

## REAL WORLD CASE 1

# Hilton Hotels Corporation: Data-Driven Hospitality

**H**ilton Hotels Corporation has learned that customers are more satisfied when they have a problem and the hotel staff takes care of it than if the stay goes flawlessly. Giving hotel staff the information to make critical recoveries is the reason Hilton, during one of the industry's worst downturns in decades, piled \$50 million into a custom-built customer relationship management (CRM) information system that has been integrated to cover 22 million guests in every property across the eight brands that Hilton owns. "The hospitality industry is a people business," says CIO Tim Harvey. "It doesn't do any good to have great customer information that's only in the reservations system and available to the call center. We need to have it common across all systems."

Hilton is putting its CRM system, called OnQ, to the test in a high-stakes expansion program. As the industry regains momentum, Hilton is opening an estimated 275 hotels by the end of 2005. OnQ is the IT centerpiece of a 2-year-old Hilton CRM strategy, officially known as "Customers really matter." The strategy is pinned on the idea that employees with a clearer idea of who customers are and what their past Hilton experiences have been can engineer constant improvement.

There are plenty of risks in the strategy. For one, Hilton needs to present its deep customer histories clearly enough that employees at the front desks, where turnover averages more than 100 percent a year, can put it to use. And Hilton is trying to use the integrated information system to build loyalty with customers across an incredibly diverse mix of eight hotel brands—so the same customer is recognized checking into a \$79 room at Hampton Inn in Davenport, Iowa, or a \$540 suite at the Hilton Hawaiian Village in Honolulu.

The risk Harvey and his team know they need to guard against is hitting a hotel staff with so much information, or doing it in such a disruptive way, that it prevents employees from interacting with guests and making judgments.

A lot of love and sweat went into building OnQ, a system that's about 70 percent custom-coded. The custom components include a property-management system, the CRM application, and a hotel owner-reporting module.

The system is delivered as an IT service to the franchise dominated chain. Hilton owns just 52 of its 2,216 hotels, and franchisees license the software, paying Hilton annual fees that work out to about three-fourths of 1 percent of a hotel's revenue.

Hilton's IT leadership is stacked with hotel industry veterans who have no trouble defining IT success in terms of how quickly guests get to their rooms and whether the rooms are what they asked for. Harvey looks at it this way: If guests are disappointed, eventually Hilton's shareholders will be, too. "We are passionate that our brand is only as good as our customers think we are," he says.

OnQ's \$50 million price tag makes it by far Hilton's largest technology investment of the past several years.

For OnQ to fulfill its mission, it needs to do more than deliver information; it needs to be a decision-support tool. For example, if a guest has complained in the past about being bumped from an overbooked hotel and moved to another Hilton property, the system will highlight that history should the same situation come up, thus making it less likely a hotel will ask that customer to "walk" again.

One way OnQ already is yielding measurable benefits is in its ability to match customer reservations with profile database records. Before the system's deployment, just 2 of every 10 guest reservations could be matched to an existing profile. With OnQ, it's matching 4.7, and Hilton says that number can be closer to 6.

Such success brings a smile to the face of Chuck Scoggins, senior director of Hilton.com and a key figure in the OnQ development project. Each customer profile includes a variety of information, from credit card data and stay histories to frequent-flier miles and room preferences, all of which can be used to match people to their profiles. The company considers its matching technology, which lets the front desk search through 180 million records and get answers almost instantly, to be critical intellectual property. "These are our algorithms, and we believe they're the best in the industry," Scoggins says. That's why Hilton continues to custom-build most of its software instead of buying off the shelf. "I'm reluctant to replace something we've worked so hard on until we can be sure it will be a significant improvement," Scoggins says.

While OnQ helps Hilton run its existing operations, the system's real return will be measured by whether it lets the company reinvent what it does and what it offers customers.

Harvey hasn't lost sight of the more distant future. Hilton's 540-person IT staff spends about \$132 million a year—about 2 percent of revenue—on IT. About \$1 million of that goes to true research and development investigating emerging technologies. "Too often, we forget to think about innovation in the rush to meet business objectives," Harvey says. "We get so intent on trying to deliver, but that thinking outside of the box is crucial to our future success."

### Case Study Questions

1. What are the benefits and drawbacks of the OnQ system at Hilton?
2. What does Hilton have to do to create a competitive advantage through OnQ? Provide some specific examples.
3. Is it possible to have too much information about a customer? Explain.

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