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CRS

h2c Research

The State of Central Reservations Systems

Key Hotel Requirements Driving the CRS Evolution

Written and researched by
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Introduction

Today's travelers have high expectations of a personalized e-commerce experience along their journey, which makes guest-centric functionalities a top priority for a hotel chain's central reservations systems (CRS). As a result, the hoteliers' demand for innovative and improved CRS services continues to grow. Although many of the related digital marketing, distribution and guest retention requirements can be found on the development roadmaps of the CRS providers, it remains mission critical to shorten development cycles, enabling a faster time to market. Filling the large gap of missing functionalities and integrations is a prerequisite for the successful implementation of new solutions. This should motivate both hotel chains and IT vendors alike to engage in closer partnerships.

This h2c Research Paper is based on the findings of h2c's Global Hotel CRS Study and aims to shed more light on the current CRS landscape and related system requirements. The study covers Europe, Middle East & Africa, The Americas and Asia Pacific and has a fair distribution across hotel categories by star rating, type (including voluntary hotel chains, representation companies, transparent brands, and independent hotel groups), location (city, resort, and convention) and size/reach (international versus regional chains). The 92 surveyed hotel chains, whereof the majority is regional, represent more than 11,000 properties and 1.7 million rooms worldwide.

H2c's research answers the following questions:
- How satisfied are hotel chains with their current CRS solution?
- Which CRS features and functionalities are missing today versus in three years' time?
- What needs to change for improving the hotel chains' satisfaction level?

As dissatisfaction with the existing CRS is often the major driver for change, the overall study results should help to highlight the hotel chains' requirements in more detail by hotel type and market specifics, enabling CRS providers to better understand desired service enhancements and identify missing functionalities as well as prioritize their developments.

Primary Takeaways

Missing CRS functionalities are rather the norm than the exception.

Today, every third hotel chain is missing more than 30% of their required CRS services, and half of all chains are missing at least one key CRS feature. However, satisfaction levels differ by region. The Americas show the highest level of satisfaction with their employed CRS due to big U.S. chains enforcing their stringent brand standards.
Hotel chains usually have a clear view on missing and insufficient functionalities, but as hoteliers are not IT experts they often struggle to define (specify) exactly what has to be done for improvement. Therefore, CRS companies are urged to understand the problems before developing new features. Innovation must be driven by CRS vendors in cooperation with their clients and potential customers.

CRS integration with guest management systems is in strong demand.

Customer Relationship Management (CRM) poses the largest demand for CRS integration. No matter if a loyalty program is employed or not, especially small and medium-sized hotel groups must improve the guest experience to catch up with the global chains' personalization capabilities. Today, CRS integration is low on a global scale and clearly the largest gap that CRS vendors need to fill, either via their own product or via seamless third party integration.

CRS-powered direct bookings are THE value driver for hotels, but underperforming.

In the course of hotel chains increasingly changing their online sales strategy to better compete against the dominating OTAs (e.g., employing channel-based pricing and/or offering free benefits), the Internet booking engine (IBE) as one of the CRS's core modules must now facilitate more sophisticated business rules. To some extent, the IBE requires a reinvention, enabling more e-commerce functionalities such as discounting packages in real-time.

Services of related hospitality systems may shift to the CRS and other systems.

From the hoteliers' perspective, the most notable shift over the next three years will take place in the area of guest profile management, which is mostly handled by the property management system (PMS) today. Expectations are high that profile management will either migrate to customer relationship management (CRM) systems employed in the chains' IT landscape or may become part of an enhanced CRS solution in the future. Some hotel chains were certain about the shift, but undecided to which system it will be.

The distribution landscape is poised to change in the foreseeable future.

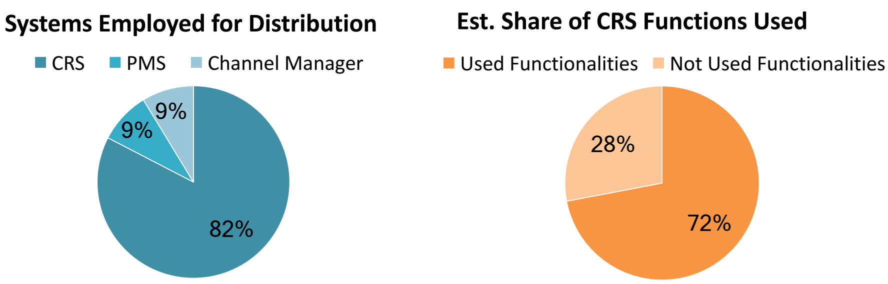
A hotel platform solution (where CRS and PMS and other applications run on one system) is promising, but not fully available to the industry yet. In the future, CRSs must provide and manage an ever increasing number of customized APIs for integration. To effectively meet this requirement in a timely manner, some travel technology companies envision an open cloud-based hotel software eco-system, providing a public API (which allows the development of specialized apps).

Key Findings

The CRS is the Dominating Distribution Solution for Hotel Groups

A CRS is at the core of 82% of all surveyed hotel chains' distribution. Alternative distribution systems are equally split between standalone channel managers and the hotels' PMS (see Figure 1). Chains employing a CRS, on average, do not use 28% of the offered CRS functionality, which does not mean that CRSs are over designed; instead, they still lack key features for increasing direct bookings.

Figure 1: CRSs are THE Preferred Distribution System



- 18% of chains use a PMS or channel manager (including IBE) for distribution
- Alternative distribution solutions can provide integration advantages and/or cost benefits

- 28% of the available CRS functionalities are not used
- The Americas show the highest utilization rate (80%), MEA the lowest (55%)

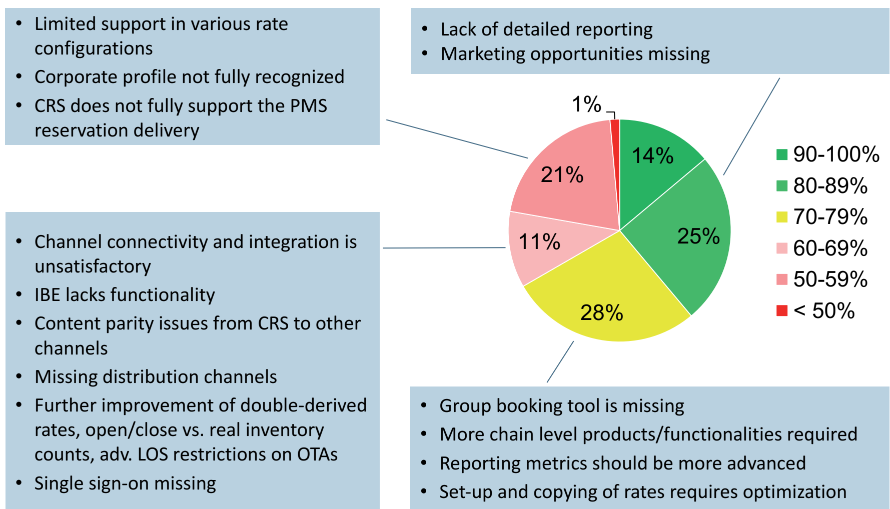
Many CRS functions are not used, while new functional requirements (especially personalization) remain unavailable.

Questions: Which systems do you use, partly or for all properties? Please name the respective providers.
Base: N = 92. Source: h2c's Global CRS Study 2017

Every Third Chain Requires 30%+ Additional CRS Functionality

Only a small portion of hotel chains (14%) are fully satisfied with the functionalities and performance of their CRS. 6 in 10 chains are missing at least 20% of the required CRS services (see Figure 2). While every third chain is missing more than 30% of CRS functionality, nearly half are short of at least one key function.

Figure 2: Satisfaction Level with CRS Functionalities

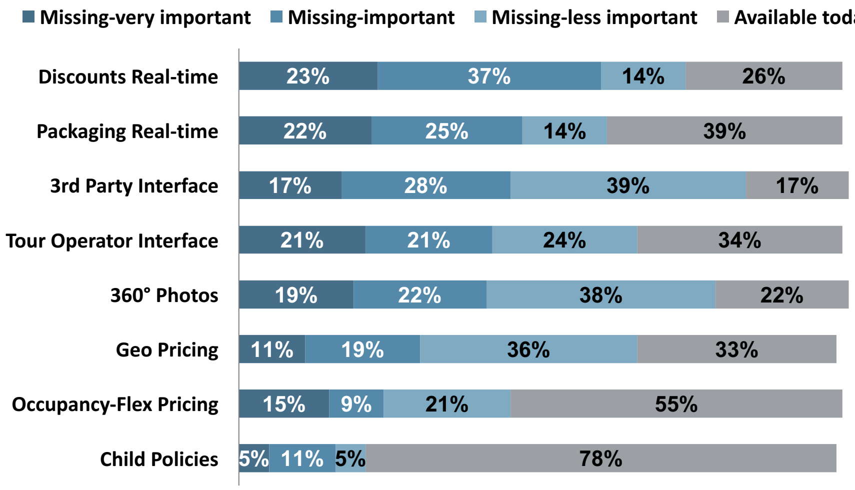


Questions: To which degree does the CRS fulfil your properties' requirements? What were the main reasons for selecting this fulfillment grade? Base: Q1. N = 72, Q2. N = 35. Source: h2c's Global CRS Study 2017

Customized Real-time Offers and Interfaces Remain Key CRS Requirements

Hoteliers were asked to comment on the availability and importance of general and leisure-related functionalities. Their feedback revealed that system agility is a key requirement:about half of all respondents missing discounting and packaging functionality in real-time today have rated them as very important and important (see Figure 3). Strong demand for seamlessly integrating existing systems and partners such as tour operators has also become evident.

Figure 3: Required CRS Leisure Functionalities



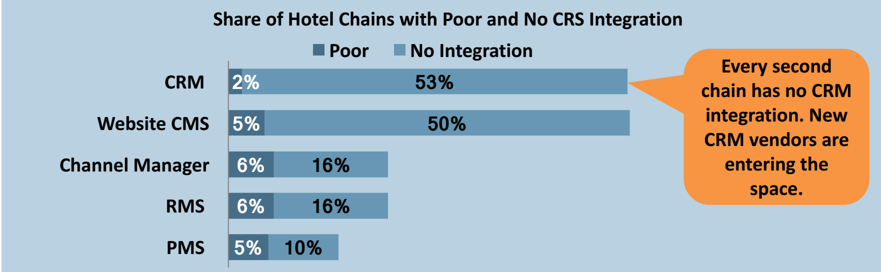
Question: Please select specific leisure functionalities that you are missing in your CRS today and indicate their importance.
Base: N = 42. Note: Figures may not add up to 100% due to rounding.
Source: h2c's Global CRS Study 2017

CRS Integration for Guest and Content Management is in Great Demand

Although profile management, personalization features and channel connectivity are extremely important to successfully compete against OTAs, integrating third party systems and partner channels still poses major challenges for hotel chains. Hoteliers expect the Internet Booking Engine (IBE) and other point of sale modules such as the central reservations office/clustered call center (CRO) to feature comprehensive CRM functionalities. As every second hotel group operates without a CRM integration e.g., standalone IBE vendors with agile and deeply integrated CRM modules have stepped into the field (see Figure 4).

Figure 4: Technological Challenges

- CRS Integration With Other Systems



- Innovative Internet Booking Engine (**personalization** features not state-of-the-art)
- Connectivity with third party distribution channels e.g., tour operators
- Enhanced CRM and profile management features
- Ability to apply **real-time** discounts and flexible **pricing** e.g., by length of stay

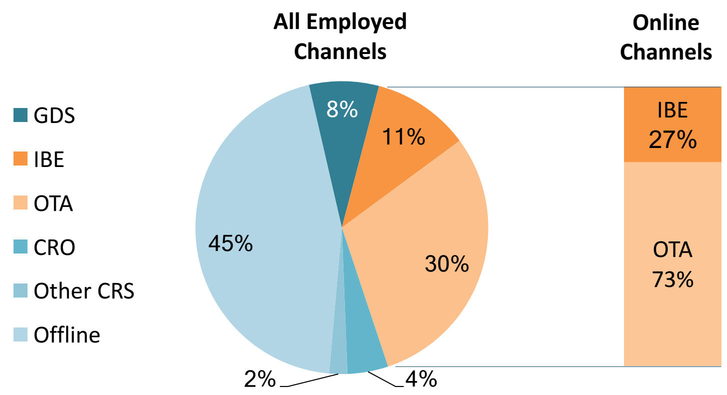
CRS functionalities require deep integration, proven business rules and system agility.

Questions: Is the CRS integrated with the following systems? Please indicate level of integration.?
Base: N = 77. Source: h2c's Global CRS Study 2017

Online Direct Bookings Need a Boost

Increasing the online direct booking share has a large leverage on the hotel's profitability. But even with an excellent online strategy in place, most chains lack the technology and innovation speed of OTAs, resulting in a low 27% online direct booking share via their IBE (see Figure 5). For all chains surveyed on a global scale, OTA bookings accounted for nearly three quarters of their total online revenue.

Figure 5: Average Channel Shares of All Hotel Chains



For retaining guests and increasing profitability, online direct bookings via the CRS-powered IBE must increase.

Question: Please provide your channel shares as a percentage of total rooms revenue 2016 (adds up to 100%).
Base: N = 48. Source: h2c's Global CRS Study 2017

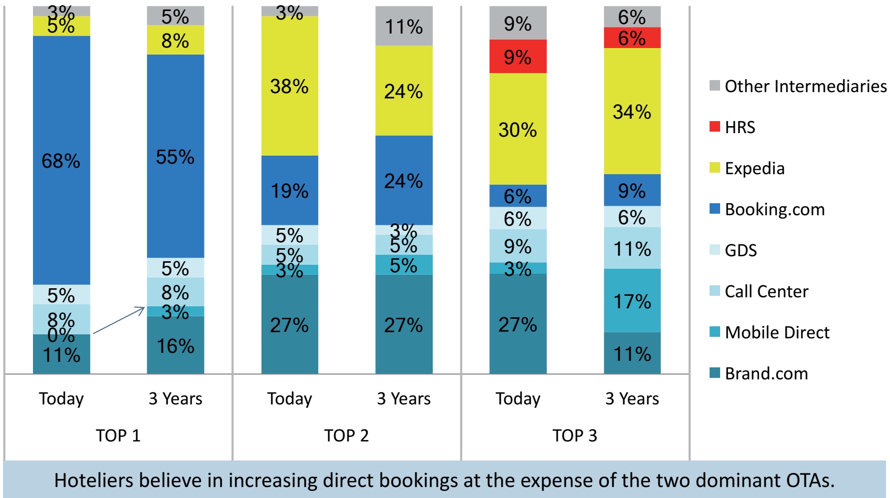
Hoteliers Expect a Higher Brand.com Channel Share in 3 Years

Today, Booking.com is by far the top producing electronic channel for nearly 7 in 10 hotel chains surveyed across Europe (68%), followed by the brand website (11%), and Expedia (5%, see Figure 6). When looking at the number one CRS channel (TOP 1) in Europe, hoteliers predict that the brand website including Mobile Direct will increase from 11% to 19% in three years at the expense of Booking's dominating position.

Due to the fact that Europe accounts for the highest OTA share with 35%, and Booking.com alone generates 89% of total online revenue for Middle Eastern & African chains, the reduction of OTA dependency is common sense. Among the most important measures to significantly increase the hotel chains' online direct share are

- A deliberate online strategy, providing clear guest benefits for direct bookings, which can include rate imparity (a good example is the "book direct" marketing campaign initiated by large branded U.S. chains),
- Personalized IBE features including easy to implement CRS-powered digital marketing functionality (e.g., personalized content, guest reviews and rates as well as targeted marketing campaigns), and
- Purposeful use of metasearch channels for direct referrals to the brand.com website. Although metasearch's contribution is small (generating a maximum of 5% of total rooms revenue for 7 in 10 chains), its use is indispensable. Metasearch is often perceived as expensive and complicated. Despite uncertain growth projections, easy connectivity via the CRS is a must for hoteliers.

Figure 6: Top 3 Distribution Channels in Europe, Today vs. Future

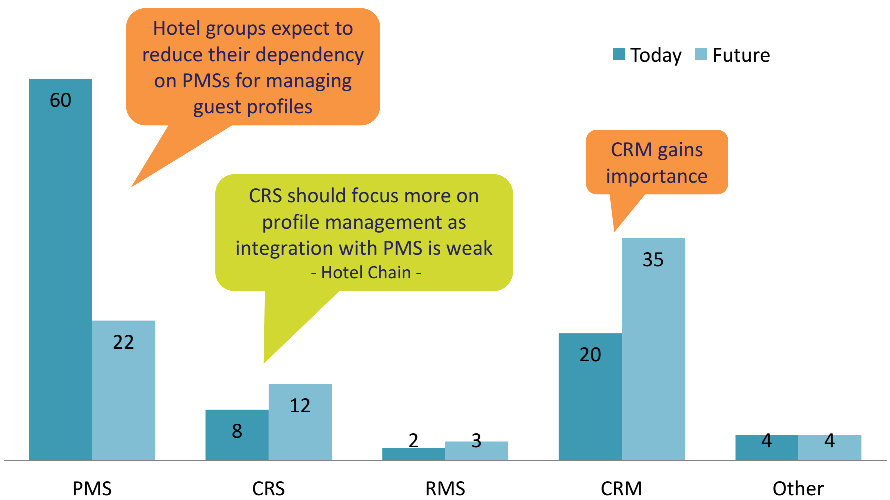


Questions: What are your top 5 electronic distribution channels today? What are your top 5 electronic distribution channels in 3 years? Base: N = 38. Note: May not add up to 100% due to rounding. For overview purposes, only the top 3 channels are shown.
Source: h2c's Global CRS Study 2017

Guest Profile Management Is Poised To Shift Systems

Hotel chains were asked which systems they use and will be using to manage their guest profiles in the future. Nearly 2 in 3 chains expect that profile management via the PMS will shift to another system (see Figure 7). A clear trend towards the increased use of a CRM system is apparent. For some chains, the CRS is expected to pick up the guest profile management role in the near future. The drop in PMS use is not reflected by the same increase in the use of other systems. This indicates that hotel chains are uncertain which system will be used in three years.

Figure 7: Guest Profile Management

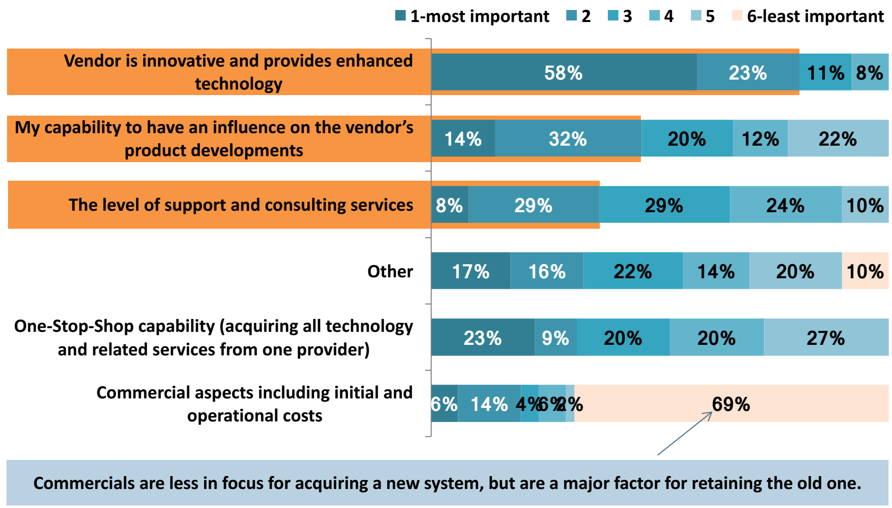


Question: Where do you manage guest profiles, today and in the future?
Base: N = 70. Source: h2c's Global CRS Study 2017

Hoteliers Demand Customized Solutions

When asked what the hotel chains' decision drivers are for acquiring a new distribution solution, product innovation, the hotelier's influence on product developments, and support/consulting services ranked highest for the chains' first and second most important decision criteria (see Figure 8). There are mixed opinions about acquiring all technology from one provider. Somewhat surprisingly, commercial aspects were rated the least important for acquiring a new distribution solution.

Figure 8: Decision Drivers for Acquiring a New Distribution Solution



Question: If you had to acquire a new distribution solution (e.g., including Channel Manager, Booking Engine and CRS), which factors would drive your decision? Base: N = 69. Source: h2c's Global CRS Study 2017

Two Perceived Innovation Leaders

Based on 45 hotel chain responses, Sabre followed by TravelClick clearly showed the most mentions for the highest level of innovation (see Figure 9). However, of the 17 vendors mentioned in total, 14 ranked a number 1 position at least once. This illustrates that smaller CRS companies will continue to deliver specialized services for a significant portion of the market.

Figure 9: Most Innovative CRS Vendors

CRS Vendor	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Total
Sabre	20	11	1	1	3	36
TravelClick	9	15	5	1		30
idiso	3	1	3	2	2	11
Pegasus	3		1	6	2	12
SHR	2	2	3	2	1	10
Fastbooking	1	3	3	1	2	10
Amadeus	1	2	2	3	3	11
Vertical Booking	1	2	1	1	1	6
Oracle/myfidelio.net	1	1	2	2		6
Travel Tripper	1		2	1		4
Busy Rooms	1		4	1		6
Shiji	1					1
Xn protel		1	1			2
Other	2	2				4

Question: Which CRS vendor provides the most innovative solutions? Please rank the top 5 vendors.
Base: N = 45. Source: h2c's Global CRS Study 2017

Distribution Landscape Trends

It is obvious that the CRS is one gear-wheel in an overall distribution solution—supported by different systems such as the PMS. Although the trend towards making smart marketing decisions in real-time is progressing, the required online tools are often missing. Additionally the distribution technology strategy must be well selected based on the chain's available resources and skill sets. While "one-stop-shops" are mostly employed by small chains and independent groups, today, most hotel chains use "best of breed" solutions (see Figure 10). A hotel platform solution (where CRS and PMS and other applications run on one system) is promising, but not fully available to the industry yet. As CRS vendors are challenged to develop more and more customized APIs for integrating a growing number of hotel management systems, some technology providers envision an open cloud-based hotel software eco-system. The new public API would then allow the development of specialized apps. Whichever technology evolves fastest will become apparent over the course of the next three years.

Figure 10: Trends by Type of Distribution Solution

Distribution Solution Type	Pros	Cons	Estimated Market Segments & Growth
One-stop-shop	Standardized CRS + online marketing tools/services	Vendor dependency	Small chains & hotel groups →
Hotel platform (beta phase)	CRS/PMS/CRM/Payment in one system/one screen	Incomplete: missing revenue management	Large chains (?)
Best of breed	Optimal single system selection/customization	Extensive integration: Interfaces/Middleware	All chains ↗

Definitions:

One-stop-shop: Standard CRS plus additional standard e-commerce systems/online marketing tools/ services.

Hotel platform: CRS & PMS running on one system. Other e.g., CRM, payment systems can be included. Platforms are in development and/or beta testing.

Best of breed: Selection of best single/standalone system in each category, requiring extensive integration efforts e.g., via customized middleware.

Source: h2c's Global CRS Study 2017

Conclusion

As most information was collected from hotel and not IT experts, the research outcome is not a blueprint for "The CRS of the future". However, functionality gaps, and the hoteliers' expectations for shifting management tasks are highlighted in this research paper. With this information (based on 130 pages of the full study), both technology provider companies and hotel chains alike are enabled to better define the requirements of suitable distribution technology and guest relations management systems. H2c estimates that PMS and CRS systems will continue to merge in the future, either in form of hybrid solutions (e.g., CRS embedded CRM functionality) or as entirely new hotel management platforms.

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Founded in 1998, Shiji has grown to become one of the largest manufacturers and service providers of „big data" to the hotel, food service and retail industries. With the benefit of investors such as Alibaba, and Shiji's investments in data related companies, Shiji is able to offer IT solutions and data platform services to a vast array of industries and offer innovative products and technologies to the global market. Shiji is rapidly expanding in both China and the international market with 50 subsidiaries in China alone along with ongoing expansion into Europe, Asia Pacific and North America.

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Contact

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