

7TH ANNUAL
CUSTOMER 2018
ENGAGEMENT
TECHNOLOGY STUDY



PLUGGING INTO
THE DIGITAL-MINDED
CONSUMER

**ARTIFICIAL MEETS REAL INTELLIGENCE:
HOTELS AND RESTAURANTS SEEK TO
UNDERSTAND, ENGAGE AND
EMPOWER GUESTS**

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INTRODUCTION

CUSTOMER ENGAGEMENT TECHNOLOGY STUDY 2018

Plugging into the Digital-Minded Consumer

ARTIFICIAL MEETS REAL INTELLIGENCE: HOTELS AND RESTAURANTS SEEK TO UNDERSTAND, ENGAGE AND EMPOWER GUESTS

In the not far distant past, things like dictating orders to a computer, receiving service from a robot, accepting delivery from a drone, and being chauffeured by autonomous vehicle seemed surreal. The stuff of science fiction, they lacked any practical, real-world business applications. Today, these technologies — and the very real use cases — are the stuff of earnings calls and business reports as successful hospitality implementations have proven to have teeth. If these rollouts don't yet deliver ROI they deliver on promise for the future and what will be redefining customer engagement, service delivery and overall experience.

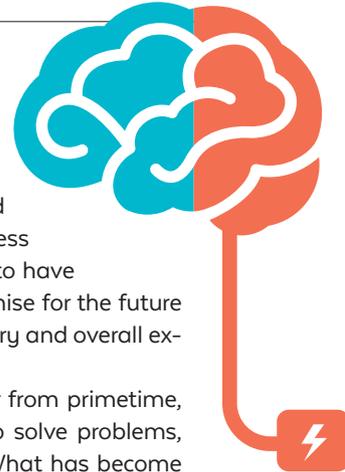
Initial applications are impressive and while some remain far from primetime, they have imbued existing technology with more possibility to solve problems, erase friction from experience and offer more service options. What has become evident in looking back at the trajectory of all innovation over the last decade, when considering technologies so reliant on automation and artificial intelligence — this is only the tip of the iceberg. With rising customer expectations, so too are the competitive stakes lofted.

Since 2012, *Hospitality Technology* has studied customer engagement technologies (CETs), chronicling adoption and impact while forecasting future trends and opportunities to help hospitality leaders navigate an ever-changing landscape. CETs refer to the guest-facing technologies and applications used throughout each phase of the guest lifecycle to interact with guests and support the guest experience. They are used to engage and serve customers, enhance service experiences, generate loyalty, and lead to increased profitability, market share, and distinctiveness.

Over the past seven years, we have observed a changing industry, one where technology has become the centerpiece of guest service and a key determinant of guest satisfaction and loyalty. The longitudinal changes we have observed regarding how consumers shop for, purchase, and experience hospitality services are remarkable, but what is also noteworthy is the pace of change. Each year, the rate accelerates — all in the name of progress — challenging hospitality businesses to keep up.

The leaders are those who integrate technology into business strategies and customer service blueprints. They recognize that technology is part of the experience, not just a vehicle to facilitate a transaction. As such, facilities and service encounters must be designed carefully to ensure personalized, efficient service across all channels and points of service to create memorable and enjoyable guest experiences.

Mobile, social, and the consumerization of technology continue to dominate technological change and the CET landscape within the hospitality industry. Now the driving forces in CETs include artificial intelligence and voice-activated devices such as Amazon's Alexa and Google Home. Central to all this is data and analytics to predict how guests will want to be served in an increasingly autonomous and digital future. **HT**



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ABOUT THE STUDY

CUSTOMER ENGAGEMENT TECHNOLOGY STUDY 2018

Examining Customer Engagement Through the Eye of the Hotel, Restaurant & Guest

To assess the state of customer engagement technologies and customer experience management across the hospitality industry, *Hospitality Technology's* subscriber base of restaurant and hotel executives was surveyed on an array of topics, ranging from technology adoption and budgets to service capabilities and future plans. Overall, 118 hospitality executives (owners, managers, sales and marketing professionals, and technology professionals) from corporate, franchised, professionally managed, and independent hotels and restaurants across all lodging and restaurant industry segments.

To gain insight to the efficacy or inefficiencies of current

and planned engagement technology strategies, an independent research panel of 500 hotel and restaurant consumers were polled to understand guests' technology preferences, functional needs, and selection criteria when shopping for, selecting, and frequenting hospitality businesses. Gap analysis shows the comparison of response results from both the supply and demand sides of the equation to see how well hospitality providers are addressing the needs and wants of guests. Travelers targeted for the survey stayed at a hotel (and by default dined in restaurants) at least once over the past 12-month period. **HT**

RESPONDENT SNAPSHOT

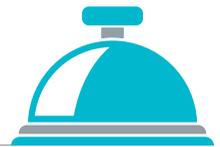
18,730+

restaurants impacted by the collective decision-making authority of respondents...



2,134,860+

guestrooms impacted by the collective decision-making authority of respondents...



THAT'S EQUAL TO MORE THAN

\$13.8 billion in annual revenues.

Fast Casual	38%
Full-Service / Family Casual	26%
Quick Service	19%
Full-Service/Fine Dining	16%



REPRESENTS IN EXCESS OF

\$31.4 billion in annual revenues.



CONSUMERS

254 women
246 men



TRAVEL FREQUENCY

Once a year	20%
2 to 4 times a year	52%
5 to 6 times a year	18%
7+ times a year	10%

BY GENERATION

Millennial (18 to 38)	30.2%
Generation X (39 to 53)	34.4%
Boomers (54 to 72)	25.2%
Maturists (older than 72)	10.2%

Seasoned travelers	80%
Leisure travelers	77%
Business travelers	5%

HOTEL PREFERENCES



Economy Lodging	15%
Midscale	48%
Upscale	30%
Luxury	6%
Alternative Lodging	2%

RESTAURANT PREFERENCES

Quick-Service	31%
Fast Casual	20%
Full-Service/Family Casual	38%
Fine Dining	10%

Customer Engagement Thought Bombs



Like many of you, I attend my share of conferences, always with an ear for some nugget of wisdom from the mouths of speakers. The best ideas are worthy of jotting down in my notebook. “Thought bombs,” I call them. These are the ideas that really resonate, inspire, or shake up my thinking. In an unexpected plot twist,

I recently learned that “thought bombs” are rooted in, of all things, *Star Wars* mythos. Google it. The top hits return talk of Sith Lords focusing their willpower to unleash volatility from the dark side of the Force. I can get down with that. Thought bombs should challenge our thinking, and even disrupt us.

At this year’s round-up of industry events, customer engagement was a common theme and gave HT’s research team a lot to consider in preparation for the *2018 Customer Engagement Technology Study*. The rapid acceleration of customer engagement is nothing if not volatile. Here are my thought bombs from our body of work. Thankfully, I didn’t have to do a stint on the darkside to uncover them.

Customer experience is a cause without a champion.

Hotels and restaurants are hyper-focused on customer experience management (CXM). Call it what you will — loyalty, intimacy, or simply satisfied customers — the hospitality industry is aggressively seeking technology that can drum up digital guest engagement and loyalty. We’re seeing double-digit growth rates for planned technology deployments in the next year. The problem? Strategic leadership is still a puzzle, and that’s trouble. Despite rapid rollout plans, about half of hotels and restaurants don’t yet have a solid CXM strategy in place. Not surprisingly, there’s no clear champion for CXM projects. In about one-third of companies, the head of marketing owns CXM strategy. In another 25%, the CIO owns it. From there, it becomes a hodgepodge of, “no one owns it,” to “we all own it,” to, “I thought s/he owns it.”

Rise of the customer engagement platform.

The hotel industry in particular is showing its hand here, as current tools for making sense out of customer data leave something to be desired. When it comes to learning about guests, hoteliers are in agreement that their property management system is the most critical: 85% use their PMS to mine customer data. However, according to the Fuel’s 2018 Hospitality Technology Study, more than half of hotels (55%) are not satisfied with their current PMS provider.

HT’s research indicates that the industry may well see the rise of an alternative: the customer experience platform. The ideal solution would provide a pathway to holistic guest data via an open API enterprise platform that’s not PMS-centric. Today, just 28% of hotels have a customer experience platform, but a

whopping 78% revealed intentions to move in this direction in 2019. Customer experience platforms are projected to see more adoption activity than any other CXM solution within the next year, beating out chatbots, IoT platforms, location-based solutions and predictive analytics.

Loyalty is dead. It’s all about intimacy. And your mojo is digital.

This thought bomb was picked up at HT-NEXT in April. The speaker, Mario Natarelli, is managing partner for MBLM and he’s bullish on intimacy. He paints a scenario where traditional definitions of customer loyalty morph into the theory of brand intimacy. Brand intimacy is built on the notion that emotion drives behavior, and in particular, our decision to buy. The deeper the emotional connection, the more a customer is willing to spend — and the less willing they are to live without you.

Brand intimacy, it follows, is the science of how we build those stronger, emotionally led bonds with customers. The theory is outlined in Natarelli’s book, *Brand Intimacy: A New Paradigm in Marketing*. Bonds are built through essence, story and — here’s where technology plays a key role — experience. In his HT-NEXT talk, Natarelli stressed to an audience of hotel technologists that “Digital is central to the bond — it starts the process.” He cautions that while technology can enhance brand intimacy, turbulent technology experiences can dilute it.

HT’s customer engagement research gives us several tangible examples of turbulence: areas where existing digital technology falls short of customer expectations. We asked a panel of consumers to rate the importance of a variety of technologies to their hotel or restaurant experiences. We then compared those rankings to industry-wide adoption rates. Here are several key areas where the industry falls down:

- Mobile access to hotel reservations: 65% of customers want it, but only 30% of hotels offer it.
- Dining reservations on a mobile device: 59% of restaurant customers want it; only 29% of restaurants offer it.
- Ability to track food order status: 58% of consumers say this is important, but just 14% of restaurants offer it.
- Room selection on a mobile device: 55% of consumers say this is important; just 17% of hotels can deliver.

Go ahead. Give them “free” WiFi. They’ll pay you for it.

Remember the notion that brand intimacy can drive more spend? We’ve found evidence to support it. The majority of consumers in our study are willing to put their money where their mouths are. For example, 66% of hotel guests say they’re would pay more for the technology services they deem important — and “free” WiFi, they tell us, is very important. Free is in the eye of the beholder. If room rates increase but WiFi isn’t an up-charge, our data suggests that the customer will be more likely to stay with you again. **HT**

Accelerating Experience: Dining with Tech

Diners no longer just want good food from a restaurant brand. They want convenience, speed, and perhaps most importantly – control. Mobile devices have become the conduit for providing diners with a remote control to access innumerable options for service. This is creating a climate where guest satisfaction often hinges on the efficacy of items that are part of a brand’s capital expenses.

According to a recent study titled *The Restaurant Digital Crossroads: The Race to Meet Guest Expectations*, digital restaurant sales are about to explode. According to the study, only 6% of all restaurant sales today are transacted digitally to the tune of \$50 billion, but by 2020, those numbers are expected to double. By 2025, the study predicts that as much as \$300 billion or 30% of all restaurant purchases will occur via digital channels. What’s more, according to the *American Customer Satisfaction Index (ACSI) Restaurant Report 2018*, restaurant guest satisfaction is on the rise, thanks in part to technology that empowers customers, expedites service, and enhances the overall guest experience.

Consumers of all generations are embracing technology, and restaurants are investing heavily to capitalize on this paradigm shift and to collect, mine, and monetize the valuable customer data from each digital transaction. In the quick service segment, Starbucks and Panera Bread have been leaders in developing mobile strategies and rolling out game-changing solutions to drive sales, speed service, and foster loyalty. During a Q4 2017 earnings conference call, McDonald’s executives revealed 2018 plans to spend two-thirds of its capital on “accelerating the guest experience.”

McDonald’s has been bullish in rolling out mobile solutions, in-store kiosks, upgrading its facilities with digital signage, offering express pick-up and even delivery service

through Uber Eats. “We have realized that we are going to need to continue to invest in technology and digital in order to keep up with where the world is going and our customers’ expectations,” said Kevin Ozan, CFO.

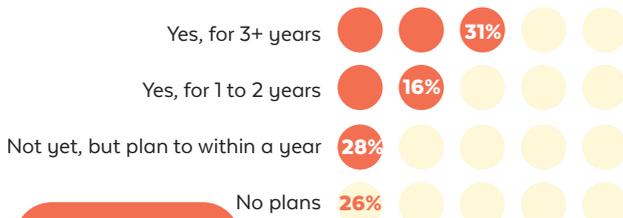
Mobile apps, tablets, and tableside technologies are also transforming guest experiences in casual and fine dining. Consider for example Applebee’s tableside ordering devices and Capital Grille’s iPad wine lists. In every segment, technology is now a core part of the restaurant experience and will become even more dominant in the future. In fact, guests’ interaction with innovation at a restaurant can have an equal or greater impact on customer experience and in some cases influence diners’ decisions on where to eat or order food.

The rise of technology in restaurants has led to increased complexity and more potential service failure points. Recognizing the importance of technology to the guest experience, revenue generation, overall satisfaction, and loyalty, restaurants should be more deliberate in developing customer experience management (CXM) as a core part of business strategy. Today, only 57% of our respondents reported having an active CXM strategy. While another 28% plan to embark on one this year, 26% of respondents indicated that they have no plans to build out a CXM strategy. This is particularly surprising – and troubling – given the digital growth trends cited above, the impact on customer satisfaction, and the fact that the vast majority of our respondents reported that serving the digital customer is their top strategic priority. Because the digital movement is the wave of the future, one cannot afford to fall behind. Catching up to companies that have already made investments will be difficult, if not impossible, to do given the rapid pace of change.

For those restaurant companies that do have a CXM strategy in place, key responsibility for the plan typically resides with C-level executives, positive signs that this is a top priority and a critical success factor for the organization, but its home varies by organization. According to our respondents, oversight for CXM resides with the chief marketing officer (33%), chief information (or technology) officer (22%), chief operations officer (21%), chief executive officer (14%), and other (21%). In 19% of the restaurant organizations, CXM strategy is a shared responsibility across multiple department heads. However, 9% of the responding organizations indicate that there is no strategic owner, probably due to the lack of a formal CXM strategy.

Putting CXM in the marketing wheelhouse is logical given the impact on brand, the desire to increase the lifetime value of customers, and the marketing intelligence that can be de-

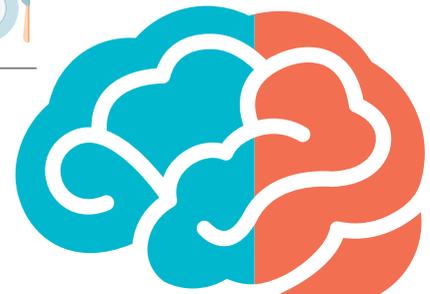
STRATEGIZING CXM FOR BUSINESS



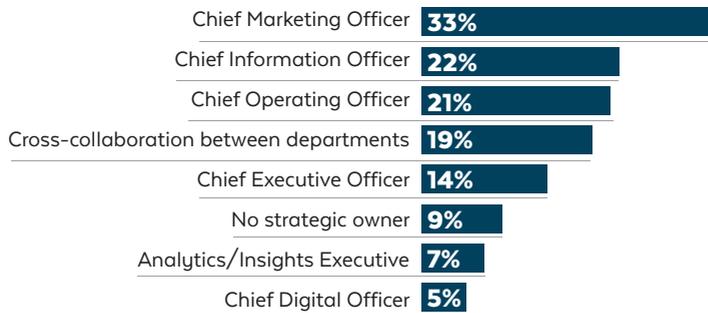
53%

of restaurants say **improving digital engagement is a top tech strategy***. This represents a disconnect in the industry as over $\frac{1}{4}$ of restaurants have no formal strategy for CXM.

*Hospitality Technology's 2018 Restaurant Technology Study



EXECUTIVES LEADING CXM POLICY, PROCEDURE & PLANS



COOPERATIVE STRATEGIES ON RISE WITH A

13%

UPTICK FROM 2017.



rived from data analytics.

What is also evident from these results is the growing influence chief information (technology) officers play in the overall guest experience and business operations and the interdependence and synergistic relationship between marketing and information technology. Also of note is the growth in shared governance or cross-collaboration. Last year, only 6% of our respondents reported shared responsibilities for CXM strategy. Today, that number is at 19%. This is reflective of the interdisciplinary nature of CXM. It cannot be siloed if there is to be seamlessness across channels and at each customer point of contact.

Mobile-First Drives CXM Budgets and Investments

While technology continues to change and at an ever-increasing rate, many of the historical challenges associated with technology persist. These include security, integration, reliability, bandwidth, cost, and uncertain return on investment. Despite the competitive need to add technology, restaurant technology budgets, in general, are not growing at an appropriate rate. According to *Hospitality Technology's* annual restaurant technology study, in 2017, restaurants on average only spent 2% of annual revenues on technology. This is relatively low compared to other industries, including lodging, banking, and retail. Only 8% of restaurant companies spend 5% or more of sales on technology.

This study's findings reveal that restaurants are investing technology dollars in the following areas: mobile (45%), point of sale (POS) (41%), social CRM (36%), CRM (29%), network infrastructure (21%), workforce management systems (12%), and other technology study areas (7%). Of particular note is that investment in mobile has surpassed that of POS and that social CRM is now a higher priority than CRM. We are truly in a mobile-first world that is deeply connected to social media. Mobile is quickly replacing the point-of-sale as the focal point for guest interactions, transactions, and relationship management. The priority is empowering customers and enabling direct engagement with them, wherever

they are. If restaurant organizations are to keep pace with the growing digital trends, business leaders need to consider investing more in technology.

News headlines suggest that restaurants are keenly focused on enhancing customer experiences both on and off premise in support of every stage of the customer lifecycle. These moves are raising the competitive bar. Each year, we ask restaurant operators to indicate current and planned deployment of key CETs in support of CXM strategies. The top CET areas remained similar to those noted in the 2017 study, and this year we note that four specific areas will reach maturity (saturation) by 2019. These include creating a comprehensive mobile experience (82%), enhancing loyalty programs (92%), investing in mobile payment systems (76%) and expanding the capability to personalize offers in real-time based upon guest preferences (77%). We also expect to see increased interest in customer experience management platforms (65%), the Internet of Things (52%), location-based technology applications (50%), interactive digital signage (50%), and chatbots (48%). Kiosks will also see significant growth, going from 2% to 38%, primarily in the quick-service and fast-casual segments. Interest in kiosks has risen because younger generations want to be empowered and in control of their order transactions. Additionally, they offer the potential for labor savings at a time when wages and health care costs are on the rise and reliable help is hard to find.

Overall, these results suggest that there will be some significant shifts in focus over the course of the next year and that restaurants are pursuing a multi-year strategy by emphasizing different technology areas each year to increase capabilities and offer more robust guest experiences. It is clear that restaurants are deploying technology to grow market share and revenues while driving customer loyalty. Achieving efficiencies and reducing operating overhead are also important but to lesser extents.

Given the responses, many of these technologies will become commonplace across the industry, moving quickly from potential competitive advantage to competitive neces-

RESTAURANT REPORT

CUSTOMER ENGAGEMENT TECHNOLOGY STUDY 2018



CXM BUDGETS BREAKDOWN

Mobile website/app	45%
POS	41%
Social CRM	36%
CRM	29%
Network Infrastructure	21%
Workforce Management	12%
Other	7%



Diners and restaurants focus on social and mobile to engage guests. More tech dollars are being earmarked for these two areas.



all channels (60%), continue to invest in technology (56%), conduct more employee training (53%), increase CXM spend (46%), add staff (32%), focus on creating one view of the customer across the enterprise (23%), and customer experience journey work flow management (19%).

To improve customer information, restaurateurs are using various methods for collecting customer data. Seventy-seven percent of respondents use the POS system as the primary data collection vehicle, whereas 70% use social media and 56% rely on loyalty and/or customer relationship management system(s). Another 54% ask customers to provide personal information in order to download or use the restaurant's mobile app.

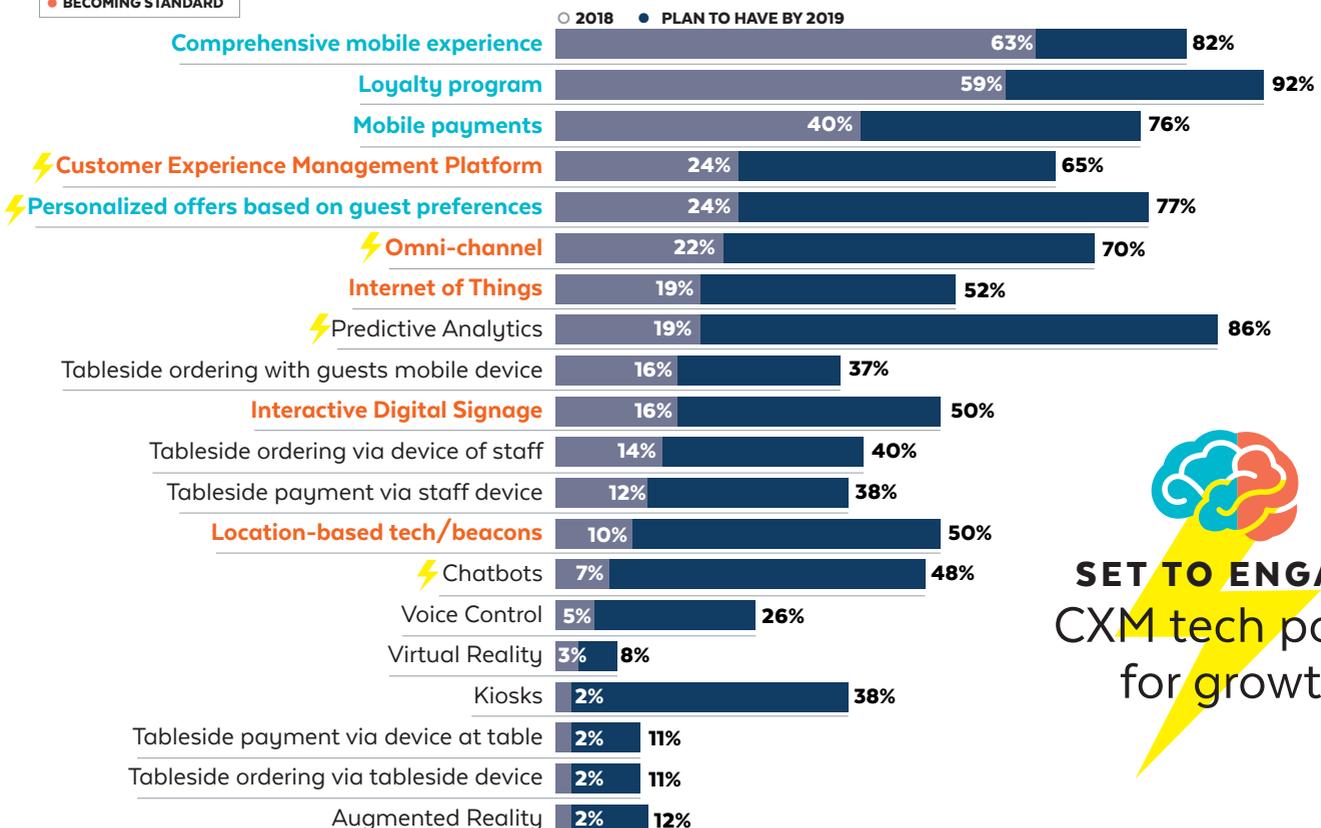
By collecting this information and using it for data analytics, restaurants have reported a number of benefits. These include an increase in loyalty program members (54%), an increase in sales (51%), increased average check size (49%), higher customer satisfaction ratings (47%), and improved customer retention (44%). There are quantifiable benefits to having strong data analytics capabilities and using them appropriately to personalize services, influence customer behavior, and enhance the value proposition.

sity. Tableside ordering and payment are expected to gain very little traction at 11% next year. Given concerns regarding credit card security and the desire to increase the speed of table turns, we expected to see more interest in tableside payment solutions.

To support these CXM priorities, restaurants are looking to expand access to loyalty programs and rewards across

CXM TECHNOLOGY TRAJECTORY

- MATURE TECHNOLOGY
- BECOMING STANDARD



SET TO ENGAGE:
CXM tech poised
for growth.

EXECUTIVE INSIGHT

How Predictive Analytics & CXM Yield Real ROI



Predictive analytics is poised for growth, second only to loyalty programs for restaurant CXM strategies by 2020. How should the two be connected?

MICHELLE TEMPESTA: The benefits are clear – our clients have seen a 10x

improvement in ROI with the use of predictive analytics. Paytronix uses this in two distinct ways: First, forecasting the likelihood a guest will visit in the next time period. That prediction enables the marketer to minimize cannibalized sales by removing from promotions those who are likely to visit. Next, predictive analytics and machine learning recognize patterns in visit behavior. When the guest misses an expected visit, the system automatically sends a personalized message designed to compel the guest to return to their normal visit cadence.

What should restaurants do to take customized promotions to the next level?

TEMPESTA: One-to-one marketing is achieved by using machine learning, a robust rules engine, automation, and input from a data insights team on what works, what doesn't, and why. In the end, each individual guest receives a unique visit challenge, for example. That visit challenge is based on the individual's visit history, the offer that is most likely to motivate that specific guest to visit, and more. It's delivered via the communication channel that's most effective to compel that guest to act – in-app messaging, push notifications, geofencing, email, or SMS. Paytronix one-to-one visit challenges have motivated millions of incremental transactions so far.

The majority of diners want the ability to receive and redeem coupons and special offers via mobile website/

app. What should restaurants do to improve upon the practice of sending offers?

TEMPESTA: Omni-channel and convenience have never been more important for the guest. They need to be able to redeem the offer in store and online. The most frequent guests will likely download and use a mobile app. However, less frequent guests, those who represent the largest opportunity for incremental visits, need choices. Today, Paytronix has Apple Pay with NFC Loyalty in about 2,000 locations nationwide. Guests and operators are enjoying the convenience of mobile payment with loyalty ID happening with a simple NFC tap. Plus, offer redemption, reward balances, and expiration dates are available all within the pass. With click-to-load offers, marketers can directly attribute email campaign efficacy to offer redemption since the offer is not available until the recipient takes a specific action within the email.

How should restaurants apply omni-channel strategies to loyalty?

TEMPESTA: It comes down to reach and results. The more guests in the program, the more the program will deliver incremental transactions from within the store as well as off premise. Keeping guests engaged in the program also contributes to results. If they do not receive the core program benefit both on and off premise, they are likely to quit the program and possibly the brand. Offers, rewards, gift currency, mobile payment – it all must make doing business with the restaurant friction-free. Stored value, like the Peet's Coffee model, makes it convenient for the guest to earn rewards and pay with a single tap. Apple Pay with NFC Loyalty does the same. Pay at the Table helps table service compete with the fast-casual experience by putting the guest in control of the duration of the visit.

RESTAURANT REPORT

CUSTOMER ENGAGEMENT TECHNOLOGY STUDY 2018



ALIGNING INTENT WITH ACTION: HOW RESTAURANTS SUPPORT CXM STRATEGIES

19%

Customer experience journey workflow management

23%

One view of customer data enterprise-wide

32%

Expanding staff/internal resources

46%

Increasing budgets for CXM

53%

Increase training/awareness

56%

Invest in technology

60%

Omni-channel customer loyalty/reward programs

Mobile First, Mobile Always

The ubiquity of mobile is undisputed and consumers are in a constant state of connectivity. Thus, it is appropriate to pursue a mobile-first strategy coupled with social media integration, and media-rich experiences. Restaurateurs commonly utilize social media to market to and engage guests. Pictures and videos are favored by 77% of respondents and 74% distribute special offers via social media. Fewer than half (49%) deploy contests, and only 35% take advantage of location sharing and social media check-in capabilities. Virtual reality and augmented reality did not register in this year's survey, with fewer tested business cases of either.

Restaurants continue to invest in mobile apps/websites to expand functionality and improve the user experience. The top six mobile app and/or website features are related to commerce. These include restaurant search with location-based integration (74%), mobile payments (63%), receive and redeem coupons and deals (61%), and mobile ordering (56%), loyalty program management (56%), and gift card purchases and redemption (54%). Since last year, we saw significant jumps in mobile payments (previously ranked 6th) and receiving and redeeming coupons (previously ranked 7th).

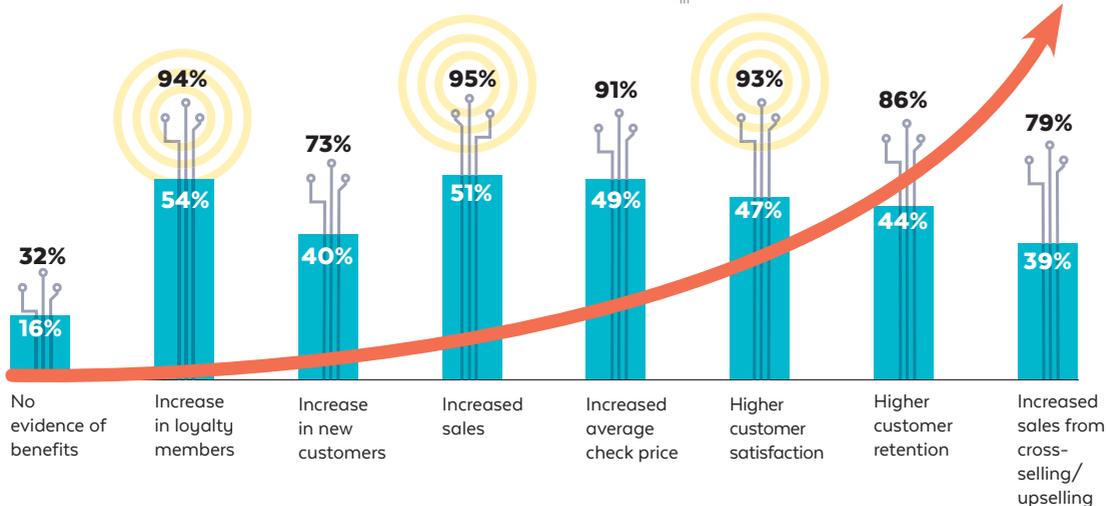
TOP SYSTEMS MINED FOR CUSTOMER DATA



The next tier of functionality includes access to menu and nutritional information (51%), ability to purchase merchandise (39%), customer satisfaction surveys (35%), social media access (32%), consumer reviews (30%), and table reservations (28%). It is puzzling to us that more restaurants are not making it easier for customers to access and post customer reviews. While we understand the hesitations and distrust restaurateurs have, particularly around negative reviews, customers frequently seek out this information. Why not facilitate access and keep guests from jumping to other sites at the risk that

CHARTING BENEFITS OF DATA STRATEGIES

• OVER LAST 2 YEARS WITHIN 2 YEARS



Analytics ROI by 2020...

95%

of operators have already seen or expect to see increase in sales

93%

of restaurants have seen or expect to see higher customer satisfaction

94%

of operators have or will see increase in loyalty

CASE STUDY

Panda Express Expands Outreach with Uber Eats, NovaDine

Giving customers what they want, when they want it is a driving force behind Panda Express' partnership with third-party delivery system Uber Eats. Panda Express is one of the first restaurant chains to take advantage of Uber Eats' new Menu and Order APIs (application program interfaces). The Menu API allows participating restaurant chains to create and modify menus in real time while the Order API pushes new order notifications and allows order download from Uber Eats. Panda Express worked with NovaDine to integrate both into their POS earlier this year. To date, 800 of the 2,000 Panda Express locations are using the third-party delivery service.

According to Therese Lim, head of enterprise product for Uber Eats, this integration is part of a larger effort to improve restaurant ease of operations when it comes to delivery: "Uber Eats has always been committed to making it as easy as possible for restaurants to work delivery into their day-to-day operations. Through trusted system integration partners like NovaDine, our hope is that all restaurants will be able to tap into our APIs to integrate their POS systems and take their delivery experience to the next level. We are thrilled to see Panda Express up and running with this integration."

Before this integration, orders from Uber Eats had to be manually re-entered into the POS, opening the door for costly order errors and needlessly taking staff away from customer service and other tasks. Now, orders are received and verified by the Panda Express location on the Uber Eats supplied tablet and automatically sent to the POS, thanks to the integration developed by NovaDine. This timesaver is the biggest benefit, says Luther Kwok, director of catering & special events for Panda Express.

"There's more to a robust integration than successfully sending orders to POS, "



explains George Istfan, founder of NovaDine. "The initial creation of compatible menus for third-party delivery providers like Uber Eats used to be a challenging and time-consuming task ... NovaDine's integration handles this automatically and seamlessly. NovaDine creates compatible menus on Uber Eats for each location in seconds, allowing for a quick rollout across the chain. Uber Eats menus are then kept up to date in real time anytime the POS/ NovaDine menu is updated."

The integration increases efficiencies and gives Panda Express locations the power to add or remove dishes from the menu. As a result there's a decrease in rejected orders, less time is spent troubleshooting, and friction in the guest's experience is reduced.

For Panda Express it's a deepening of their relationship with NovaDine and Uber Eats. The American Chinese restaurant began selling online through its website in January 2014 and Uber Eats in late 2016.

"The benefit of going through NovaDine for the integration is that the experience is the same," says Kwok. The regular online order comes in through POS where a 2-part receipt is printed and then the associate assembles the order. Online orders are retrieved from the location's signed pickup area.

Panda Express has been using NovaDine's integration with Uber Eats for a few months and plans to roll it out to additional locations.

"We're happy with the solution," says Kwok.

RESTAURANT REPORT

CUSTOMER ENGAGEMENT TECHNOLOGY STUDY 2018



RESTAURANTS CLOSE GAP ON MOBILE OFFERINGS



Restaurants are delivering on most areas – maybe even over-delivering, but they are missing opportunity in enabling consumers to read/post reviews, make reservations and track order status.



Ordering through social networks and voice control, while still lower on consumers' must-have lists, still have more than a quarter of respondents wanting it and low restaurant adoption. These are areas of opportunity for early adopters.

	WHAT RESTAURANTS HAVE	WHAT CONSUMERS WANT
Search for restaurant with LBS	74%	59%
Mobile payment	63%	50%
Receive and redeem coupons	61%	62%
Food/beverage ordering	56%	51%
Loyalty program management	56%	47%
Purchase/redeem gift cards	54%	55%
Nutritional info	51%	
Purchase branded merchandise	39%	
Take satisfaction survey	35%	47%
Access to social media	32%	35%
Read/post reviews	30%	58%
Ability to make reservations	28%	59%
Track order status	14%	58%
Enter contests	12%	39%
Provide secret menu items	9%	46%
Ordering through social	9%	29%
Ordering through voice control	7%	28%
Influence product/menu development		37%
Watch videos about food sourcing		33%

they will not return because they found other options?

Emerging in this year's study is ordering via voice controlled devices (such as Amazon's Alexa and Google's Home) and via messaging tools and social media. Both currently fall below a 10% penetration rate, but given the popularity, significant growth is anticipated within the next year. Respondents indicated that they plan to focus more on reservations and order tracking in the coming year. Thus, we expect to see notable jumps in these two areas with both anticipated to achieve close to 60% penetration next year.

Because a key advantage of mobile is the ability to detect one's location, we explored how restaurants are seeking to leverage location-based technologies and applications for business advantage. The top priorities cited are push notifications and mobile coupons (47%), customer recognition/notification upon arrival (47%), and customer analytics (44%). Responses suggest there are still a fair number of laggards (9%) or restaurants that have yet to understand the business potential for location-based technologies. They are missing the potential of capturing impulse buyers, upselling

WHAT'S DRIVING TODAY'S DIGITAL DINERS' DECISIONS

DINE-IN



Free WiFi	64%
Ability to preview menus/nutritional info	63%
Positive consumer reviews/high ratings on third party	63%
Ease of online reservation process	59%
Ability to make dining reservations from your mobile device	50%
Ability to track order status	48%
Belong to restaurants loyalty program	45%
Mobile app variety of features	43%
Ability to pay for food via mobile	41%
Ability to place orders via tech at table	40%
Personalized communication based on purchase history	39%
Sends messages to mobile device based on location	33%

TAKEOUT:

Positive reviews ★★★★★	65%
Ability to preview menus	64%
Ease of online ordering process	61%
Ability to track orders	58%
Ability to place order from mobile device	54%
Ability to pay for food via mobile device	48%
Mobile app with lots of features	47%
Belong to restaurant's loyalty program	45%
Connecting to delivery service (Uber Eats)	45%
Personalized communication based on history	42%
Sends messages to mobile based on location	36%
Ability to order via Facebook messenger	30%

Mapping the Impact of Digital Menu Boards

Brands realize return on investment with investment in smart menus

Digital menus can provide up to a **95% cost savings** over static menus.



Restaurants with digital menus see a **3-5% increase** in average sales.



Source: WAND study of large brands.

20% of guests' purchasing decisions are **INFLUENCED** by digital menu board promotions.

6% **INCREASE** in average check size



DIGITAL MENUS + VIDEO =

30% of guests make unplanned purchases



Wait times perceived to be **15+% shorter**



Digital menus benefit business...

<p>\$ Improve the Bottom Line!</p> <ul style="list-style-type: none"> ✓ 11% increase in add-on item sales ✓ 100%+ lift in featured item sales 	<p>Lower Food Costs!</p> <ul style="list-style-type: none"> ✓ Promote excess inventory. 	<p>Improve Operational Efficiency!</p> <ul style="list-style-type: none"> ✓ Save on printing costs. ✓ Eliminate time/labor costs of changing static boards.
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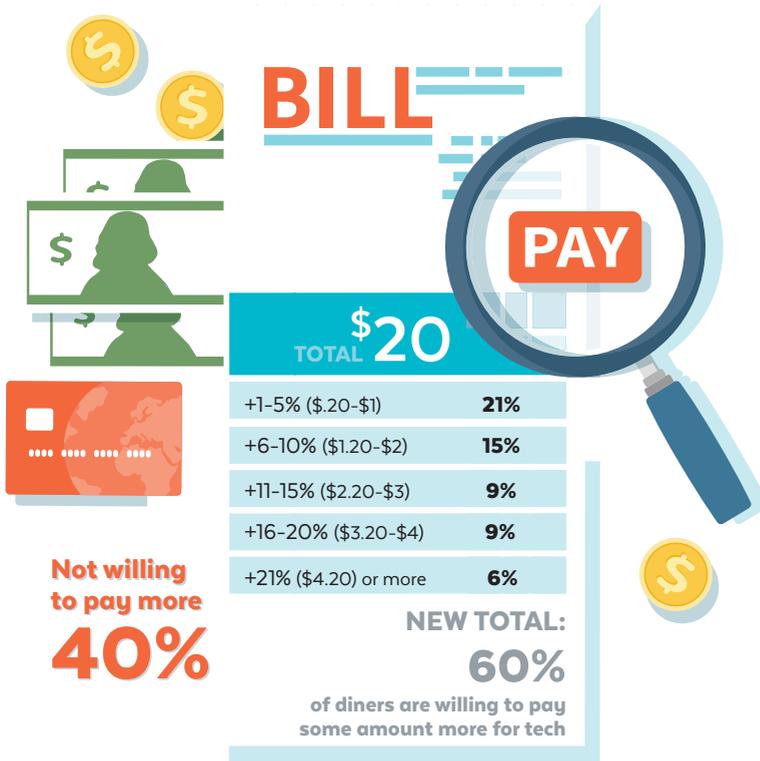


RESTAURANT REPORT

CUSTOMER ENGAGEMENT TECHNOLOGY STUDY 2018



TECH & CHECK CONNECTION: HOW MUCH MORE WILL DINERS PAY FOR TECH?

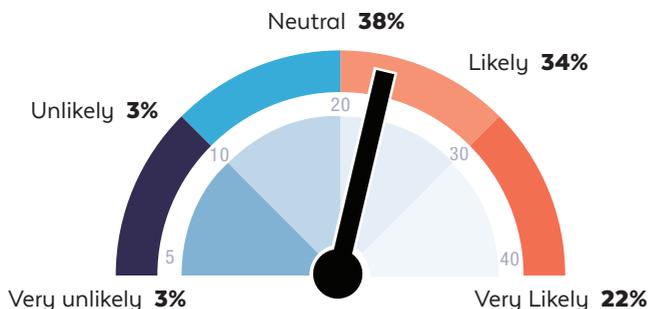


customers, and improving operational efficiencies, particularly with take-out service and curbside pickup.

Empowered Diners Seek Ease and Transparency

Restaurant customers told us that they appreciate robust mobile apps; that is, apps that offer a variety of functions and features and that are easy to use. The key technologies driving restaurant selection are free (and reliable) WiFi (64%), the ability to preview menus and review nutritional information (63%), positive customer reviews and ratings (63%), and reservations online (59%) and via mobile devices (50%). Also popular among consumers are the ability to track order status (48%), loyalty programs (45%), mobile payments (41%),

LIKELIHOOD OF REVISITING A RESTAURANT WITH TECH SELECTED AS IMPORTANT



and tableside ordering (40%). These same technologies were identified as important drivers last year, albeit the ordering was slightly different.

When it comes to takeout, key influencers include positive reviews (65%), ability to preview menus and nutritional content (64%), online ordering (61%), ability to track order status (58%), mobile payments (48%), loyalty programs (45%), and connectivity to a delivery service (45%).

Given the importance of technology in influencing customer restaurant selections and knowing the costs to restaurants to offer such capabilities, consumers were surveyed as to how willing they would be to pay more (assuming an average check size of \$20) to have access to and be served by the various technology features they desire. Two out of five consumers (40%) responded that they were not willing to pay for these. Instead, they simply expect that restaurants will provide them in order to earn their business and loyalty.

However, 60% said they would be willing to pay some premium: 21% expressed a willingness to pay between 1 and 5% more, 15% between 6 and 10% more, 9% between 11 and 15% more, 9% between 16 and 20% more, and 6% were willing to pay over 21% more. Customers (56%) also indicated that they would be likely to return to restaurants that offered the technology functionality and features they sought. Overall, these results suggest that there could be positive return on investment and increased market share by investing in technology and getting it right — serving the needs of customers in seamless, convenient ways.

In terms of location-based services, customers seek having mobile coupons pushed out to them when they are nearby the restaurant (51%), and receiving personalized offers on mobile devices when they are at the restaurant (45%), mobile ordering (49%), recognition when they arrive on site (42%), and customized messages and offers on smart/interactive signs (36%).

We asked restaurateurs to share their views of the future and what emerging technologies they thought could have the greatest impact on the restaurant customer experience. The most popular responses included interactive kiosks (62%), chatbots (46%), voice-controlled devices (44%), and wearables (23%). Other responses included biometrics (21%), robotics (13%), augmented reality (10%), virtual reality (8%), and blockchain (8%). It will be interesting to watch these technologies evolve and see how the industry responds. Many have been on the industry's radar but have yet to make significant inroads.

What is clear is that technology has and will continue to redefine service models and customer expectations. It is no longer enough for an online experience to represent a physical location ... now the physical location has to offer the speed, convenience and automation of the online entity. The lines between digital and analog are blurring further. This will necessitate a new type of business architecture that is flexible enough to blend both worlds. **HT**

Making the Point of Sale a Point of Engagement



LUIS ARTIZ,
GROUP PRODUCT
MANAGER, NORTH
AMERICA SYSTEM
DEVICES, EPSON

The point of sale (POS) receives a sizeable portion of IT budget as it relates to CXM (41%), second only to mobile website/app. How do you recommend operators make the most of that investment with innovation strategies to drive guest engagement?

LUIS ARTIZ: We are starting to see the “retailization” of restaurants. Customers want the option to eat anything they want – anywhere they want – because of food online services. Restaurants will have to create memorable experiences to get customers into the eatery.

The fastest growing restaurants (according to a report by CNBC, April 20, 2018) are all offering specific experiences around order customization, loyalty clubs, culinary excellence, and limited-time menu items. They are creating specific reasons for the customers to go to the restaurant.

Approximately one-quarter of restaurants already have technology to personalize offers based on guest preferences, and 77% plan to by 2020. What should restaurants consider to tap the full potential of customized promotions?

ARTIZ: The ability to personalize promotions is not the goal...the real holy grail is the ability to predict WHEN the customer will want to eat and WHAT they will want to eat. That sort of predictive application of technology leads to the best messaging.

The restaurant’s technology needs to understand the customer’s habits, size of bill, when they eat, and what types of food they like. It does not make any sense to send a coupon for baked salmon to a customer that only eats steak. If a customer only comes in for breakfast, do not offer him or her a dinner promotion.

How have guest expectations evolved concerning POS? How do these expectations affect the implementation of POS and related technology?

ARTIZ: Customers are expecting ultimate ease of use at the restaurant. POS should be invisible to the client. If the customer’s phone is detected (beacon), it should be easy for the POS to send the bill to the customer. Then, the customer can review, split, and pay for the bill without waiting for the wait staff. All the information gets stored in the loyalty application, so customer preferences/history can be used to deliver customized promotions.

“The restaurant’s technology needs to understand the customer’s habits, size of bill, when they eat, and what types of food they like.”

The majority of diners (62%) want the ability to receive and redeem coupons and special offers via a mobile website/app. What should restaurants do to improve strategies or consumer experience regarding coupons? How can the industry foster delivery of communications?

ARTIZ: The offering has to be seamless. Operators do not want customers to have to look for or try to find coupons because they will forget or not want to deal with it. Offer the coupon reminder via text, but make sure it is easy for guests when they are inside the restaurant. When the customer walks in, the beacon recognizes the customer, so that the greeter can say something like, “Thank you for coming back Ms. Smith. I just want to remind you that you have a free bowl of soup waiting for you!”



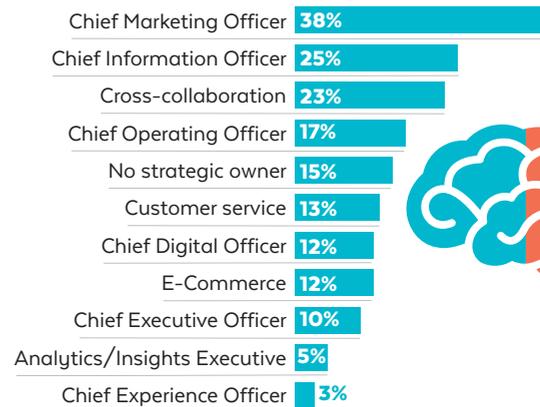
Seen, Heard & Speaking: The Engaged Hotel Guest

Hospitality Technology's Lodging Technology Study reports that improving digital engagement and guest loyalty is the top technology priority for hotels in 2018. This is indicative of just how competitive it is to attract and retain today's discerning and value-conscious guests. In this year's CET study, half of all lodging respondents indicate that their companies have an active CXM strategy in place. This is down by 10% from last year's findings, and off considerably from the 79% projection that the 2017 study predicted. It is surprising and troubling that 50% of this year's respondents have not yet embraced CXM given how fundamental guest experiences are to the core of hospitality business and because of revelations that this is now an industry-wide top priority. The 50% that have not yet established business policy around CXM implementations risk missing opportunity and having their brands fall further behind competitors.

For organizations that do have a CXM in place, primary responsibility resides most commonly with the chief marketing officer (38%), followed by the chief information officer (25%), and the chief operating officer (17%). Findings suggest that more chief executive officers are delegating CXM this year. In last year's study, 28% of chief executives had direct oversight for CXM. This year, that figure dropped to 10%. Chief digital officers accounted for CXM leadership at 12% of respondent firms. However, as many as 15% of the responding organizations indicate that there is no strategic owner, probably due to the lack of a formal CXM strategy. It is important to note the support from the highest echelons in the organization is a factor to success. Having CXM report to one or more C-level executives drives home the importance, elevates awareness, and makes it part of an organization's cultural DNA.

The relationship between marketing, technology, and analytics are critical to achieving strong CXM results. In 23% of

C-LEVELS LEAD HOTEL CXM STRATEGY

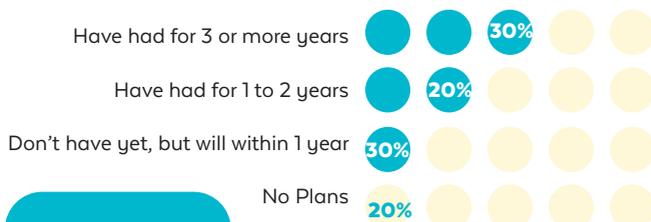


the lodging companies, CXM strategy is a shared responsibility across multiple department heads. The shared approach makes sense given the complexity of the guest lifecycle, the need for a seamless omni-channel approach, and the number of hotel departments with which a guest is likely to interact during a typical stay. Departments will require stronger integration between systems to provide a transparent view of guest data. This 360-degree picture is vital to drive effective engagement and impactful experiences that will foster brand loyalty.

To support CXM strategy and deployment, hotel companies are deploying a multi-pronged approach. Key initiatives include adding new staff training programs (63%), investing in technology (61%), enhancing customer loyalty and rewards programs across all distribution and service channels (51%), and expanding CXM budgets and staff (44%). Additionally, 29% of respondents indicated a focus on developing a single view of the customer that can be shared across the omni-channel, and 27% reportedly are working on implementing a customer experience journey workflow management system to provide more seamless service and to better recognize guests at each point of interaction. The fact that training increased from 49% last year to 63% this year to surpass investing in technology underscores the importance of people in service delivery. While having the right technology is important, the full benefits of the technology can be realized only if the people using the technology know how to effectively use it. Success comes down to having the right technology, people, and process fit.

Lodging companies investing in CXM and CETs prioritize the following: customer relationship management (49%),

STATE OF CXM STRATEGIES IN HOTELS



80% of hotels will have official CXM strategies in place by 2019.

EXECUTIVE INSIGHT

The Network: The Channel to Drive Guest Engagement & Experience



DONNA COBB,
EXECUTIVE DIRECTOR,
ENTERPRISE
MARKETING,
COMCAST BUSINESS

The network receives 41% of hotels' IT budgets as relates to CXM. How do you recommend operators make the most of that investment as it would impact guest engagement?

DONNA COBB: By growing Internet bandwidth, WiFi and cloud operations, hotel operators can gather smarter

guest analytics and deliver more positive and personalized experiences. In today's mobile environment, having customers connect to your WiFi is an important way to strengthen your brand relationship through loyalty offers and other incentives to take advantage of hotel services. A robust network environment also lets guests enjoy their own personal experiences such as social networking, music and video streaming.

“Next-generation solutions will enable all users of the network to communicate using multiple communications, including voice, video and data.”

The majority of guests (85%) and diners (62%) say that access to free WiFi will drive booking and dining decisions. How should this knowledge influence hotels' and restaurants' network strategies? What steps can be taken to bolster WiFi to make sure it is not only free to guest, but strong and reliable?

COBB: Separating guest WiFi and employee WiFi is becoming a new performance standard for both hotels and restaurants to deliver positive

connected guest experiences without impacting back-office operations – and vice versa. Imagine a weary traveler arriving after midnight only to find she cannot unlock the door with her mobile room key, because the WiFi is not working. Having an open channel to deliver loyalty offers and new connected amenities is essential to a modern hospitality experience.

When it comes to the network, infrastructure is often a problem. What steps should hospitality companies take to make sure networks are future-proof?

COBB: You cannot build the hotel of the future on yesterday's networks. Hospitality companies should avoid trying to retrofit outdated, expensive technologies. Consider a hybrid approach with on-premises and cloud technologies, Ethernet, SD-WAN and high-speed broadband so data can flow freely and deliver the critical insights needed for positive guest experiences. Next-generation solutions will enable all users of the network to communicate using multiple communications, including voice, video and data.

Networking components such as separate guest WiFi and unified communications can ensure that all users of the network can interact and transact using their multiple method of communications.

What does 5G mean for hospitality and how should operators prepare to keep up with guest expectations?

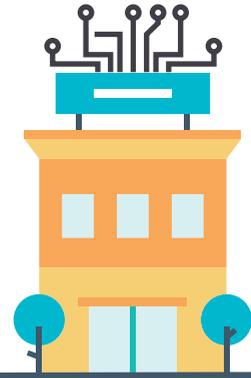
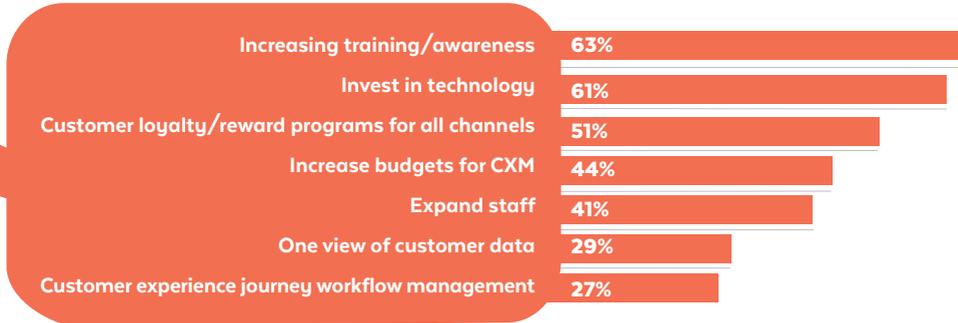
COBB: 5G is promising down the road, but operators can boost their bandwidth today with new high-speed broadband options available up to Gig speeds. Today's Gig-speed broadband is a powerful vehicle to quickly and cost effectively expand existing networks and optimize locations for more efficient operations and satisfying guest experiences.

LODGING REPORT

CUSTOMER ENGAGEMENT TECHNOLOGY STUDY 2018



HOW HOTELS SUPPORT CXM STRATEGY



property management systems (42%), network infrastructure, including bandwidth and security (41%), mobile apps and mobile web (32%), and social CRM (31%). With more guest transactions being facilitated by digital technology and increasingly conducted entirely through technology, integration of CRM becomes critical to ensure a personal touch is part of every guest encounter. The property management system also ranked high because it remains the central hub of the guest experience and serves as a key repository for guest information and guest accounting.

Since most technologies today consume bandwidth on a company's network, additional investment is required to keep up with the increased demand. Security remains at the center of all concerns and requires ongoing investment, especially to comply with the new General Data Protection Regulation (GDPR). In-room technology is a priority for 22% of this year's respondents. While a fair number of hotel companies are upgrading guestroom door locks for mobile entry, adding smart televisions, and experimenting with voice-activated devices like Amazon's Alexa, many of these rollouts are still only at select locations. To offset this, hotels are putting the emphasis on systems that can gather and store guest data. This aligns with hoteliers seeking ways to leverage those insights to capture and retain guest loyalty before making investments and building upon guest-facing technology stacks.

Data gathering and analytics play key roles in CXM, and CETs increase the opportunities to track guests and collect data about them. When it comes to collecting guest data, 85% of hoteliers indicate that the hotel property management system is the most critical, 72% said CRM/loyalty systems, 55% selected POS and 42% picked social media. Twenty-three percent of respondents require guest registration to download and use their mobile apps, giving access to important guest data. These responses reveal just how fragmented guest analytics is, as data points are spread across various systems and platforms; hence, the noted priority around creating a single view of the customer.

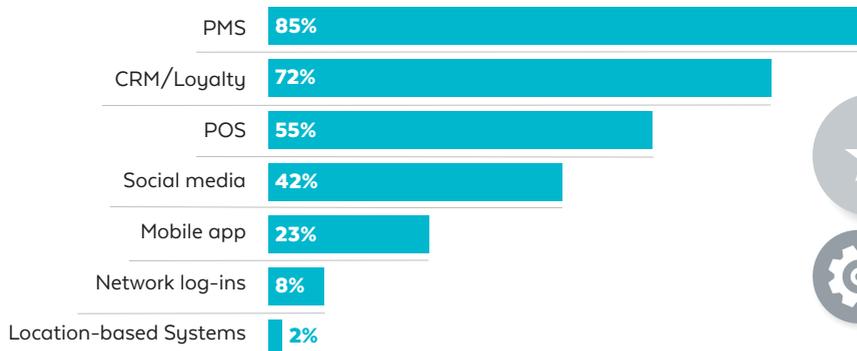
By collecting reliable guest data, hoteliers are able to cre-

DISTRIBUTION OF CXM BUDGET DOLLARS

CRM	49%
PMS	42%
Network infrastructure	41%
Mobile website/app	32%
Social CRM	31%
In-room technology	22%
POS	20%



TOP SYSTEMS TO MINE FOR GUEST DATA



CASE STUDY

Mobile Key Improves Experience & Efficiency

Dallas-based Ashford Inc. (www.ashfordinc.com) is a leading provider of asset management and other services to companies within the hospitality industry. Currently, Ashford serves as the advisor to two NYSE listed real estate investment trusts, namely Ashford Hospitality Trust and Braemar Hotels & Resorts. Combined, Ashford Trust and Braemar Hotels & Resorts have 131 hotels with more than 29,000 rooms and approximately \$7.4 billion in assets.

As vice president of portfolio management, Eric Batis is tasked with identifying strategic partnerships to help improve financial performance and guest experience for hotels in Ashford Inc's managed REITs. One of those partnerships is OpenKey, the industry standard for universal mobile key in hotels.

Realizing that Ashford's hotels affiliated with major brands were benefitting from the brand focus on creating a digital guest experience, Batis saw a need to provide a similar guest experience for his independent properties. A core element of the modern guest experience is the ability to check in remotely, receive a secure digital key on their smartphone and skip the front desk line. Both Hilton and Marriott branded hotels (with other brands close behind) selectively allow guests to go straight to their room upon arrival. More than 3,400 Hiltons in 19 countries (or 65% of its total properties) use digital keys. Since Hilton debuted the digital key option in 2015, more than 22 million doors have been unlocked; in Q1 2018 alone, digital keys opened 6.7 million doors.

To provide Ashford's non-branded hotels with the same guest benefits, Batis opted to work with OpenKey and their universal mobile keyless entry platform. "Adding mobile keyless entry from OpenKey in all of our independent properties was the smart move for Ashford Inc.," says Batis. "Guests staying at our branded properties enjoy digital key provided by



those brands – but those solutions are brand restricted. We needed a mobile key option for the hotels not under those flags."

Batis admits that the company faced a number of challenges, not the least of which was a variety of different locks at the properties. "The universal nature of the OpenKey platform made it simple and scalable for us to implement in our entire independent portfolio while providing the front desk team with an easy-to-use interface and guests with a top-notch user experience," he says.

Ashford hotels are also able to showcase the various amenities at each hotel within the OpenKey app such as restaurants, fitness center/spa, lounges and pool areas. Amenity screens are part of the mobile key experience within the app and allow hotels to use photos, add hours of operation and even a "call for reservation" button to make it easy for guests to engage. The OpenKey platform works with nearly all global companies that manufacture digital locks capable of mobile keyless entry – clearing a significant hurdle for hotel brands and portfolios like Ashford.

"Guests at our hotels appreciate the ability to check in from home, the airport or wherever via the web check-in feature and mobile key has demonstrated an increase in customer satisfaction ratings in social media," Batis asserts. "Mobile keyless entry with OpenKey has proven to be a key engagement component within our digital guest engagement strategy at Ashford Inc."

LODGING REPORT

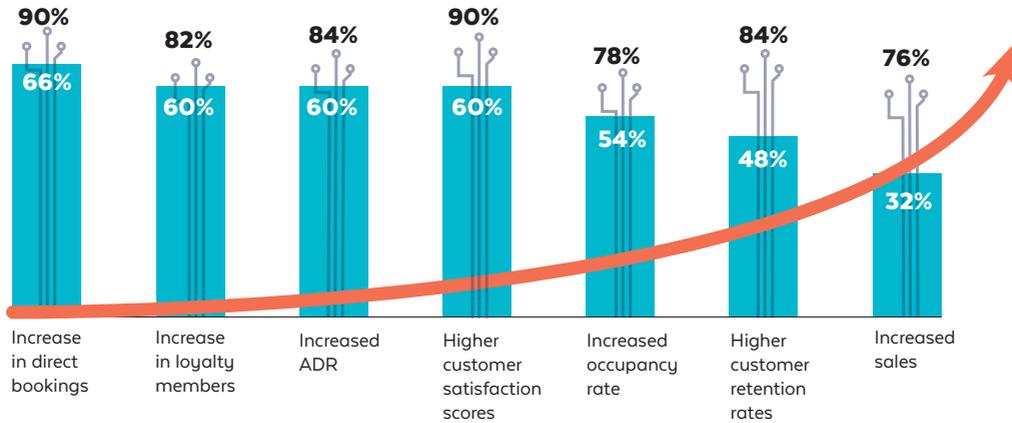
CUSTOMER ENGAGEMENT TECHNOLOGY STUDY 2018

By 2020, **90%** 

of hotels expect data to have helped achieve increases in direct bookings and customer satisfaction scores.

CHARTING THE ROI OF DATA ANALYTICS

• OVER LAST 2 YEARS  WITHIN 2 YEARS



ate rich analytics programs to provide insights into what motivates guests and behavioral characteristics that can lead to, among other things, the development of marketing campaigns, targeted promotions, pricing decisions and — perhaps most importantly — drive direct bookings.

Hoteliers recognizing the importance of insights report that data analytics strategies have already yielded measurable benefits in key areas. Two out of three respondents report increases in direct bookings, and 60% note increases in loyalty members, customer satisfaction scores, and in average daily rates (ADR). More than half report growth in occupancy rates, while 48% report increases in guest loyalty. Within two years, hoteliers anticipate even broader benefits.

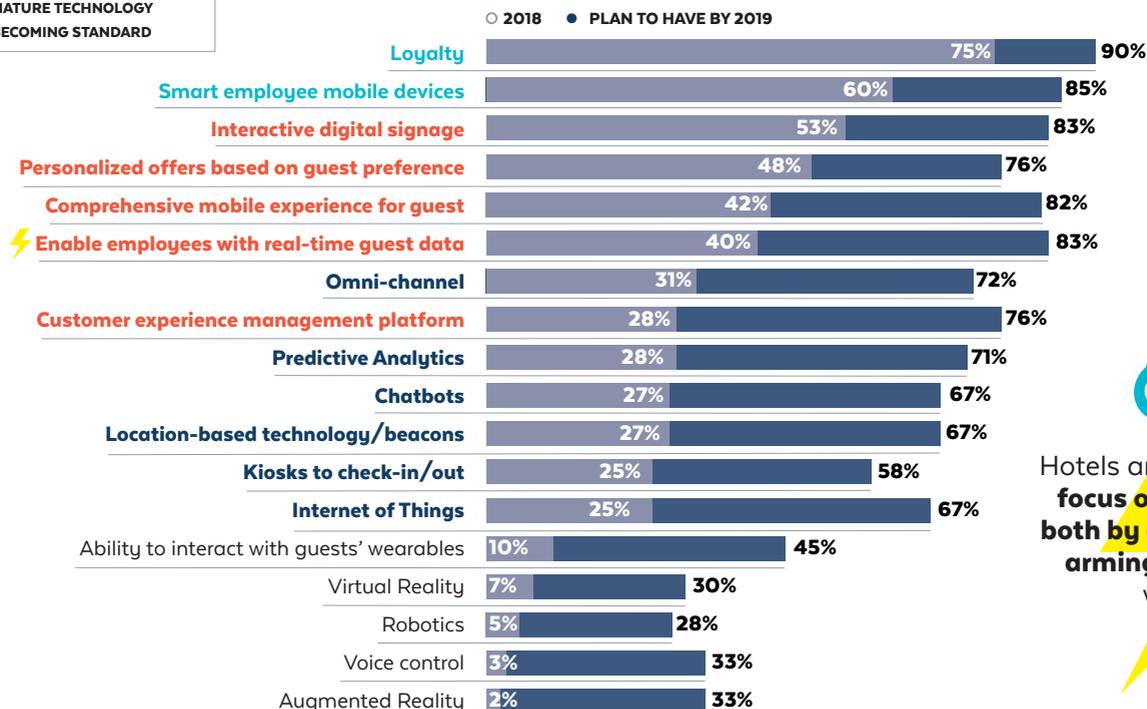
From these data points, the findings are clear. Developing staff competencies and systems capabilities in the area of data analytics is important to one's competitiveness. When done well, data analytics will lead to positive results for numerous key performance indicators.

Keeping Pace with the Pace of Change

Weathering what could be considered a digital tsunami, hotels grapple with rapid advances in technology, the rise of the digital-savvy consumer, threats of new entrants bringing innovative technological solutions to the space, fierce competition, and the ever-expanding range of security threats. The pace of technological change has become increasingly vola-

MAPPING THE TRAJECTORY OF CXM TECH ADOPTION

- TECH REACHING SATURATION
- MATURE TECHNOLOGY
- BECOMING STANDARD



Hotels are **intensifying focus on guest data both by gathering and arming employees with it.**

CASE STUDY

Online Bookings Increase 33% with Integrated UX

A luxury resort was struggling with conveying its paradise-like experience to potential guests through its digital channels. The company, which through its subsidiaries is a leading international developer and operator of destination resorts, casinos and luxury hotels, wanted to create a visually pleasing and personalized customer experience via its website. The complexity of managing disparate technology systems however, made this more difficult to achieve. The company wanted to be able to color potential guests' perception of the brand through a digital "at the resort" experience. A vital component of this was being able to deliver this experience across multiple sites in multiple languages. Achieving such a seamless experience requires the efficient integration of various systems. Ultimately, the brand's chief goal was to achieve higher booking conversion through the support of multiple devices.

Hexaware (www.hexaware.com), a leading global provider of IT, application, infrastructure, BPO and digital services, was selected as the technology partner to achieve these goals. UX-driven (user experience) development was



Omniture enabled deeper web analytics.

The Hexaware solution empowered the business to design a compelling user experience and brand presence across devices, sites and languages and optimized performance for booking and search engine. The business process was optimized through simplified products and offers customization and creation, allowing the brand to enjoy an improved reusability of components for upcoming resorts. Hexaware built APIs to integrate with core booking engines (CRS) leading to a 33% increase in online bookings. Enhanced visitor segmentation and offer targeting provides the resort superior conversion rates with the use of personalization tactics that are possible through the available analytics. The brand also saw a reduced time-to-market for properties and offers launched. Ultimately, these capabilities have resulted in a 30% improvement in lead-to-close ratio, a 40% reduction in new site launch costs and a 20% increase in productivity for multilingual content with direct interface to translation portal.

Hexaware's business philosophy is "Automate Everything, Cloudify Everything and Transform Customer Experiences." This stems from a top-down view that starts with the customer experience, extends into underlying business processes and applications and culminates with infrastructure that empowers it all. This cloud-based strategy allows customers to optimize IT, increase agility, reduce IT costs and foster a comprehensive digital customer experience.

TANGIBLE BUSINESS BENEFITS

- ✓ Superior conversion rates with the use of personalization
- ✓ Reduced time-to-market
- ✓ 30% improvement in lead-to-close ratio
- ✓ 40% reduction in new site launch costs
- ✓ 20% increase in productivity for multilingual content

employed to better understand customer pain points during the booking path and when viewing the property online. A robust CMS was introduced to drive multi-lingual content.

Hexaware also integrated its system with customer analytics to foster personalization of each guest's online experience. This was achieved through centralized content and digital asset management via content management system-driven hybrid solution using Sitecore (Sitecore CMS 7.1). Google analytics and integration to

LODGING REPORT

CUSTOMER ENGAGEMENT TECHNOLOGY STUDY 2018



HOTELS LAG GUESTS' MOBILITY EXPECTATIONS

	WHAT HOTELS HAVE	WHAT GUESTS WANT
Room reservations	80%	68%
Loyalty program management	57%	49%
Calendar of events at property	50%	37%
Mobile check-in/out	48%	53%
Search for hotels with location-based technology	46%	53%
View property maps	43%	51%
Take a consumer satisfaction survey	37%	47%
Integration mobile device and in-room TV	35%	35%
Mobile room key	35%	41%
Read/post reviews	33%	53%
Request service	33%	53%
Order room service	33%	48%
Retrieve bills	33%	58%
Ability to change/manage reservations	30%	65%
Purchase services (spa, golf etc.)	28%	36%
Mobile payment	28%	51%
Receive/redeem coupons	24%	63%
Schedule wakeup calls	22%	48%
Book award travel	19%	54%
Control guestroom	17%	55%
Room selection	17%	56%
Access social media	15%	43%
Purchase/redeem gift cards	13%	52%
Ability to order/request services voice control	11%	29%

3 out of 24.

The number of mobile functions that hotels offer versus what guests want.



On-Demand Culture Drives Guests' Tech Demands

Hotels lag guests' expectations for total mobility in areas where other industries outside hospitality have delivered such service. Retail and airlines have offered customers capabilities that drive expectations for hotel guests to be able to select rooms, redeem coupons, purchase gift cards and manage reservations via mobile device.

tile and hoteliers struggle to keep up with it as they perpetually feel constrained by insufficient funds for IT investment.

According to *Hospitality Technology's 2018 Lodging Technology Study*, the industry spends, on average, only 4% of revenue to sustain information technology, and much of this spending is necessary to support legacy systems rather than new functionality and innovation. The study concludes that insufficient spending will hurt industry competitiveness and make it difficult to avoid the threats of disruption. Industry leaders must accept the fact that the lodging industry is both capital and technology intensive. The future requires greater commitment and investment to remain relevant.

Increasing varieties of technologies are used to create guest experience. Respondents were asked to reveal the technologies they are currently using and what they plan to use in the near future. Topping the list is loyalty with 75% currently having some form of a program and systems in place. An additional 15% indicate plans to adopt a loyalty program in the coming year. Equipping employees with smart mobile devices ranked second, with 60% of respondents reporting current usage, up from just 44% last year. An additional 25% expecting to adopt this technology in the coming year. These technologies will help remove the front desk as a barrier to guest service and allow employees to interact with guests

and deliver services where guests are, rather than making them come to fixed service locations.

Interactive digital signage continues to gain traction. This year, 53% of all respondents indicated their organizations are using this technology, and over the coming year, an additional 30% expect to implement this technology on their properties. Using guest history and guest preferences (CRM strategy) to provide personalized offers as a way to influence guest purchase frequency and spend ranked fourth with 48% of the respondents having currently deployed this capability and another 40% expecting to do so this year. Moving up this year and rounding out the top five is a focus on offering a comprehensive mobile experience for guests at 42%, with an additional 43% preparing to embark on this in the coming year. This is recognition as to the significant role mobile plays in nearly every phase of the guest lifecycle and its growing influence in the guest experience and overall satisfaction.

The next tier includes: enabling employees with real-time guest data (40%), omni-channel (31%), customer experience management platform (28%), predictive analytics (28%), chatbots (27%), location-based technology and beacons (27%), service kiosks (25%), and the Internet of Things (25%). Adoption of each of these technologies in the coming year is expected to more than double.

Strategic Shift to Improve HTNG and Industry Alignment

New workgroup structure supports industry's key priorities

The biggest difference between HTNG and other associations in hospitality technology is our workgroups. Serving as the heart and soul of HTNG, these groups meet regularly to discuss emerging technology and related challenges for the industry and to develop solutions, best practices or standards to address them.

For many years, HTNG leveraged two distinct groups of members to form workgroups around these issues. These two groups (forums) focused separately on infrastructure and software due to a natural separation of topics and members aligning around one or the other. At that time, HTNG workgroups predominantly linked to just one of these forums. HTNG recognized that the business of IT has blended, so a new structure was recently created to better align strategic concepts for the industry.

In 2017, HTNG received input from its most valuable resource, its members, and identified the greatest challenges and opportunities today in hospitality technology. These areas were divided into "Strategic Pillars," which define the key priorities the industry is focusing on to make their companies more successful or customers more satisfied. HTNG's Strategic Pillars (http://www.htng.org/page/Strategic_Pillars) are: Quality of the Guest Experience, Staff Recruiting and Engagement, Adopting Brand Standards, Modernizing Infrastructure, Security, and Operational Excellence. These pillars now create an overarching umbrella for workgroups to spread across multiple themes.

Furthermore, HTNG established a Global Strategy Team to bring focus and attention to the Strategic Pillars and align workgroups to these higher strategic concepts. The elected Strategy Chairs and appointed Strategic Advisors of each pillar lead HTNG's Global Strategy Team to help increase progress and performance of the group. The primary goal of the Global Strategy Team is to bring in line these industry focuses to all HTNG members and to have a forum to provide workgroup updates.

HTNG's Strategic Pillars and their mission objectives are defined below:

Quality of the Guest Experience: Increase guest satisfaction by providing hotel guests with cut-

ting-edge technologies and personalized content. Some solutions include: WiFi, BYOC/D (Bring Your Own Content/Device), IoT, CRM, mobile check-in and lobby check-in. Many of these technologies focus on reducing costs, improving efficiencies and enabling staff to connect more directly with guests. These technologies are used to help improve the quality of the guest experience at a hospitality venue.

Staff Recruiting and Engagement: Bring greater awareness of IT in the hospitality industry and encourage future generations of the industry to consider this department as a career path. This pillar will explore the use of technology to increase staff engagement to make staff members' lives easier and to generate greater productivity.

Adopting Brand Standards: Help brands champion standards to owners and operators, increase penetration of each brand's strategic solutions at properties, return performance metrics in a measurable way and ensure solutions are being created with a multinational view. A company's collective impact of strategy, investment, effective operations and brand strength should all add up to success.

Modernizing Infrastructure: Provide insights into emerging technologies to help ease the difficulty of modernizing infrastructure. Infrastructure is key to the success of an overall technology strategy, and evaluating available options is one of the biggest challenges facing hoteliers today.

Security: Build a common understanding about what needs to be protected, the risks in lack of protection, the threats against hotels and strategies to safeguard them. The hospitality industry needs to look beyond simply being compliant with existing policies and target being secure in a pragmatic way, considering the risks and the costs of mitigation.

Operational Excellence: Give operational stakeholders the ability to measure whether a solution makes a positive, neutral or negative influence on a hospitality venue through a framework including the evaluation of sustainability, cost savings, staff retention and satisfaction, brand goal attainment and more. **HT**

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CUSTOMER ENGAGEMENT TECHNOLOGY STUDY 2018



On the emerging front are wearable technologies (10%), virtual reality (7%), robotics (5%), voice-controlled devices such as Amazon's Alexa (3%), and augmented reality at 2%. Customers' comfort levels using these technologies is on the rise. According to Phocuswright data, 39% of guests are completely comfortable using chat to contact the front desk. Gartner predicts that artificial intelligence business value will reach \$1.2 trillion in 2018, an increase of 70 percent from 2017, swelling to \$3.9 trillion by 2022. The value in technologies that leverage machine learning extend beyond customer experience and will have implications for service, operations and employee engagement.

Evolution of Mobile Empowers Guests

Mobile has evolved from a nascent service to the preferred method of service for guests. Mobile is often the first, and sometimes only, platform used by guests to shop for and manage travel. Because of its size, it is almost always accessible and the most convenient device to use when on the go and during the travel experience. Hoteliers were asked to identify the functionality and features their companies provide to mobile users. The most widely available feature, cited by 80% of respondents, is room reservations. The 20% of laggards not enabling this are missing a key revenue-generating opportunity.

Loyalty program management ranks second with 57% of respondents offering functionality to support account retrieval, profile updating, and point redemption. This figure improved dramatically over last year with only 43% offering loyalty program management functionality. Also up considerably is having a calendar of events for activities on property and in the vicinity. This year, 50% of all respondents versus only 19% last year, indicated having this capability. The fourth most popular mobile feature (at 48%) is the ability to check in and check out. Rounding out the top five in the list at 46% is the ability to search for hotels using integrated location-based technology.

There was significant movement in hotel companies adding a number of mobile feature areas since last year. The following saw notable upticks in deployment from 2017 (percentages represent the increase from last year): ability to control guestroom TVs from mobile phones (22%), ability to purchase hotel services such as spa, golf, etc. (22%), smartphone as guestroom key (19%), room service orders (19%), schedule wake-up calls (16%), and coupon distribution and redemption (13%).

Guests selected mobile app/website features and functions they desire most to support their hotel selection and in-stay experiences. The results, when juxtaposed with the mobile features and capabilities available via hotel operators is revealing. There are a number of gaps suggesting that hoteliers are failing to listen to the voice of the customer. Guests cited the following as top priorities: room reservations (68%),

Hey Alexa, What's the Next Big Thing in Hotel Technology?

The future will be controlled by voice. When asked to identify technologies that would have the most impact on hospitality in the near future, voice-controlled devices such as Amazon's Alexa (56%) and chatbots (50%) were among the top three. Interactive kiosks took second place (54%).

ability to change/manage reservations (65%), ability to receive and redeem coupons or other promotions (63%), ability to book award travel (54%), ability to control guestroom atmospherics such as lighting and temperature (55%), the ability to select specific guestrooms (56%), and the ability to purchase and redeem gift cards (52%).

Additionally, guests seek opportunities to manage their health and wellness while traveling (40%). The gaps between customer demand and hotel suppliers' ability to deliver for each of these eight capabilities are between 35 and 40%, which are significant. Reviewing the full list reveals that hoteliers are missing the mark on a number of areas deemed important or desirable by guests. It will be important for hoteliers to address key gap areas to empower their guests, create friction-free service, and provide the ultimate in guest convenience.

Smartphones offer a number of opportunities for hotels to improve service by tapping into location. Some ways hoteliers are using location-based services include keyless guestroom entry (50%), guest recognition (50%), property navigation (39%), customer analytics (33%), smart/interactive signage (33%), geo-targeted mobile offers (31%), access control to areas of the property (26%), and giving guests the ability to locate other guests (9%).

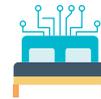
About one out of five respondents indicate that they are not using location-based technologies to serve guests and do not have any immediate plans to do so. Based on survey responses from guests, the key gap areas for capabilities guests listed as higher importance than the location-based services that are routinely available include: access control to restricted areas such as parking, pool, health club, concierge; property navigation, geo-targeted mobile offers, and the ability to locate fellow guests.

Forty-one percent of consumers indicate that they are willing to share location data, and 37% were agreeable to providing personally identifiable information — especially if these result in service enhancements and greater value.

With 33% of hotels citing the inability to derive ROI from technology rollouts as a top IT challenge, according to *HT's 2018 Lodging Technology Study*, operators should note that 65% of guests, assuming an average hotel rate of \$100 a night, say they are willing to pay higher rates and are more likely to return to a hotel that offers access to the technology they deem important. These results suggest that hotel IT profes-

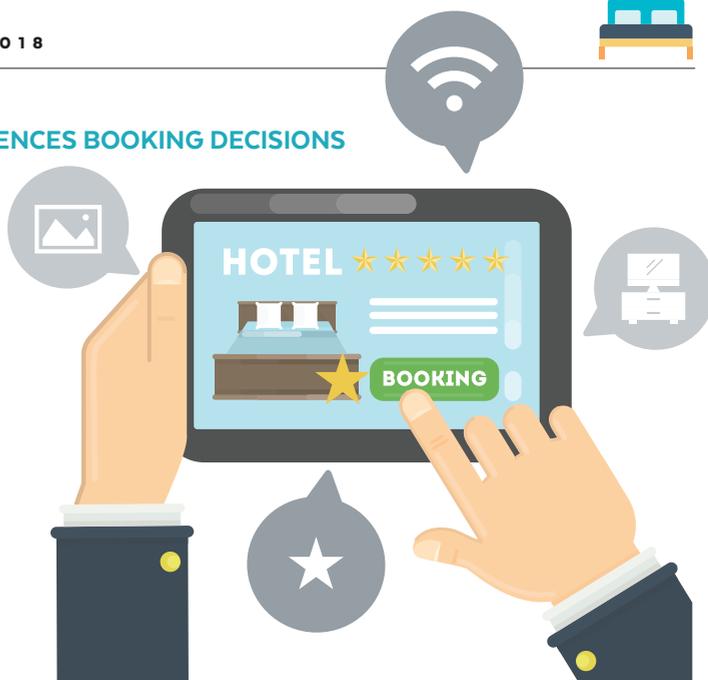
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TECHNOLOGY THAT INFLUENCES BOOKING DECISIONS

Hotel offers free WiFi	85%
Being able to view photos/video	78%
Ease of online booking process	74%
Positive consumer review	73%
Ability to make reservations from mobile device	50%
High-tech features available in guestroom	48%
Being able to check in/out using kiosks	46%
Personalized communication based on history	45%
Belong to hotel's loyalty program	45%
Hotel's mobile app has a variety of features	42%
Recognized by name interface with hotel	38%
Cutting-edge tech	33%
Mobile messaging based on location	30%



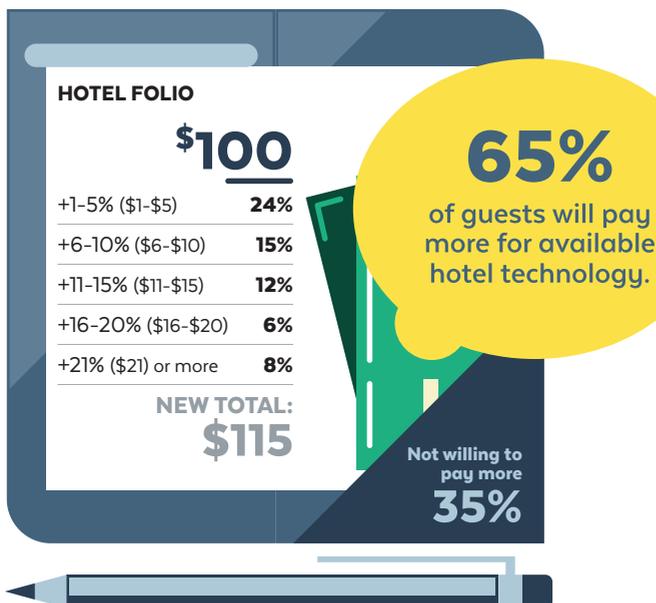
sionals can make positive business cases for technology initiatives that directly address guest priorities and convenience.

When guests were asked to identify technology that would drive a decision to book at a certain property over another, free WiFi remains firmly at the top of the list, reaffirming the importance of providing guests the means to stay connected and use their own devices. Rounding out the top five, the selections all involve the guest booking process. Removing friction from these areas will continue to be the pathway for hotels to drive direct bookings, inspire loyalty and increase returns.

For technology to continue to drive and influence custom-

ers to book, it must provide an enhanced service or experience. When it comes to requesting service, 28% of consumers report that their preferred method of interacting with a hotel is in person. Twenty percent said that they would prefer to make their service request via text, while 18% selected email and phone. Only 12% indicated they would prefer to use a mobile app, an amount which we could see increase if hotels address and add the features and functionalities guests identified as those that they desired. The "requesting service" feature was desired by the majority (53%).

IT HITS THE FOLIO: HOW MUCH MORE WILL GUESTS PAY FOR TECH?



Concluding Thoughts: Mind the Gaps

Technology is disrupting the hospitality industry and redefining how services are delivered and the very essence of the guest experience. Increasingly, many threats of disruption are coming from outside the industry. Legacy systems, and in some cases, legacy thinking continue to constrain the industry. It is questionable if companies are spending enough on technology to keep pace with change and remain relevant. Equally disturbing are the gaps between what guests want/expect and what hospitality companies are providing. These gaps are very pronounced; making it seem like the industry is losing touch with its customers and, thus, opening the doors for new entrants who will likely bring even greater disruption.

While the technology capabilities today are impressive, they will be even more so in the future, especially as artificial intelligence becomes more advanced and ubiquitous. Hospitality executives must consider technology as part of every business decision they make. It is now an essential part of the business and the guest value proposition, but technology alone won't make the difference. Technology is the enabler. Customers want service delivery choices, speed, convenience, empowerment, and value. Brands that master this will create outstanding, memorable guest experiences, generate loyalty, and win competitive advantage. **HT**

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