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# BIG DATA: MANAGEMENT MUST INTERPRET AND APPLY DATA TO GAIN THE COMPETITIVE ADVANTAGE

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## “Big Data” – The Buzz in All Business Lines

“Big Data” is the buzz in all business today — and the hotel industry is no exception. Most hotels use today’s technology to collect huge amounts of data from a wide range of sources to measure and evaluate all facets of performance. Competitive advantage is all about getting to the relevant data quicker, uncovering hidden or emerging financial patterns, and delivering that data to management in a real-time architecture to provide actionable data to enhance the decision-making process.

Hotel management measures everything from how their property is performing compared to its defined competitive set (RevPAR Index), to how much linen costs per occupied room (CPOR), to employee turnover and repeat-business statistics. The data collection and measurement points are countless. The volume, speed (velocity), and variety of data have increased to touch all aspects of a hotel’s performance. How to intelligently decide what data are most valuable and how to source and apply these data to management decisions and processes are key to financial superiority in a highly competitive environment.

## Decide What Metrics are Most Important

The first step in getting a handle on this proliferation of information and its utilization is to establish a hotel’s specific “big data” model. In order for data application to be effective, management must select and focus on the data points and metrics that are the crucial drivers of the hotel’s profitability. The challenge is that, given the virtually unlimited amount of data available, a deluge of information may obfuscate the focus on the most important drivers of success and profitability. Management must decide on the top drivers and focus its operations team on meeting established key benchmarks that ultimately will determine a hotel’s success. Once agreed upon, these key drivers should be built into the hotel’s annual business plan and be front of mind in all discussions regarding hotel performance.

The first metric that comes up in most discussions about a hotel’s performance is how a property performs in its competitive market. Smith Travel Research is the industry’s “go to” source for these data and it collects and disseminates a tremendous amount of market data related to pretty much every major hotel market in the world. After a hotel determines its “comp set” these numbers are used to evaluate a hotel’s market performance against the defined set of competitors. While the performance of a hotel against its competitive set is certainly a significant and relevant measure of performance, the point here is that all data have their limitations and over-reliance on performance measurement strictly against a competitive set of hotels can be misleading.

## Management Knowledge and Interpretation of Data are Crucial to the Process

It is not unusual that there is some disagreement about which hotels should be contained in a hotel’s competitive set. All hotels are unique and have specific strengths and weaknesses related to property condition, brand affiliation, location, amount and quality of meeting space, amenities, food and beverage concepts, friendliness of staff, management expertise, etc. To further refine and augment the true accuracy of the competitive set data, many hotels are now using two competitive sets of hotels against which to measure to focus more clearly on nuances in the competitive landscape. The point is that while instructive as a measurement of top-line performance, a hotel’s performance against a defined

competitive set is but one piece of information used by management — and these data should not be weighted in isolation. Management must apply its own “on the ground” market intelligence and intuition to identify other metrics that expand the data provided by comp set comparisons. Competitive set data are not static and management must factor its knowledge of continual changes occurring at the hotels in the competitive set, such as renovations, additions or deletions of food and beverage concepts, changes in brand, and alterations in meeting-space quality and utilization. It is a never-ending process.

### **Revenue-Management Initiatives Driven by Historical Data Points**

To maximize top-line revenue, establishing rate strategies based on average rate and occupancy data is one of the most crucial processes that must be developed and overseen by management. With the advent of a variety of in-bound technology channels and booking sites most hotels change their rates on a daily — if not hourly — basis to react to rapidly changing rate strategies among competitive hotels. Data mining is essential to this process.

Management must make informed yield decisions based on historical data coupled with forward-looking demand data to maximize revenue per available room (RevPAR). Managing yield is an inexact and ever-changing science, and the utilization of historical and projected demand data plays a key role here. The hotel industry deals with a perishable commodity (once a hotel room goes unsold, it goes unsold forever).

### **Expense Control Data and Application**

After the top-line strategy and measurement are determined management must scroll down to departmental expenses to install data comparison measurements to assure that the top-line revenue is actually flowing to the bottom line. This is achieved through comparing a hotel’s departmental expenses to industry standards for similar properties. Large management and consulting organizations have the advantage here because they have access to larger pools of comparative data for similar hotels that can be used by management to evaluate national, regional, and local trends in expenses.

### **The Role of Management**

Data collection and evaluation are key components to any hotel’s success, but standing-alone data compilation is only part of a successful management strategy. The intelligence and intuition of the management team focused on the interpretation of vast amounts of data are vital ingredients. Management must intelligently evaluate the efficacy of the data — and apply this data to ongoing decision making. Management skill cannot and will not be replaced by analytics and data, but the role of data and its application is a vital component of the management process in the technology-driven management world.



## About HVS

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## About the Author



Based in San Francisco, **Mark C. Lynn** oversees the wide range of hotel asset management, strategic planning, development and operational consulting services provided by the firm. Mr. Lynn has more than 30 years of hotel industry experience and has been involved in the development and management of more than 100 hotel projects with an asset value exceeding \$2 billion. Mr. Lynn holds a BSBA degree from Xavier University in Cincinnati, Ohio and is a member of HAMA (Hospitality Asset Managers Association).

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