

CDM vs CRM

DEPTH and INTEGRITY vs SUPERFICIALITY



HOTEL TECH

CRM vs CDM

White Paper

BY DR. MICHAEL TOEDT

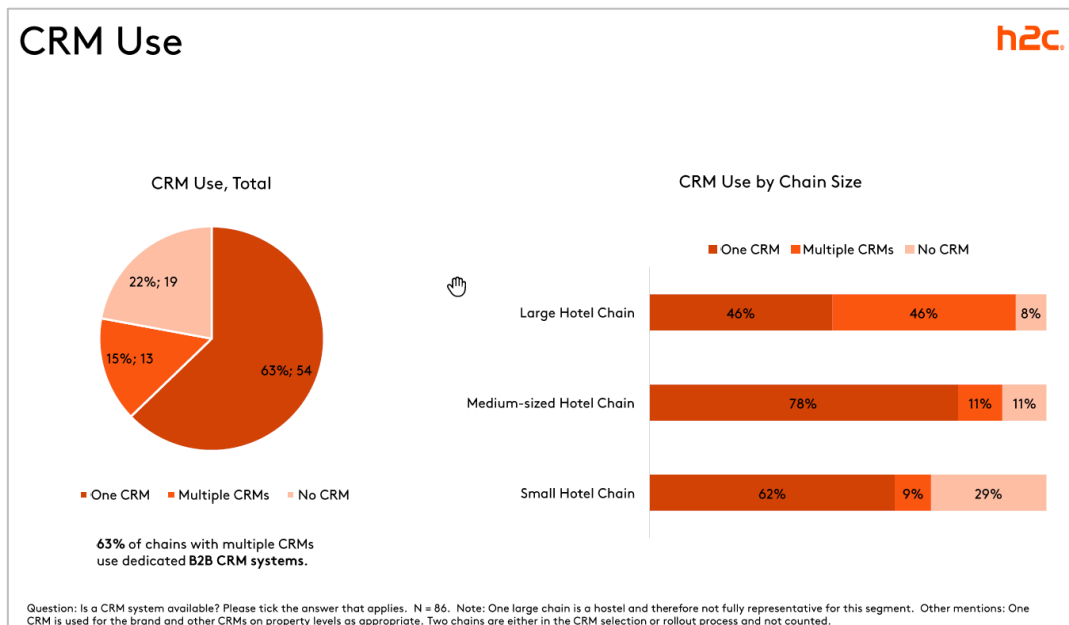
Back in 2021, we produced a [White Paper](#) asking “what is your school of thought” on the future of Hotel Technology? The options considered were the Property Management System (PMS), Enterprise Service Bus (ESB) and Customer Relationship Management (CRM) System.

Whilst we weighed up the pros and cons of each of these options, h2c’s 2021 study around automated personalization and global insights into AI and machine learning, supported by dailypoint™ amongst others, revealed that the CRM was certainly widely used at the time,

especially by small and medium sized hotels, as can be seen below¹:

This is backed up by research published by Skift in 2022, which found that customer relationship management tech was becoming increasingly ‘necessary’, with about 20% of hotels worldwide, representing an estimated 32% of all hotel rooms, using a CRM to better manage potential and current guest interactions².

Whilst the CRM certainly has its place in the hotel industry, dailypoint™ has long



¹ h2c. [Automated Personalization Study: Global Insights on AI and ML in Hospitality](#). November 2021.

² Skift. [Customer Relationship Management Tech for Hotels Is Becoming More Necessary: New Skift Research](#). June 2022.

advocated that it should not be the system that sits at the heart of the IT stack.

In this White Paper, we'll explain the reasons behind this and why, in fact, the future of hotel technology lies in Central Data Management (CDM), combined with Data Quality Management (DQM).

What is wrong with the CRM?

A previous h2c study, published in 2019, found that 35% of hotels expected the CRM to be the leading system for managing guest profiles by 2022. The PMS was still the most popular choice with 37% of hotels but a decline of 15% was predicted within three years³. With the global pandemic coming along in 2020 and the huge disruption this caused to the travel and hospitality sectors, it is possible that fewer hotels ended up investing in new CRMs than originally planned – altering the trends seen in both

the 2021 h2c and Skift research.

This is borne out by new data published by h2c in February 2023, which shows that the use of CRMs has actually declined since 2017 – but they are still used by 54% of the hotels they surveyed⁴. So, it is clear that many businesses still believe the CRM to be the lynchpin of guest relationship management. The system certainly offers a range of benefits, such as the ability to automate marketing and loyalty campaigns, which can increase productivity and sales. CRMs can also collect and store data from multiple channels.

“Other, invaluable, types of guest data are not being collected and leveraged effectively in departments other than marketing. CRM systems can therefore be regarded as marketing data silos, with very limited effects on the overall performance of a hotel.”

Dr Michel Toedt,
CEO dailypoint™

Yet, despite the name ‘Customer Relationship Management’ making it sound like the ideal solution, its functionalities are actually quite limited. dailypoint™ CEO, Dr Michael Toedt, explains why placing it at the center of the tech stack is a flawed approach.

“The types of data that the CRM can collect and process are pretty much limited to marketing and e-communications. Information from other

³ h2c. [Global CRM and Data Management Study, 2019](#)

⁴ h2c. [Global Hospitality Distribution Study, February 2023.](#)

critical guest interactions is therefore likely to be lost or ignored. For almost all hotels, the ‘M’ in CRM stands for Marketing. Many CRM systems on the market today are little more than email newsletter platforms with no real Customer Relationship Management applications in sight.

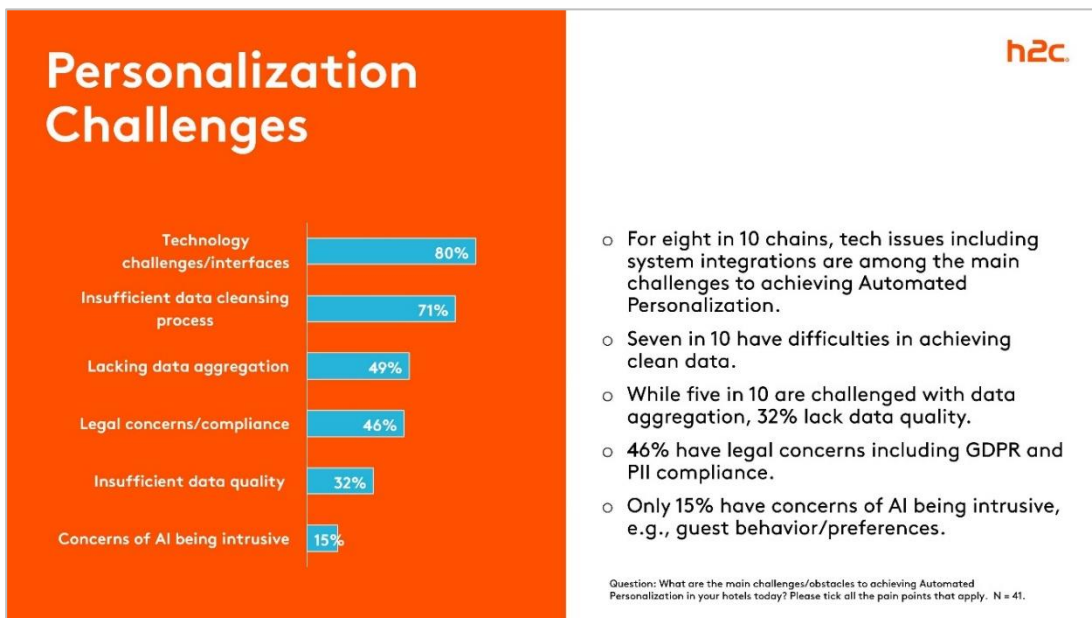
“Other, invaluable, types of guest data are not being collected and leveraged effectively in departments other than marketing. CRM systems can therefore be regarded as marketing data silos, with very limited effects on the overall performance of a hotel.”

“Unfortunately, this means that many businesses are losing out on an essential factor for success in today’s digitized world, not to mention their ability to compete effectively against Online Travel Agents (OTAs) such as booking.com. That factor is Big Data – and the very nature of the CRM, with its heavy focus on sales and

marketing activities, means it is incapable of supporting the 5 Vs of Big Data: Variety, Velocity, Veracity, Volume and Value.

“The use of the CRM in isolation to manage guest profiles is fraught with risks. For example, if the CRM was seamlessly connected to the website, the Central Reservation System (CRS) or Internet Booking Engine (IBE), its marketing function could NOT automatically send out discount vouchers or similar offers to guests who have already made a booking. Such a scenario would be frustrating for the customer and a poor reflection on the hotel’s efficiency.”

Many of the issues associated with such heavy reliance on the CRM were illustrated in the 2021 h2c survey. 80% found that technical issues, including system integrations, were hampering their ability to achieve automated personalization. 50% had problems with data aggregation, 32% complained of lack



of data quality and 70% were having difficulties keeping guest data clean. 29% even said they were still processing data manually – which is amazing in today’s age of artificial intelligence (AI), machine learning and automation⁵!

Of course, not all the hotels included in the study would have the CRM at the center of their IT stacks. But looking at the figures quoted and shown in the graphic at the beginning of this White Paper, it was likely to be the case for many.

Big Data and the Central Guest Profile

As noted, hotels have the ability to gather a huge amount of complex information from their guests which goes way beyond marketing data. This ranges from their preferred room temperature settings and dining habits to the services and facilities they use in the hotel,

such as the spa, gym and limousine service.

However, unless this information can be brought together in a central location and kept clean and standardized, it is impossible to create the ‘Holy Grail’ of a single, accurate profile for each guest. For this to happen, the ability to access Big

Data, and use it successfully to create meaningful guest insights and knowledge which can then be deployed to offer a first-class service, is indispensable.

Relying on the narrow subsets of data held in the CRM – which is really just a cog in the wheel of the wider IT stack – makes the creation of a central guest profile all but impossible. Sales and marketing information is all very well, but it is only part of the picture. And because a CRM cannot always automatically pull and

centrally store information from other key systems such as the CRS, RMS, PMS, POS, IBE, website, surveys and so on, and is

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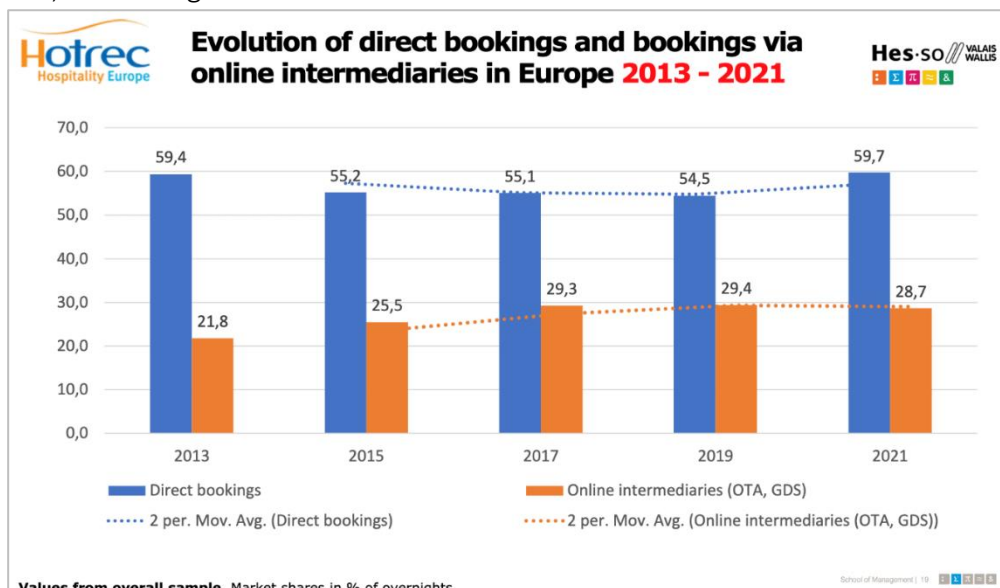
Dr Michel Toedt,
CEO dailypoint™

⁵ h2C. [Automated Personalization Study: Global Insights on AI and ML in Hospitality](#). November 2021.

often unable to sufficiently cleanse it, it is not capable of supporting Big Data. This is the superficiality of the system referred to in the title of this White Paper.

The ability to create single guest profiles and leverage the power of Big Data with depth and integrity is an area where the OTAs excel. This enables them to automate their guest communications and offers whilst ensuring these remain highly personalized, offering an individual

The existence of formalized loyalty programs such as booking.com’s genius rewards program are the envy of many hotels – and are only made possible by the cleanliness and quality of the centralized customer data held on file. Indeed, as of 2019, only 43% of hotels even had a loyalty scheme⁶. However, there was a noticeable surge in the number of programs during the pandemic and this trend appears to continue, which is an important step



experience to each customer that almost guarantees repeat business. Doubtless, many of them have CRMs in place – but there is nothing superficial about the way they are used. Data quality, cleanliness and data privacy compliance are all firmly in place.

forward for the sector in terms of personalization.

Another piece of good news for hotels is that the trend towards direct bookings observed during the pandemic is set to continue. The HOTREC European Distribution Study 2022 predicted that the slight fall in OTA market share seen during

⁶ h2c. [Global CRM and Data Management Study, 2019](#)



2021 (28.7% versus 29.4% in 2019) will carry on into the future⁷. But the savvy use of technology by hotels will naturally be key to success.

Says Dr Michael Toedt: “There is a real opportunity here for hotels to outstrip the OTAs and maximize their profit margins. But to do so, they need to invest in the right technologies to not only encourage guests to come through the door, but to keep them coming back.

Again, this all boils down to data quality and retaining focus on building single, clean profiles for each guest, so that high quality, individualized experiences can be offered EVERYWHERE along the customer journey, meaning from the first visit to the website, throughout the booking process, arrival, stay, departure, reflection and CRM.”

“This is especially important given the extra burden placed on our industry by the cost of living crisis. The ability to attract and retain custom without eroding profits has never mattered more.

“Our own research shows that, where single guest profiles are enabled, hotels can expect an average of 9.5 more stays than in cases where two or more versions of the guest profile were held in the tech stack. Indeed, we found that some hotels had as many as 30 profiles on record for each customer, which is deeply worrying

from a data protection viewpoint on top of everything else⁸.”

Central Data Management (CDM): the key to success

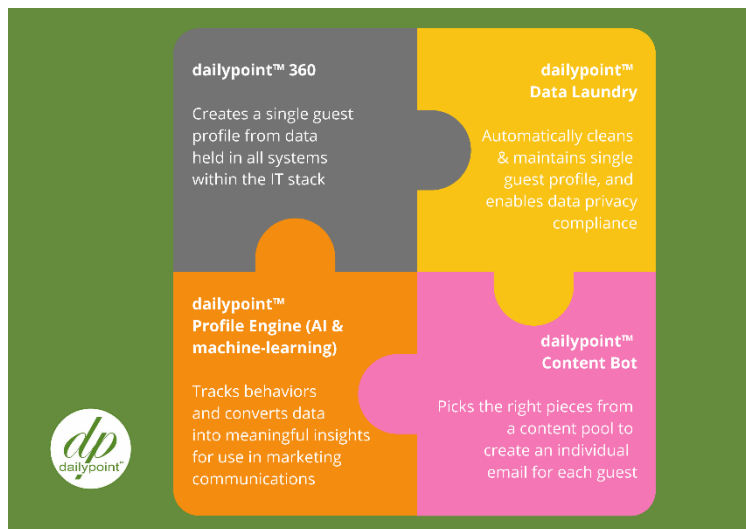
As we have seen, the central guest profile does not live in the CRM, the CRS, the PMS or any of the other systems in the hotel IT stack which, more often than not, act as isolated data silos. The only answer is to introduce a Central Data Management (CDM) solution, such as [dailypoint™](#), with an integrated Data Quality Management System (DQM). In our case, this is the [dailypoint Data Laundry™](#), the most sophisticated automated cleansing process in the hotel industry, consisting of about 350 unique steps.

Systems such as [dailypoint™](#) automatically harvest data from both internal and external sources to create and cleanse centralized guest profiles in real-time. The [dailypoint Profile Engine](#) can then deploy AI and machine learning to transform the resulting Big Data into meaningful guest insights that can be used to offer personalized guest experiences and individualized communications at all customer touchpoints.

⁷ HOTREC. [Hotel Distribution Study](#). June 2022.

⁸ [dailypoint™](#) internal data

At the same time, the dailypoint™ Privacy Dashboard ensures that the hotel can fulfil its legal obligation to protect guest rights, in line with data protection legislation such as GDPR and CCPA. Together, these systems provide a completion solution for successful guest data management, as you can see in the dailypoint™ jigsaw puzzle:



Dr Michael Toedt comments: “The popularity and success of dailypoint™ were recognized by the industry only very recently, when we were once again selected as a Finalist in the 2023 HotelTechReport Awards in the ‘Best Hotel CRM & Email Marketing’, and ‘Best Hotel Loyalty’ categories.

“These results confirm our innovative developments and ambition to become the world's leading CDM platform in the hotel industry. They also reaffirm our longstanding belief that the CDM and integrated data cleansing processes are the basis for creating a central guest

profile and thus a sustainable digitization strategy.”

Of course, it is Big Data that must sit at the heart of such a strategy. This means everything must be connected, so that data can be collected, held and processed centrally with no duplication of profiles and no inaccurate or out of date information. As well as internal systems, this must include third party apps.

We have therefore designed the [dailypoint™ Marketplace](#) to offer secure connections using an open API on the OTA / HTNG industry standard, that enables other systems beyond the dailypoint™ suite of products to access the central guest profile quickly, easily and securely. This removes the need to develop bespoke interfaces for the integration of third-party apps such as hotelkit, Tableau and D-Edge. Over 200 solutions can now be connected to our intelligent, integrated platform.

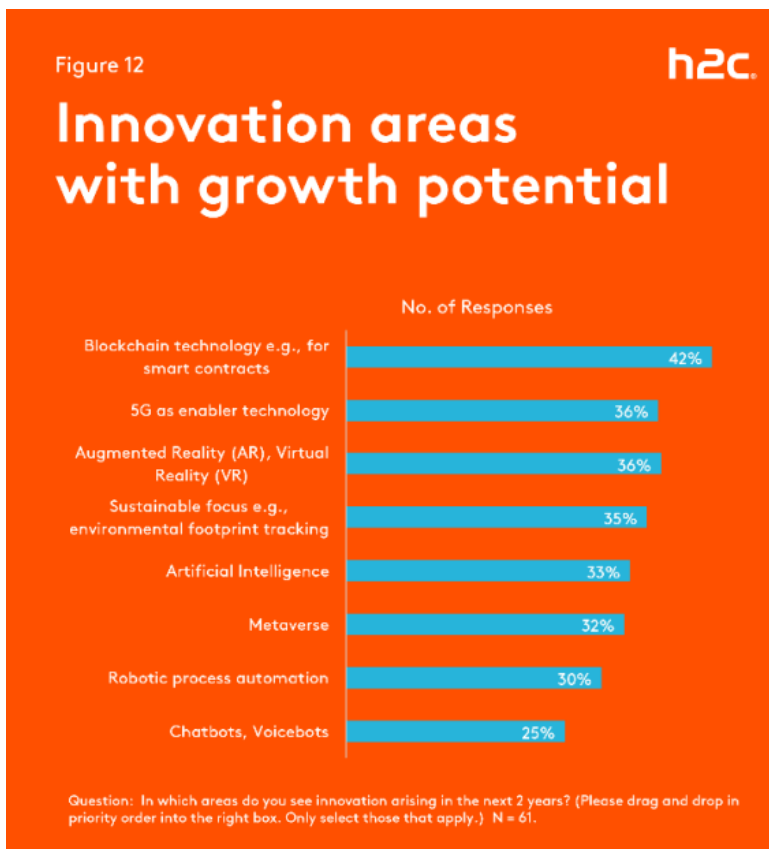
The future lies in depth and integrity of data... and the future is NOW

Hotels continue to face significant challenges in the wake of ongoing economic turbulence. As we have said before, our sector has been amongst the slowest to adopt modern technologies such as AI, automation and open API-enabled connectivity. But it is heartening to see that the tide is turning – and at an increasingly rapid pace.

The February 2023 h2c study clearly shows that hotels now appreciate the importance of innovation and technology to their ability to thrive in an ever-more difficult environment. Automation and AI are now recognized as key innovation areas – and the sector is even embracing blockchain technology, 5G as enabler and both augmented and virtual reality⁹.

Dr Michael Toedt concludes: “These figures are certainly encouraging. And, whilst CDM and DQM themselves are not explicitly mentioned in h2c’s report, it is evident that the effective use of these advanced technologies will not be possible without clean, accurate versions of each guest profile, populated with as much meaningful data as possible, collected from each and every stage of the customer journey.

“Only by adopting systems such as dailypoint™ can hotels truly get to know their customers and offer those highly personalized experiences, marketing communications and offers that today’s guests demand. The value of a company highly correlates with its ability to use Big Data. Just compare the stock price of Marriott versus booking.com, for example, and you will soon find out who is doing better.”



⁹ h2c. [Global Hospitality Distribution Study. February 2023.](#)



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.

For more information, visit www.dailypoint.com



dailypoint™
Central Data Management

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