

HY824

Technology Edition
Entering The
Everything-Data Decade



The Hotel Yearbook
Foresight and innovation in the global hotel industry



Survey Reveals Surge in Hotel Tech Investments Activity geared around Data-Driven Solutions



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The words ‘cautious optimism’ have been a recurrent theme for many other sector outside of hospitality, but within the world of hotels there are especially true as we look ahead to ongoing travel growth amidst a series of red flags indicating an economic slowdown. Our industry appears to be in a state of contradictions that indicate a bullish future but a bumpy road along the way.

Some segments continue to rise in relative contribution; others are flat or slightly shrinking. Major chains continue to launch novel franchising opportunities with mounting tension over owners to fund property improvements, while new upstart brands or small groups likewise expand their footprints. Labor issues are omnipresent as always while inflation still rears its head for select goods. At the very least, all this is never not entertaining to follow!

One consistent area of optimism, though, is within the complex ecosystem of hotel technology where it is widely accepted that further investments by hotel buyers from all sizes and categories will yield positive results over the long run. As measured by guest satisfaction, topline gains, bottom line savings,

improved team productivity, meeting new energy management goals or pointing to a specific line item improvement, the megatrend is that hotels are incentivized to continue adopting better and better tech.

As we proceed into June 2024, a convergence of forces is making this period especially ripe for investment into hotel technology providers as a means of fueling their product development and their ability to help hotels evolve their service offerings. All this is reaching its apogee at the HITEC Technology Investment Conference at the end of the month in Charlotte as an inaugural extension of the aforementioned international hotel technology convention, and this was the impetus for our survey leading up to the event in order to understand where those investments are most needed.

ANOTHER tech tool? Yes and no.

For those who are new to our world of hotel technology, the multitude of overlapping vendors and operational niches may all seem needlessly, and laughably, fragmented when compared to software and platforms servicing other industries. This comparison is critical because hospitality is a unique bird; hotels need technology not just for their teams to use and interpret but for each individual guest to make bookings or special requests.

In other words, hotels aren’t widgets, while each guest is their own veritable Ship of Theseus (if you understand the philosophical reference!) in terms of their evolving demands across time and space. This difficulty in achieving operational excellence has always been reflected by the inborn entanglement of various software pieces that’s jargoned as the ‘tech stack’. But that fragmentation is slowly giving way and it’s important for all parties – venture partners, vendors and hospitality buyers – to consider the various underlying forces as context for a survey of current investment sentiment.

1 Cloud-Based Everything:

As more brands adopt a mindset of cloud-native tech architecture and more universal standards for interfacing, it’s easier to make the case to recruit nonlocal vendors who may have a superior product, enabling rapid scalability while often also lowering development or interface costs.

3 All-In-One Systems:

Optimizing between best-in-breed and unified dashboards, hotels are now often choosing the latter as they recognize that too many screens can negatively impact the team’s usage or morale, thereby compelling vendors to ‘build or buy’ in order to check all the boxes for their product feature set on the march to having a grail of a ‘single source of truth’.

5 Development Democratization:

One of the other profound ways that GenAI is lowering costs is by helping programmers code faster, allowing smaller players with limited budget and a sound business model to more quickly build a minimum viable product and accompanying features in order to get hoteliers interested.

2 Remote Work:

One of the traditional, and still widely applicable, reasons for preferring local vendors is customer service, where the acceptable of remote teams now further enables vendors to rapidly develop a ‘beachhead’ in a given territory by not requiring a physical office.

4 Machine Learning (ML):

While GenAI is getting all the attention these days, lest we forget that there are plenty of lucrative possibilities that hotels can benefit from by merging data sets then letting ML find the patterns to predict future outcomes, wherein those vendors with competitive data capture or modeling techniques may be in an excellent position for growth.

6 Hospitality Springboard:

Many tech companies have long understood the trials and tribulations of gaining traction in the hotel vertical, but whereas in the past they may have avoided an entry or acquisition, now the advent of using guest data to inform customer service improvements in other sectors is presenting some highly lucrative crossover applications.

About Our Respondents

To give you a sense of the composition of those who answered our survey, we targeted primarily C-level executives, with a total of 90 participating tech suppliers. Over half (57%) were from companies of less than 50 employees, while only a third (33%) of these businesses have less than \$1M USD in annual recurring revenue. Significantly, 70% of respondents cited having active clients outside of hospitality, reaffirming the notion that our vertical is part of a broader commercialization strategy for many companies.

For current and future funding, 70% of respondents said their companies don’t rely on external capital sources, while those who are seeking capital are flexible on

sourcing (all except for crowdfunding). Most agreed (70%) that the current funding climate is challenging, while 37% of respondents affirmed that they are actively investing in other companies or looking for mergers and acquisitions. Of those companies that do invest, over half (55%) thought the current funding climate seemed balanced, nearly a third (30%) thought it’s moderately favorable with opportunities that must be tempered due to prevailing uncertainties, and another third (35%) foresee an increase in valuation levels.



To unpack the opening thought of cautious optimism, the top three most significant challenges cited for today's investment environment were:

1 Technological Disruption:

Keeping pace with rapid technological changes and predicting which innovations will dominate future markets.

2 Economic Uncertainty:

The impact of current economic fluctuations and uncertainty on investment stability and growth prospects.

3 Competition for the Good Deals:

The high level of competition among VCs, PE and other types of investors, driving up prices and makes it harder to find attractive investment opportunities.

Data Access Top Determinant

The top three rationales for investing companies as cited in the survey were:

1 Strategic Expansion:

seeking new markets, product lines or vertical integration opportunities.

2 Innovation and Future Growth:

accessing innovative technologies, products or services for long-term growth.

3 Operational Synergies:

pursuing cost reductions, increased efficiency, or technology acquisition.

Gleaned from survey results and anecdotally from comments, both the willingness to fund and a key influence on valuation is the company category with data-driven products generating the most demand. Only one respondent mentioned in their rationale that they were acquiring a company to onboard its skilled workforce. The segments where interest seems to be emerging around include AI, business intelligence (BI), building management systems (BMS) or infrastructure, customer data platforms (CDP), digital marketing, revenue management (RM) and upselling.

This sentiment about category focus seems to corroborate several of the underlying forces identified in the introduction, whereupon the use of CDPs or robotic processing automation (RPA) and other tools to structure massive data sets around unified guest profiles or total property operations then enables ML to test and refine business models that fuel further expansion within hospitality or propel entries into other service-oriented verticals.

After all, and as touched upon in the opener, hotels represent the pinnacle of personalized service. So, if there's a tool that can help to accurately anticipate needs or interpret sentiment, it will be in high demand for giving subscribed hospitality brands an edge or perhaps sharpening the service delivery for adjacent businesses in retail, foodservice, clubs, cruises, events and so on. For hotel technology investors, think of hospitality as an incubator for customer service tools that can be refurbished then deployed wherever service may influence client retention – financial services, airlines, medical offices, ecommerce, auto sales, telecom, tourism operators, to name a few. It can all start with hotels!

Also central for this discussion is the matter of primary or owned data as it relates to the intellectual property (IP) a vendor may have, as this is instrumental for the training and feedback of proprietary algorithms. With the origination of

data used in the training of large language models (LLMs) coming under increasing scrutiny from governmental authorities, investors must remain cognizant of both how the initial training data was sourced and all consents from a consortium of third parties that are necessary for acquiring then storing all ongoing data collected from guests. As remarked from the survey's comments, if a company's IP is too reliant on one single source such as a real-time data extraction from the PMS, then the risk of getting cutoff may instill serious doubt for investment.

Ending Consternations

Just because the hotel technology supplier space is fragmented and ripe for consolidation doesn't mean that this will happen overnight. One specific bottleneck cited multiple times within the survey was that post-merger amalgamation work takes years to accomplish as vendors must assume the costs that hotel owners, and often operators, aren't willing to front for updating all modules onto a best-of-breed stack. Existing relationships and integrations within each brand's tech stack are also hard to unwind because this must often be tackled as a sequence of one-off projects, impeding scalability of newer tech and aiding in the preservation of the loathsomely long sales cycles for hotel tech.

To finish on a positive note, while many have often besmirched hospitality for being laggards when it comes to prioritizing tech investments, it was remarked that this attitude is changing as the next generation of hotel leaders takes shape – a generational shift as executives who were born into technology take the reins. We're seeing this with the now-commonplace chief innovation officer (CIO) role and in having the head of technology involved in matters of commercial and financial planning. Concurrently, owners have clear historical precedents from the near-past to extrapolate a connection between tech investment and profitability. Altogether, this evolving ecosystem

makes for a highly receptive audience to usher in the next generation of hotel technology.

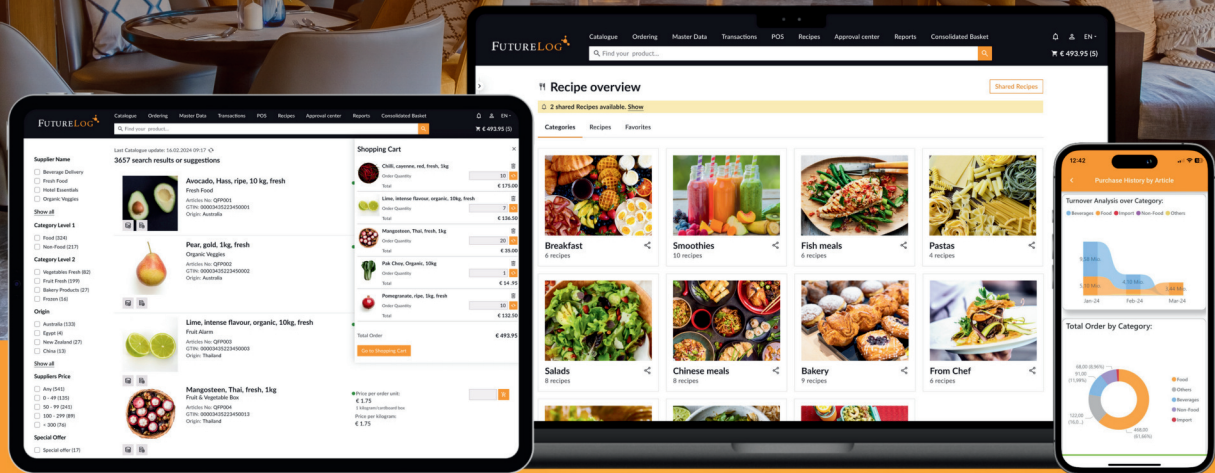


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Hospitality Tech
Industry Calendar
2024-2025

HITEC® 2024 Charlotte
Jun 24 – 27, 2024
Charlotte Convention Center

**HSMAI Americas - Commercial
Strategy Conference**
Nov 25 – 26, 2024
Charlotte Convention Center

**HITEC Technology Investment
Conference**
Jun 27 – 28, 2024
Charlotte Convention Center

2024 Hotel Data Conference
Aug 7 – 9, 2024
Grand Hyatt Nashville

Skift Global Forum 2024
Sep 17 – 19, 2024
The Glasshouse, New York

HEDNA Asia Distribution Conference
Sep 23 – 24, 2024
Siam Kempinski Hotel Bangkok

FHS World 2024
Sep 30 – Oct 2, 2024
Madinat Jumeirah Conference &
Events Centre

**HSMAI Asia - Digital Marketing
Conference**
Oct 10, 2024
Phuket

Hospitality Tech Expo
Oct 15 - Oct 16, 2024
Excel London

ITB Asia
Oct 23 – 25, 2024
Marina Bay Sands Singapore

The Hospitality Show 2024
Oct 28 – 30, 2024
San Antonio, TX, United States

Cvent CONNECT 2024 - Europe
Nov 5 – 7, 2024
Hilton London Metropole

**International Hotel Technology Forum
Asia 2024 (AHTF)**
Nov 12 – 13, 2024
Pan Pacific Singapore

Hotel Technology Forum (HTF) 2024
Nov 18 – 20, 2024
Rancho Palos Verdes

The Phocuswright Conference
Nov 19 – 21, 2024
JW Marriott Phoenix Desert Ridge
Resort & Spa

**HSMAI Middle East - Commercial
Strategy Conference**
Nov 26 – 27, 2024
Conrad Dubai

**HSMAI Europe Revenue Optimization
Conference**
16 Jan, 2025
London

**HEDNA Global Distribution
Conference: North America**
Jan 27 – 29, 2025
Catamaran Resort Hotel and Spa

ITB Berlin 2025
Mar 4 – 6, 2025
Messe Berlin

**International Hotel Technology Forum
2025 (IHTF)**
Mar 18 – 20, 2025
Lisbon

HITEC DUBAI
May 27 - May 29, 2025
Dubai World Trade Center

HITEC® 2025 Indiana
Jun 16 – 19, 2025
Indiana Convention Center

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