

Make smarter investments for your hotel this budget season

Why ORM tools and social media are bad advisors for decision making



USE FEEDBACK

for smart
decisions

White Paper



BY DR. MICHAEL TOEDT

In our last [White Paper](#), we examined how hotels can make best use of Big Data to escape the digital cul de sac and outshine the Online Travel Agents (OTAs). This time, as the traditional hotel budget season of August to November is upon us, we are turning our attention to making smarter investment decisions.

In this White Paper, we'll make the case for why such decisions should be based on meaningful data and insights, rather than using ORM apps such as ReviewPro, Customer Alliance and Revinate, social media and / or other unreliable methods to draw business-critical conclusions.

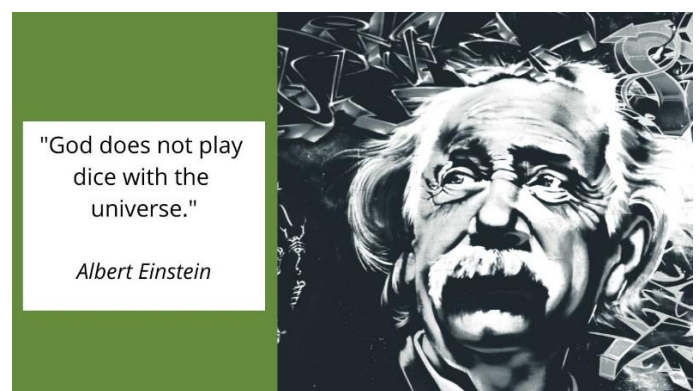
Picking the right budget and investment strategy

As July comes to a close, many hotels are now starting to focus on preparing their budgets for the next 12 months. Besides revenues and operating costs, investments are always a huge part of this process. Whether it is your money or someone else's, wasting money is never a smart thing to do! The key to success here is to analyze existing guest and financial data effectively to extract usable insights, so the hotel can use these results to accurately forecast demand and implement the right pricing and distribution strategies for success.

Unfortunately, when you ask hotel executives how they make their budget and investment decisions and which tools they use, the answers do not reflect well on our industry. As well as the ORM apps

and social media channels mentioned above, we are also looking at decisions made from experience, gut feelings, manual analysis of review platforms such as TripAdvisor and interviews with guests. Surveys may also be used, which could be paper based, emailed to guests or conducted via social media.

Many hotel managers trust these tools – ORM and social media in particular – because they have a large online audience, although there may be other reasons, too. But none of these tools are fit for purpose. Indeed, even analyzing the online activities of the largest hotel chains in the world is not a helpful benchmark when it comes to meaningful marketing research! And this is why around 50% of hotel investment decisions are questionable at best and potentially damaging at worst. But why exactly are ORM apps, social media and the other methods noted above the wrong tools for the job?



Dr. Michael Toedt, founder and CEO of hotel tech company, dailypoint™, explains. "Albert Einstein summed it up with a now-famous quote when he said: 'God does not play dice with the universe.' Hotel

managers who use their data correctly and ask the right questions are not God, but their risk of making serious financial mistakes is dramatically reduced if they follow the right data analysis practices instead of taking a gamble based on unreliable sources. Sadly, the chance of finding a manager who understands how to use data and analyze data sources correctly is extremely low!

“Every year, during my lectures and seminars, I ask my master students and managers how they evaluate different hotel data sources and how they do, or would, make budget decisions. Maybe once a year I get the right answers! Coming back to Einstein’s quote, what he is saying here is that when science (in the form of Big Data in the case of hotel investments) is brought into play, there is no need to guess because knowledge is at your fingertips. You can therefore base your investment decisions on hard facts and evidence, not supposition.”



Let’s kill some myths!

Myth #1: Social Media is a valuable tool for business decision-making.

This used to be true before today’s era of ever-tightening data privacy laws, when

social media platforms were able to share personal information for free via their APIs. However, times have changed and Facebook, Twitter et al are under the same obligations as everyone else to protect their users’ anonymity. (In any case, they are now more interested in selling advertising than anything else!)

It is true that you may receive some useful feedback through these channels – but when you cannot be sure who it has come from, i.e., you do not know whether or not they’re a bona fide guest, it is most unwise to use this ‘data’ as a basis for any kind of financial decision. It is best to keep social media for the uses for which it is intended. Depending on your target audience this is likely to be: providing information, answering questions, monitoring for and responding to complaints, and marketing your hotel and its products and services.

Myth #2: Online Reputation Management (ORM) Systems

These tools are used to automate the monitoring of social media platforms and review websites. Their value is that they pull information from multiple channels together into one place so that enquiries and complaints can be dealt with centrally, from a single dashboard.

This is, of course, much more efficient than logging into and monitoring each of your accounts on an individual basis, and can be very helpful in promoting a positive brand image. What is more, some ORM systems offer extra capabilities such as text mining and the use of Artificial

Intelligence (AI) to turn text feedback into a data schema that can then be analyzed. This is all good stuff.

But the same problems exist as with social media. Can you be sure who provided the feedback? Can it be relied upon as a foundation for your investment decisions for the next 12 months? The answer to both questions is a resounding NO. No matter how fancy the reporting capabilities might be, your ORM app cannot give you the high quality, granular data you need about your guests.

Myth #3: Review Platforms such as Google, TripAdvisor and Holidaycheck

Once again, we have a useful source of data here as analyzing your reviews can help you identify where certain (usually isolated or one-off) things went wrong or need improving. And they collect millions of reviews a year, so they must be a reliable source on which to base budget decisions, right? Wrong again! This is simply not what these websites were designed to do.

The original – and correct – purpose of review platforms is to help consumers make a choice between the same services offered by different providers, whether that be hotels, restaurants, gyms, hair salons, tourist attractions and so on. The questionnaires used are therefore designed for comparison purposes and are completely generic, for example, only offering one set of questions for every hotel around the world.

However, hotels are not generic. They all have different needs, which may not be reflected in the questions posed by the platforms. So, the information collected will almost certainly not be what you need to make a sound budget decision for the next 12 months. What is more, we have the perennial problem of anonymity also found with social media and ORM tools. Are the people leaving the reviews your actual target audience, or a random group of people leading you down the garden path?

There is no way of telling! So, once again, leave these platforms for the purposes for which they were designed. They are great marketing tools and are (in many cases) more important to potential guests than a well-known brand or a star rating. They are also fantastic for helping individual hotels compete with multinational brands on a level playing field – but not for making investment decisions.

Myth #4: Interviews will reveal all

Sorry – no, they won't. Just like generic internet surveys or social media polls, it is very difficult to know whether the data you are gathering is coming from the right people. Some people genuinely like doing interviews, whilst others – who may have something far more valuable to say than the first group – hate them.

It is almost impossible to know for sure that you are talking to the right people with the right opinions that will actually help you, i.e., your primary target audience segment. (And it has to be said

that, just like on social media and review platforms, some people like making mischief for mischief's sake!) You would also need to undertake a LOT of guest interviews to collect anything near a representative opinion – and who has time for that?

As well as a limited quantity of data, other problems can stem from variables such as the time and place the interview was conducted, and who has set and asked the questions, as priorities will differ.

In short, interviews can help you gain insights into what a small portion of your guests think – perhaps your oldest customers or those with the highest lifetime values. But they won't give you the solid, reliable Big Data you need to make sensible financial decisions that will set you up for success next year.

To summarize...

So, are we saying that all these tools, systems and approaches are completely useless? Not at all. They all have their own individual purposes, to which their use should be confined. The data you gather from them can, however, be used as 'clues' or signposts to individualize your own standard hotel questionnaires and, in turn, verify or falsify the assumptions drawn from the other sources.

But why do you need a standardized questionnaire at all? Let's take a look.

A standardized hotel questionnaire is the only valid source of truth

A standard questionnaire sent out to each guest post-stay is your most valid source for financial decision making. There are two key reasons for this:

#1 The questionnaire is unique to your hotel, your needs and fundamentally, what you need to know. It will not contain useless or superfluous questions to which the answers will add no value whatsoever to your business.

#2 Each guest is automatically sent the questionnaire after checking out. The answers will therefore be up to date and genuinely representative of 'real' guests. This makes the validity of such a questionnaire by far the highest of all your research channels.

But there's a catch ... the questionnaire must be linked to a single, centralized guest profile!

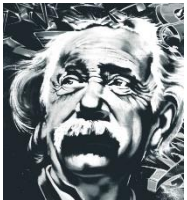
Why? Because otherwise your surveys will essentially be anonymous, which reduces the validity of the data you collect. One of the basic principles of marketing is to tailor your product to the needs of your main target group.

This means that when you analyze a survey, one of the key questions you need to ask yourself when you crunch the numbers is: **what does MY key audience think about MY product?**

For example, if your hotel generates 80% of its revenue from DINKS (double income no kids) and 20% from families, you need to focus on and out filter the feedback coming from DINKS. Yes, feedback from other guest segments matters, but it cannot be your top priority. You must identify what your primary target segment wants and needs, so you can make the budget decisions and investments that will ensure you give it to them.

At the beginning of each section of the questionnaire (room facilities, restaurant, room service etc), add an extra question that asks the guest to rate the importance to them of this specific aspect of the hotel. This will give you a matrix of feedback from your target audience segment outlining both the importance of each department and their satisfaction with it. This is your secret weapon when it comes to making smart decisions!

Says Dr. Michael Toedt: “If you follow the formula set out above, it will be much easier to draw the right conclusions and allocate your budget wisely. The chances of making the wrong choices will be minimized compared to the past. By combining hard facts with experience and gut feeling, you will be on the right track. So, have fun making meaningful budget decisions this year – and watch your hotel outpace the competition in 2024.”



Get even closer to Einstein

To further reduce the risks of error and low quality data, here are a few more points to follow.

#1 Use the right scale for numerical questions.

It is tempting to follow the example of sites such as TripAdvisor and ask people to rate aspects from 1 to 5. However, this is a flawed approach. You are much better off choosing a scale that uses even numbers only, for example, 2, 4, 6, 8, 10, etc. This is because people cannot then simply choose the middle, i.e., 3 out of 5. They must select one side or the other, i.e., they can choose 4 or 6 but not 5. For the best results, use a scale of 10.

#2 Use a two-pronged approach when asking questions.

And there's more!

Intelligent questionnaires created in a strategically built IT-Stack centered around the ‘Holy Grail’ of the single guest profile have much more to offer than just market research and the basis for good financial decision making. This is just one of six elements of intelligent quality management that your new standard hotel questionnaire will help enable.

So, what are the other five?

#1 Customer value-based complaint management

Do you base your response to complaints on how valuable (or otherwise) the individual guest is to your business? If not, you should do! But, of course, you need the data in place to make this happen. Feedback linked to a single, central guest profile holds the key to giving your staff clear guidance on how to handle each complaint.

Factors such as average turnover generated per stay, the number and frequency of stays and the estimated Customer Lifetime Value (CLV) can all be used to work out a meaningful level of compensation – from a free breakfast to a full refund. This will save you money, increase guest loyalty and prevent your staff from dealing with complaints in an arbitrary manner.

#2 Creating a list of interests

You can use the feedback gleaned from your questionnaire to enrich the central profile with a list of the guest's interests, such as playing golf, using the spa or eating in your a la carte restaurant instead of the buffet.

In turn, these insights can be used to create individualized marketing communications and offers that are guaranteed to resonate because they cater to the guest's genuine interests, whilst omitting or de-prioritizing topics

and offers that are not relevant. (To find out more about how dailypoint can help with these highly personalized communications, check out the [dailypoint Content Bot on our website](#).)

#3 Increased customer acquisition

Using a feedback system that is a preferred partner of platforms such as TripAdvisor makes it much easier to collect large amounts of feedback. Vendors such as dailypoint™ can create the user account for the guest automatically, so there is no need for them to register or log in. It stands to reason that the easier you make it for guests to leave you feedback, the more reviews and comments you get. And the number of reviews is a big factor in your listing position on TripAdvisor et al, making sure you get noticed by prospective guests.

#4 Better conversion rates on your own website

You can take extracts of the feedback received from your own guests via the standard questionnaire and put it on your website as 'stand-out' testimonials. This will help create trust and increase the number of direct bookings you receive.

#5 Data privacy compliance

Your questionnaire is a useful tool for helping you manage consumer privacy rights and data deletion requests, as you can simply ask them to state their preferences. Under GDPR and other international regulations such as the

CCPA, you need to be able to provide your guest with every piece of data you hold on file about them and/or delete it if they ask for this.

An IT-Stack built around a single guest profile will be able to handle this effectively and efficiently, making sure you do not fall foul of the law.

Just make sure you ask your vendors to make sure their APIs also support this important capability.

A standard questionnaire has so much to offer!

Dr. Michael Toedt concludes: “A simple guest questionnaire can add value to multiple areas of your hotel if you know the secrets of creating and implementing it correctly. And the best part? When it comes to Big Data and our increasingly digitalized world, **it is not always a question of spending money to create genuine value both for the business and the guest.**”





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



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Central Data Management

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