMS integration is critical for data quality collection for promotions, repeat programs, guest experience, and efficiency. The PMS is the collection point with extensive profile data. It allows us to offer personalized service to the customer based on booking, spending, and on-premise behavior."

~ Director IT, International Multi-Property Hotel Chain

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Table 1: CRM Integration

	Integrated CRM	Not Integrated CRM
Current Customer Satisfaction	86%	76%
Year-Over-Year change in Customer Retention	12%	10%
Year-Over-Year change in Revenue per Available Room (RevPAR)	5%	2%

Source: Aberdeen Group, December 2010

Case in Point

Take, for example, the case of a regional hotel chain based in North America, which recently undertook a large upgrade initiative to the hotel IT infrastructure, including upgrades to the property management system, revenue management application, and central reservation system, integrating the latter two applications into the property management system. Providing a more holistic view of the property and guest was a priority for the upgrades. For this reason, a CRM system was rolled into the mix allowing the hotel chain to integrate customer data into the property management system. According to the VP of global accounting, "The upgrades have streamlined our daily operations. We now have more visibility across the entire organization, and are able to view customer data for improved service."

Additionally, the integration has reduced labor inefficiencies, and streamlined the training process for new employees. "We were able to achieve seamless integration of all our core applications, while improving the ease of use," said the VP of global accounting. As a result, employees are able to service customers more quickly, from the check-in process to assisting with on-premise questions or activities. The hotel chain has seen customer service scores improve, and customer retention rates have doubled year-over-year.

Conclusion

More than ever, the focus of hospitality organizations is being placed squarely on the guest. Guest's expectations and preferences continue to evolve, and hotels and resorts must ensure that employees are armed with the technology to respond in kind. Technology integration is critical for hospitality success, as these organizations must ensure that operational applications such as revenue management, inventory management, CRM, and customer loyalty are integrated into the property management system for a single view of the property and the guest. A concerted effort must be made from hospitality organizations to promote standards based integration of all data, including customer, operational, and financial, into a centralized repository for improved visibility.

Recommendations

Aberdeen data shows that hotels and resorts have to address a wide variety of challenges and enterprise-wide attributes to develop a winning hospitality environment. This roadmap must include the following steps:

"As our company grows, being able to accurately consolidate data across all properties is a basic foundation upon which we can build our overall strategy. Timely performance reports, when paired with customer data reports, give us more insight into our overall performance as a whole."

~ Director Marketing, International Multi-Property Hotel Chain

- **Align business and customer requirements of the property with IT**. Currently, 40% of respondents are using or plan to use these techniques, with nearly a third (30%) of respondents indicating that they will be able to improve data integration while reducing IT complexities. This step is critical to ensure data integration is a possibility, not just a pipe dream. Hotels and resorts must perform an analysis of their current initiatives and technology infrastructure to ensure that the gaps of what the business needs and IT can deliver can be eliminated. Part of the process is the develop IT change management requirements, which will ensure that standardized methods and procedures are used for efficient and prompt handling of all changes to the IT infrastructure. Hotels and resorts can then measure the success of their newly aligned initiatives and perform a gap analysis for future alignment.

- **Develop a single, consolidated view of the customer**. Currently, 55% of hospitality organizations are using a customer relational database. A centralized customer database allows for employees across multiple departments and teams access to a single view of the customer, and enables the marketing team to create a highly personalized, integrated marketing plan. As a first step in the process, hotels and resorts should purge their CRM systems of duplicate records, and consolidate all brand interactions into a single view. Once this is completed, the organization must make an ongoing effort of updating the customer database with new information, which will allow the organization to track all customer touch-points, marketing programs, and conversion rates.

- **Integrate CRM data into the property management system**. Thirty-six percent (36%) of hospitality organizations are integrating customer data with other enterprise systems. Without access to customer information, interactions, and trends, targeted marketing promotions and services cannot be provided to the customer. This lack of service can have a significantly negative impact on customer loyalty, reducing the potential for future sales. With a newly purged CRM record, hotels and resorts must layer this information into the property management system, whether through complete integration or interface with a third party system. Ensuring that the customer data is accessible to employees will aid in providing a highly personalized experience, and is the first step in creating a positive guest experience. Once CRM has been integrated into the property management system, organizations should continue with the integration of property-based applications including central reservations, inventory management, revenue management, customer loyalty, POS, and BI.

- **Implement near/real-time reporting of operational and customer metrics**. Fifty-five percent (55%) or hotels and resorts possess the ability to provide near / real-time reporting of performance across all departments. This availability of real-time reporting allows organizations to evaluate their performance and

make the necessary changes from an inventory, workforce, or marketing standpoint. This step can eliminate unnecessary labor and replenishment costs, as well as give management a deeper look into how customer interactions are being measured. One way for hotels and resorts to better utilize reporting tools is to implement BI dashboards, which present a single consolidated view of the key metrics in a high level summary, and identify problem areas within the organization. This real-time look into the performance of the organization allows changes to be implemented much quicker, allowing for problems to be solved rather than overlooked.

- **Enforce standards-based integration to gain improved application performance and data synchronization.** Currently, 40% of respondents either currently use or plan to use industry standards-based integration techniques (i.e. SOA) for improved application integration. A standards-based approach to application integration provides rapid and smooth migration towards customer-friendly upgrades. Hotels and resorts need to work with their application provider for integrating PMS with other core applications, such as loyalty, pricing, inventory, and central reservations, as it is critical for developing a service framework that integrates all applications within the property. The use of standards-based integration techniques can assist companies to create a simplified property management architecture for improved data integration, reduced IT architecture complexities, and operational efficiency.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research	
Hospitality Revenue Management: Minimizing Risks and Maximizing Margins; August 2010	*Winning Strategies for Upgrading the Hospitality Guest Experience*; September 2009
Hospitality Self-Service: Innovating Towards a Best-in-Class Guest Experience; May 2010	*Next Generation Hospitality: Upgrading and Restructuring Enterprise Systems*; June 2009
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