



Industry Perspective

Modern Hospitality Requires a New Approach to ERPs



Hospitality leaders know that change is constant—but over the last few years, the industry has seen change accelerate at a spectacular pace.

For example, despite sinking to historic lows in 2020, the lodging sector swiftly rebounded midway through 2022 with year-over-year RevPAR gains surpassing prepandemic levels. Disruptive business models, such as ghost kitchens, further fan the flames of change and are predicted to make up [50%](#) of the drive-thru and takeaway food-service markets by 2030.

Add to that the sudden shift from on-site dining to pickup services and third-party delivery apps following protracted restaurant closings, or hospitality entering new arenas such as virtual reality resort tours and metaverse experiences, augmented-reality hotel rooms, and NFTs to grant loyal guests extra perks.

Amid so much change, the ability to adapt is paramount to being able to survive—let alone thrive. Yet adaptability is challenged by monolithic enterprise resource planning (ERP) systems. “In many cases, hospitality ERP systems are old and disparate, cobbling together a lot of different point solutions,” says Karen Schreiber, principal/partner at KPMG. Rather than delivering a one-size-fits-all solution, these brittle systems tend to be resource intensive and require customizations and upgrades to stay current.



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Karen Schreiber

Principal/Partner, KPMG

“The world is changing, and hospitality is changing, and we’re seeing more desire for systems that drive greater analytics and insights,” says Schreiber. “Hospitality leaders are having to quickly figure out how to get on board with the technology advancements they haven’t taken advantage of over the last 10-plus years so as not to be left behind.”

To maximize both adaptability and analytics, hospitality organizations need a platform that seamlessly integrates front- and back-office systems, while providing more flexibility and freedom to choose best-in-class applications. They need what some organizations call a [composable ERP](#) and what others call an [enterprise management cloud](#) solution.

While both legacy ERPs and their modern alternatives target core business functions such as finance and human resources, the latter are built with adaptability at their core. Highly flexible and configurable, a composable ERP can evolve over time, adding new best-of-breed applications as they emerge and removing outdated solutions—without disrupting the business.



An agile data architecture allows hospitality businesses to seamlessly integrate with other systems without compromising data security or privacy. And because cloud-native solutions are built on a common data core, they're better able to leverage automation and machine learning to drive stronger value creation versus value tracking.

"ERPs cannot keep up with the ever-changing nature of business," says Joe Wilson, CTO, Americas, Workday. Wilson points out that ERPs date back to the 1960s—what has changed since then? For hospitality, almost everything. Yet legacy systems haven't fundamentally evolved, despite the "lift and shift" strategy some organizations have used to move on-site systems to the cloud. As Wilson says, "Unlike classic cars or fine wines, ERPs do not get better with age."

A legacy ERP forces hospitality leaders to play by its rules; a composable ERP plays well with others. Hospitality organizations that make the shift to a modern solution will be better positioned to adapt as business changes—now and into the future. Following are five considerations that are driving more hospitality executives to rethink their enterprise management strategies.

Unified data.

Never before has the hospitality industry had so much data waiting to be mined—it's sitting in digital systems spanning everything from point-of-sale, customer satisfaction, and foot-traffic details to inventory management, contingent labor pools, and menu item details. And more data is constantly generated by chatbots, QR code menus, online orders and delivery apps, and the metaverse. But what use is all that data if it's stuck in disparate systems and siloed by function?

But while the hospitality industry may have a lot of data, that doesn't mean the data is accessible or reliable. For many organizations, different functions within the business purchase point solutions that address specific challenges or pain points, such as software for guest recognition and rewards, revenue management, catering, and more. Yet these tools rarely talk to one another, giving other function leaders little visibility into the data inside them. Legacy ERPs exacerbate the problem by storing data in relational databases, which often requires manual extraction prior to collaboration or analysis.

By contrast, a cloud-native enterprise management system seamlessly pulls together data from across the enterprise—and securely blends data from third-party solutions—into a single unified platform, so data can be accessed and analyzed in real time. That's a game changer for leaders asked to support strategic decision-making, often with only a fragmented view of company data. Among finance leaders, for instance, [Workday research](#) shows there's broad consensus that technology to unify people, operational, and financial data would greatly improve real-time decision-making and accelerate planning cycles.

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Senior Director, Industry GTM
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Visibility is worthwhile. But the full value of a cloud-native solution stems from its ability to leverage machine learning and automation—and the underlying data architecture built for similar tech breakthroughs as they emerge. With tech all but eliminating manual, repetitive tasks, finance spends less time closing the books and more time telling the data story—leading to better business decisions and business value.

Fit-for-purpose flexibility.

For decades, ERPs have claimed to provide a comprehensive solution. But in trying to be all things to all hospitality businesses, legacy ERPs fail to provide a complete solution. ERPs require complicated customizations and costly updates, and any hospitality functionality still demands custom integrations and the navigation of multiple data silos.

“For many hospitality companies, their systems are not what they would have created if they had started from scratch. Rather, their systems have become mazes over time—difficult to navigate and to untangle,” says Keith Mattioli, principal, KPMG. “If an organization wants to replace one small system—for example, their payments or customer relationship management tool—the sheer complexity of decoupling the existing system from their ERP is so great that hospitality leaders find themselves stuck. They start building technical debt.”

And when one hospitality organization merges with another, Hare says it’s brutal to integrate it into the ERP system. Given high M&A activity in the sector, according to [KPMG](#) that pain point seems both common and burdensome. Hospitality organizations looking to swiftly onboard an acquisition may be slowed down by multiple tools and different data formats.

By contrast, a composable ERP is designed to swap new solutions in and out, accommodating the reality of today’s—and tomorrow’s—ever-changing technology landscape. Hospitality organizations can easily harmonize data across new business models or acquisitions. And they can choose their tools—such as third-party delivery tools or guest messaging apps—to fully capture the value of those solutions, blending data from real-time tech with historical data to surface richer insights and trends.

“Modern technology platforms can and should provide agility for hospitality organizations by integrating isolated movements—across inventory, finance, HR, point-of-sale, marketing, CRM—so it all comes together, and any of it can change quickly and easily,” Wilson says.

Hospitality organizations still need a stable, reliable technology core; otherwise, they risk assembling a jigsaw puzzle of ad hoc apps and digital capabilities that don’t work together in real time.

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A modern, composable ERP provides this digital backbone, supporting the operation of other industry-specific systems and allowing hospitality teams to blend data from internal and external systems.

“To be more nimble and flexible, hospitality businesses need different solutions from different vendors,” Mattioli says. “And they need an architecture that allows them to do that—to plug and play different solutions. The more flexible and adaptable their systems, the better they can react to what’s happening in the industry.”

DNA-deep security.

Hospitality remains a top target for cyberattacks, with data breaches becoming more common and sophisticated as organizations shift to digital business models. From 2021 to 2022, the average cost of a data breach in hospitality was \$2.94 million, according to a [global study](#). So the rise of remote and hybrid work has made security an even more pressing issue, as hackers increasingly target not just individuals but service providers—which can affect an organization’s ERP and core financials.

Disparate legacy ERPs only exacerbate the industry’s vulnerability. “For hospitality, there are a lot more opportunities for attacks because legacy ERPs have more moving parts, more integrations, and more third parties involved,” Mattioli says. “A consolidated ERP solution pulls many things into one place, so there’s only one door to protect.”

That speaks to a fundamental irony of enterprise resource systems: legacy ERPs are often presented as one platform but are actually composed of different systems. A composable ERP allows for different systems to interact with each other—but with a singular security model.

“At its root, the idea of the composable ERP is that the systems need to be able to coexist and be better together, and that’s predicated on a modern design that is open and secure,” says Wilson. “For hospitality organizations, speed alone isn’t enough. They need to be able to safely navigate in the fast lane, or risk getting passed by someone who can.”

Empowered users.

Hospitality guests want a consistent, friction-free experience across every touchpoint. And employees want the same thing. Yet many hospitality organizations burden their workforce with clunky ERP systems, which can lead to higher attrition in an industry known for frontline employee turnover. While most industries report an annual turnover rate between 10% to 15%, findings from the Bureau of Labor Statistics put the turnover rate in hospitality at around 70% to 80%. And while higher inflation and economic uncertainty has cooled the red-hot talent market that marked the Great Resignation, 56% of organizations say they’re still grappling with frontline employee turnover that’s higher than the historical average, according to a [2022 Workday report](#). Nearly half of the organizations believe the historic turnover will be greater in the year ahead.



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Outdated enterprise solutions aren't helping. "Some hospitality brands are losing team members because they're not investing in the cloud," Schreiber says. These employees want to keep their skills at the leading edge. "They look at their peers in other organizations that have access to cloud-based, advanced technologies and they're asking, 'How can I not get left behind?'" Schreiber says.

An enterprise management cloud can help hospitality leaders deliver a better employee experience by unifying the systems and information an employee needs into a personalized and intuitive interface on a single platform. That means everyone—from FP&A analysts to frontline managers—feels empowered and informed, whether they're seeking accrual of paid time off, updating their skills profile, or requesting a schedule swap. And being cloud-based means the data is accessible anytime, anywhere—a must for the new norm of hybrid and remote work.

Business leaders can also track and analyze workforce patterns to better understand and address the needs of their people. Workday research found that **60%** of organizations that are leaders in managing frontline workers say that data guides their evaluation of the employee experience. For example, if data around employee departures shows that caring for a family member is driving turnover, the company may want to adjust its extended leave offerings to provide greater flexibility for employees—while also boosting its talent retention.



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Always-on adaptability.

Hospitality leaders had to pivot during the pandemic. And now more than one-third of executives expect three-quarters or more of their revenue to come from digital sources within the next three years—a threefold increase over the previous year, according to a recent Workday [global survey](#).

But any omni-channel shift can impact a company's entire ecosystem, says Schreiber, pointing to the uptick in labor needs that a restaurant might experience by implementing a new digital-ordering process. "Being able to look at real-time menu sales and order accuracy and call in additional resources on a dime—that agility and real-time analytics are becoming even more critical for hospitality leaders," Schreiber says.

However, it's hard to leverage real-time analytics when your ERP limits the scope and scale of your view. Insights surface when hospitality leaders can blend data points with vastly different data sets—from workforce data to food waste—to provide opportunities to drive revenue, find efficiencies, or innovate.



“The data point is the artifact that lands on the journal or general ledger,” says Wilson. “But what’s really important is to understand the broader ‘who’ and ‘why’ and ‘how’—to have this cross-pollination of data between key systems, aligned with finance, to build this much better story about what is and isn’t working, and where the company might want to iterate next.”

Rather than risk a knee-jerk reaction to an isolated data point, business leaders have a panoramic, context-rich view of that data, making it that much easier to optimize a plan. Not many legacy ERPs have that adaptability.

A new ERP for modern hospitality.

The hospitality industry is facing an onslaught of challenges, changes, and opportunities—at a dizzying pace. But clinging to the familiar ERP can actually make it that much harder for hospitality brands to navigate the future.

“Companies that have gone to a cloud-based ERP platform have seen reduced manual effort, greater controls, automated controls, greater data integrity, greater data transparency to drive better insights, more actionable insights, more real-time data access—the list goes on,” says KPMG’s Schreiber. “Companies are seeing a lot of value in going there, and they’re starting to see the return on that investment usually by the end of the first quarter.”

An outmoded ERP requires a hospitality business to operate on the ERP’s terms. A composable ERP serves hospitality and its changing needs. Would you rather work for your system, or have your system work for you? The choice is clear: harnessing data more seamlessly and intelligently means a cloud-native, composable ERP system can power business performance today and far into the future.

To learn more about how Workday can help your organization, visit: workday.com/hospitality.



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