



SteelBridge

Insights

*A management consulting view
of private capital's evolution*

Portfolio Company Services: Special Edition

Hospitality Management Software:
Market Assessment

Building a better Private Capital marketplace



Key Highlights:

- According to Technavio analysts, the global hotel and hospitality management software market will **grow at a CAGR of almost 9% during the forecast period (2018-2022)**.
- The major drivers for upsurge in demand for smart hospitality software and services include the growing demand for real-time optimized guest experience management, luring revenue generation & low operational costs, and increasing adoption of Internet of Things (IoT) & **energy management systems**.
- The hotel building technology has significantly changed over time, and various disciplines such as building automation for facility & emergency response management, **building energy optimization**, parking management, and water management are now being widely adopted in the hospitality sector.
- Mid-to-small size hotels concentrate on increasing their income by controlling company expenditure and streamlining their operations. Hotels and resorts are gradually deploying this software to eradicate inadequacies and accelerate the overall process efficiencies.
- In 2017, **EMEA dominated the global hotel and hospitality management software market** with a share of more than 48%. It was followed by the Americas and APAC respectively.
- The **fragmented structure of the hotel industry** — split among the various interests of property owners, brands, and operators — is the biggest challenge Amadeus Hospitality, and others, face, according to Ellen Keszler. Keszler says, “In a perfect world, from a brand’s perspective, hotel groups could dictate the technology used at their flagged properties to ensure consistency of guest experience. However, **the hotel ownership structure, where one company might own properties that fly multiple flags, is where most of these decisions are made.**”
- Determining the time it will take to implement business software as large and complex as ERP varies from case to case. **It can take anywhere from three months to five years.** Implementation time is contingent upon the number of desired modules, available resources, and deployment locations as well as customization and data conversion.

Market Trends

Cloud-based integration

The demand for cloud-based integration of hotel and hospitality management systems is increasing. The cloud-based hotel and hospital management software offer access to the application through web-based browsers, wherein the admin has previously defined the access level and processes across the organization. The user can log in to the hotel and hospitality management software simultaneously from any Internet-enabled computer or device.

- The cloud-based deployment smart hospitality software reduces the cost associated with purchasing, servicing, and powering of server-class machines.
- The subscription model enables the scalability for end-users with a low cost of ownership.
- It also ensures the integrity of data back-up while reducing the risk of expensive security breaches.

Cost of IT software replacements

IT replacements can be expensive for hotels. Controlling costs is why Marriott is downgrading newly acquired Starwood to its old customer relationship management system instead of upgrading its portfolio to Starwood's more up-to-date one.

U.S. hotels aren't making quite the same advances toward energy efficiency, but according to the American Hotel & Lodging Association's and STR's 2016 Lodging Survey, energy-management sensors in rooms are at their peak overall usage; they have already been adapted by 48 percent of hotels.

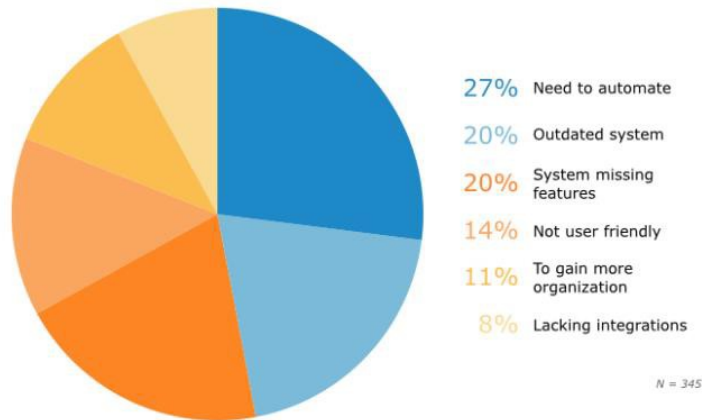
- Guilain Denisselle, the Paris-based editor of hotel technology trade publication TendanceHotellerie.fr, says: **“Oracle Hospitality, formerly Micros, is the leader in property management systems in North America and Europe, and when you see how deeply it is implemented in hotel chains, you realize that it will take ages to take Oracle out of hotel chains.”**
- Denisselle adds: **“The only chance Amadeus has to convince hotel CFOs is to cut the price significantly on all parts of its offering, and if they do that Amadeus will have to cut costs on R&D and profitability.”**

Source: <https://skift.com/2017/06/12/amadeus-hospitality-is-making-bigger-hotel-deals-as-it-chases-a-breakthrough/>

Source: <https://www.hotelmanagement.net/energy-management/u-s-hotels-continue-to-make-strides-energy-efficiency>

Hotels are primarily seeking automated daily tasks and online bookings

A combined 62 percent of hospitality software management seekers cite specific problems with the software—it’s old, it lacks features, or it’s hard to use—as their reason for shopping around. Another 27 percent are just starting out and want a new system to help them stay organized from the beginning.



The facts are undeniable: **about 148 million travel bookings are made online each year. That’s 57 percent of all travel reservations made in a year.** Even more importantly, 65 percent of same-day reservations are made on a smartphone.

Source: <https://www.softwareadvice.com/resources/hotel-management-buyer-report-2017/>

Mobile Property Management System (PMS)

The ability to access data on-the-go via a mobile device is another driving force behind the move to cloud hospitality software. A mobile PMS can have a significant impact on the guest experience; with guest and reservation data at their fingertips via a tablet or smartphone, hotel staff are freed from the physical constraints of the front desk to provide more prompt and personalized service to guests wherever they may be — in the lobby, the hallway, by the pool, or in the dining room. Increasingly in demand, paperless check-in with electronic signature capture allows guests to sign registration cards or check-in receipts on a tablet or smartphone screen. Paperless check-in means arriving guests don’t have to queue at the front desk; they can instead be greeted in a more welcoming way in the lobby or lounge.

Source: <https://www.webrezpro.com/hospitality-technology-trends-implement-2017/>

Energy efficiency

The adoption of hotel building automation software is propelled by the increasing demand for energy and facility-efficient methods. An example of Energy Management software in hotels is **Telkonet's EcoSmart platform**.

- The EcoSmart intelligent automation platform allows you to develop and deploy targeted solutions that dramatically reduce energy consumption, improve operation efficiency with truly measurable results, and create a more luxurious customer experience.
- EcoCentral Energy Monitoring Network is a cloud-based data storage, reporting, and analytics interface that provides real-time monitoring and reporting to track progress toward total efficiency goals.
- EcoSmart devices are installed in more than 300,000 guest rooms across the globe, such as Hilton, Marriott, Hyatt, Sheraton, and The Cosmopolitan of Las Vegas.

Source: <https://www.telkonet.com/markets/hotel-energy-management-system/>

Challenges Facing the Industry

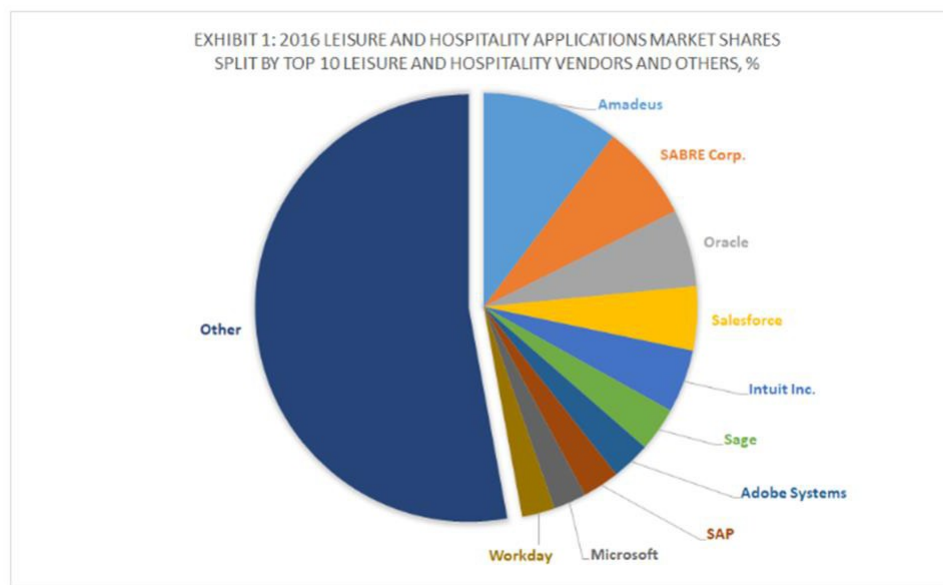
While the new technology trends are creating exciting guest experiences, they are also creating challenges for the IT network infrastructure. Among the challenges include how to:

- Support increased customer engagement with in-venue technologies that have high bandwidth demands
- Support increasing use of applications in the cloud with a resilient and secure network
- Ensure connectivity and provide secure access for POS applications and electronic payment transactions
- Ensure high performance and quality-of-service for real-time applications such as voice, video and unified communications
- Support the growing use of Wi-Fi and mobile devices by guests as well as associates
- Ensure compliance with PCI-DSS and other relevant regulations
- Support continued growth and expansion

Main Market Players

In 2016, the **top 10 Leisure & Hospitality software vendors accounted for nearly 47% of the global Leisure & Hospitality applications market** which grew 2.9% to approach nearly \$5.2 billion in license, maintenance, and subscription revenues.

Last year **Amadeus was the market leader with 12% market share in license, maintenance and subscription revenues**, followed by SABRE Corp., Oracle, Salesforce, and Intuit in that order.



Top 10 Leisure and Hospitality Software Vendors and 2016 Applications Market Shares, Apps Run The World, January 2018

In an interview with Oracle Hospitality’s new leader Greg Webb, a question was raised about the costs and lack of flexibility some hotels may experience when integrating with an Oracle Hospitality management software product:

- **Skift:** Some third-party vendors who offer niche solutions for hotels say it’s expensive and difficult to integrate into Oracle Hospitality’s ecosystem.
- **Webb:** Look, I can’t speak to the history. But part of the go-forward strategy around the Oracle Opera Cloud offering has been about us beginning to create a set of web services that we’re exposing to the marketplace. We’re opening up the platform. That is different than it’s been in the past. We’re eating our own dog food. The user interface we built for Opera Cloud actually accesses the same web services that any third-party integrator would.

Source: <https://skift.com/2018/06/25/interview-oracle-hospitalitys-new-boss-looks-to-the-cloud-for-growth/>

Top players' recent developments

Rank	Vendor	Recent Development(s)
1	Amadeus	<p>Invested in AVUXI for harnessing travel information in social media.</p> <p>The long-term Amadeus bet is that over the next ten years, hotels will gravitate toward grouping more of their technology elements together with a single vendor because it is easier to deal with just one company. It believes hotels will increasingly prefer a commercial model where they pay a consistent, ongoing fee, either via monthly subscriptions or on a cost-per-transaction-serviced basis. That model makes hotel group balance sheets look more predictable for investors, among other advantages.</p>
2	SABRE Corp	<p>Unveiled SynXis Analytics Cloud, its AI play for the hospitality industry.</p> <p>Leveraging artificial intelligence, SynXis Analytics Cloud identifies opportunities for revenue and guest experience improvement and helps hoteliers avoid lost revenue by analyzing data from operations, finances, room-stay production, ancillaries, and rate-room-channel configurations to deliver targeted, actionable insights.</p>
3	Oracle	<p>With its extensive Cloud product portfolio, Oracle has captured more than 25,000 Cloud customers covering 65M+ active users across different verticals.</p> <p>Oracle Hospitality recently hired Greg Webb as its new leader (from Sabre) in June 2018: <i>"Oracle Hospitality will provide hoteliers with the data, the tools, and the training to provide an end-to-end guest experience in the full travel life cycle [from acquiring a traveler through their stay to encouraging them to visit again]."</i></p>
4	Salesforce	<p>Focusing on migrating Classic users to Lightning user interface to deliver next-gen CRM experiences.</p> <p>(April 2018) A partnership between Marriott International and marketing platform Salesforce is promising to deliver on the evolving demands associated with customer relationship management and personalization across multiple channels and touchpoints. The move comes as Marriott unveiled plans last month to introduce one set of unified benefits across Marriott Rewards, The Ritz-Carlton Rewards, and Starwood Preferred Guest for its members in August 2018.</p>
5	Intuit Inc.	<p>Intuit has sharpened its focus on QuickBooks after divesting noncore products.</p>
6	Sage	<p>Sage targets Cloud growth, Timberline now Sage 300 CRE</p>

(continues...)

Rank	Vendor	Recent Development(s)
7	Adobe Systems	Adobe's content management and CX apps have transformed many industries.
8	SAP	SAP has signed more than 6,900 customers for its next-generation ERP suite S/4 HANA as of October 2017.
9	Microsoft	Microsoft Dynamics 365 now covers both CRM and ERP functionality for multiple verticals.
10	Workday	Workday has signed more than 1900 HCM and ERP customers across different verticals.

Source: <https://www.appsruntheworld.com/top-10-leisure-hospitality-software-vendors-and-market-forecast/>

Software Implementation

The timeframe for implementation of CRM and ERP software solutions depends on the scale of the project and size of the business.

Determining the time it will take to implement business software as large and complex as ERP varies from case to case. **It can take anywhere from three months to five years.** Implementation time is contingent upon the number of desired modules, available resources, and deployment locations as well as customization and data conversion.”

Determining the length of time for implementation

Determining the length of time means outline how well each of these elements match the current business processes. Each have an impact on time. A company also needs to define the type of reporting and dashboard capabilities it will need and determine if there are custom reports that will need to be configured within the ERP system.

Additionally, the client should present an exact number of business users to allow the implementation team to identify added complexities. Each of those users will need to both adopt and be trained on the new system. The client should utilize an experienced partner who can ensure all user tasks are completed on time.

Cloud vs. on-premise systems

On-premises systems require the procurement and setup of hardware (i.e. desktop computers, servers, etc.) and for that reason take a much longer time to implement. There is no way to measure the amount of time it may take for a vendor to supply an ample amount of hardware, but while waiting for hardware, users can begin to learn about the system so they have something to look forward to while they wait.

On the other hand, cloud-led technology can be accessed from virtually anywhere a wireless network is present and needs no added procurement of hardware.

A successful implementation requires the following

1. **A company will need to carve out clearly defined business processes.** This involves conceptualizing the workflows of selling, engineering, and shipping processes from quote to cash. If business processes are not clearly defined prior to the project, the implementation team will fail to consider these aspects of the business in the mapping of the system. During the validation stage, partners will find that users aren't performing tasks as they expected, requiring modifications to the system and elongating the project.
2. **Those designated a role in the project need to be held accountable for completing the tasks they've been issued on time.** Without managing this, the implementation will inevitably take longer than expected. Users will need to stick to a homework plan throughout the implementation and executive sponsors will be accountable for making sure users are reviewing the material.
3. **The client must accept the customizations that will need to be done to the system.** No matter which ERP solution you choose, it's unlikely that solution is a fit for your business out of the box. Also, if an integration between ERP and another system needs to be configured, this will require custom mapping of the system as well. The time frame for the ERP project could be longer than expected, but these customizations and integrations will increase ROI, more than making up for that extended deadline.

Source: <http://blog.datixinc.com/blog/how-long-does-an-erp-implementation-take-q-and-a>

In WinHotel’s example case for hotel management software implementations, this provider breaks their process into four steps.

1. **Data gathering:** This step consists in an accurate data gathering about the hotel’s structure (characteristics of the hotel establishment, rooms, board types...). This is essential before going into the next step, in which an expert from our team will adapt our PMS to the needs of the hotel.
2. **Installation and initial setup:** Once data have been gathered, the program can start to be configured to fully adapt to the characteristics of the hotel. The data are used to parameterize the management tool and then it is ready for users.
3. **Training:** The user needs all the information necessary for the correct use of the parameterized tool. We almost always perform this task in the same place where the software is going to be implemented. This way, future users can be cleared any doubt at the very moment when they are expressed. That is the reason why the dialogue between the user and the installing company is very important.
4. **Monitoring after the implementation process:** After any implementation process, it is important to carry out a monitoring process to adjust certain parameters that perhaps were not taken into account at the beginning. The monitoring of the different processes is essential to fully complete the implementation.

Source: <http://www.winhotelsolution.com/en/blog/hotel-software-2/hotel-software-implementation-process/>

Key Features and Functionality of Hospitality Software

Below is a summary of functions and features offered by software company Hotelogix – this high-level overview of their products and software mirrored the basic functions of most products on the market and highlights the various needs of the hotel industry.



User management

- **Management Dashboard** - hotel's key performance metrics can now be tracked from a single dashboard without running multiple reports. This is available on both Frontdesk and Mobile App.
- **Report Scheduler** - enables hotel staff to send certain reports to management at specific time automatically to have a close look at the hotel operations.

Reservation management

- Up-to-the-minute updated reservation dashboard
- Drag & drop to update rooms and split reservations
- Auto-fill returning guests with history, apply promo codes and special discounts
- Charge extra and facilitate your guests with late arrival/check-in, early check-in, late checkout
- Extensive rate plans and options to personalize booking and stays
- Set credit limits for corporate clients and travel agents
- Accept group reservations - multiple rooms under one name/bill
- Customization for arrival/departure e-mail templates

Reputation management

- Collect personalized feedback from your guests
- See reviews from across multiple platforms
- Analyze and understand guest sentiment
- Manage reviews, boost your online ratings & reputation

Source: <https://www.hotelogix.com/all-feature-list.php>

Hospitality software implementation announcement

The following partnership announcement highlights the key features of a suite of software products that are available to hotels and other partners, and the staggered implementation plan for three products.

(July 2018) Agilysys, Inc. (Nasdaq: AGYS), a leading global provider of next-generation hospitality software solutions and services, today announced that the Silver Reef Casino Hotel Spa has selected a number of Agilysys solutions to streamline operations at their property in Ferndale, Washington. The management team has chosen to implement Visual One®, InfoGenesis® POS and Eatec® to help drive operational excellence while improving the guest experience. **The implementation will begin with Visual One Property Management System and later incorporate the two other solutions.**

The Silver Reef Casino Hotel Spa has chosen the following Agilysys Solutions:

- **Visual One® PMS** – a comprehensive and fully integrated property management system that offers a wide range of features and functionality, including front office operations, guest history, housekeeping, reservations management and more. Its user-friendly screens are laid out in a logical format, with quick- feature icons and drill-down capabilities. The system also offers optional modules for accounting, activities, club management, comp accounting, condo accounting, guest marketing, sales and catering, and spa management.
- **InfoGenesis® POS** – an award-winning, comprehensive point-of-sale system that combines easy-to-use terminal and tablet touchscreen applications with industry-leading offline capabilities. Its strong reporting and analysis features, enterprise-grade menu and item configuration capabilities, and multi-language support drive service flexibility and increased operational efficiency.
- **Eatec®** – a full-featured inventory, procurement and production system designed specifically for the hospitality and foodservice industries. Along with its core purchasing, inventory, recipe, forecasting, production, and sales analysis functions, the software also offers modules for catering, cycle planning, retail management, nutrition, and allergens.

Source: <https://www.businesswire.com/news/home/20180705005030/en/Silver-Reef-Casino-Hotel-Spa-Streamline-Operations>

Summary

From increasing consumer demands to staff and energy efficiencies to mobile solutions, the business of managing hotel software is rapidly evolving. In a fragmented, fluid, and highly competitive market, designing a solution is challenging. That said, several top players are evolving their approaches as quickly as the industry progresses. Then next few years will undoubtedly see big changes as hospitality and software align on their goals and capabilities.

About SteelBridge

SteelBridge is a boutique advisory services firm with deep expertise in private capital. We have a passion for helping our clients identify and affect change to improve process and technology for more effective organizations. We help general partners, limited partners, third party administrators, software vendors, and portfolio companies. At SteelBridge, we hold ourselves to the highest standards by providing exemplary services for our clients.

To learn more call us at 646.737.7960 x1001, visit us at www.steelbridgeconsulting.com, or join us on our Facebook and LinkedIn pages for more information:



Let us show you why we are the leading boutique advisory services firm in the Private Capital space.

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