

LODGING

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Direct Connection

Tech savvy hoteliers are steering online reservations back to their own Web sites

In the business of online hotel bookings, the game has changed. That usually happens when dealing with new technology, especially the Internet.



While the past few years have been dominated by third-party Web sites such as Expedia and Priceline, brand and independent hotel Web site have become a more direct option for guests and a better way to control inventory and pricing for hotels, and that has changed the way hoteliers have been thinking about inventory management and bookings.

At Red Lion Hotels, the regional lodging company based in Spokane, Wash., the evidence was clear to executives that a new strategy was needed. So, a few years ago, David Barbieri, vice president and chief information officer at Red Lion, and his team decided the time was right to blow up the company's existing reservation and inventory management system and build a new one.



"We redesigned this whole thing," Barbieri says. "We optimized it for search engine marketing and we're seeing material benefits from that when it comes to online

booking. As a regional brand, we've tapped into the whole 'brand.com' experience and search engine optimization and marketing, and leveraged it well. We see our [online booking] business actually increasing year after year, which points to the fact that the marketing efforts are driving qualified traffic to our Web site."

Managing the Channels

Success in online booking depends on how you work the channels

Four years ago, Werner Schneider, chief financial officer of Sutton Place Hotels, realized his company needed to get a grasp on all of the various online reservation channels available. At that time, Sutton Place Hotels, a group of downtown luxury properties, set out to find a technological answer to the booming Internet booking business. "We wanted a tool to update rates in different channels such as Expedia, Orbitz, Travelocity and so on," he says. "It was all done manually at that time, so whenever we made changes to our property management system, we had to update it elsewhere."

Over the last couple of years, pricing structures for hotels have changed dramatically. Unlike the old days when there were seasonal rates, manual systems worked well enough. But these days, there are no fixed rates, and there are a plethora of channels used by guests to make reservations—in real-time. "Rates typically change every other day based on demand for that day in the hotel," Schneider says.

Manually changing rates all over the place is daunting. There must be an easier way.

In fact, unique visitors to RedLion.com have increased by double-digit percentages in each of the last three years. Search engine revenue in the first quarter of this year increased 31 percent over last year.

By targeting online efforts to get Web site visitors directly from search engines such as Google and Yahoo, Red Lion and other hotel chains can have more control over their room inventory and more important, their average daily rate. That's made company Web sites as important, if not more so, as third-party sites.

"They've become very, very important and are becoming more important," says Shane Ettestad, vice president of Internet marketing services at TravelCLICK, a provider of interactive distribution solutions and marketing services. "I think a big driver was the post-9/11 [downturn] and seeing how intense the agreements with the third-party online travel agencies (OTAs) were. Coming out of that, hotels have been very focused on how to drive traffic and bookings to their direct Web site. I think that trend will continue."

Kimpton Hotels is another company paying particular attention to its Web site bookings. "Brand.com continues to be a major focus," says Kathleen Sanford Reidenbach, vice president of distribution and revenue management at Kimpton. Kimpton offers a number of incentive programs, such as discounts and rewards, to bring potential guests, especially transient guests, from the Internet directly to its site. Like Red Lion, Kimpton also works the search engines.

"From an online marketing perspective, we invest a significant amount of our marketing dollars, and continue to shift more and more of those dollars, to search engine optimization efforts as well as our pay-per-click campaign that we do on sites like Google," Reidenbach says.

But simply attracting visitors from the Internet is only part of the effort the rest involves leveraging new technology to ensure the user interaction with your hotel's Web site yields results for both the guest and hotel.

"We understand how to work the search engines, which I think is important for a regional brand, certainly, but it's important regardless," Barbieri says. "But if you're spending all this time out there talking about search engine optimization and search engine marketing, you better have a reasonable management strategy for the inventory you're trying to get people to be exposed to."

Working Together

At the heart of many brand.com sites is new technology that enables hotel companies to better leverage their offerings. One trend that is taking shape is the "partnership" between central reservation systems (CRS) and property management systems (PMS).

There is.

Sutton Place hooked up with EZ Yield, a Web-based platform that empowers hoteliers to manage more than 200 online wholesalers through one, easy-to-use interface. EZ Yield operates under a premise it refers to as channel management.

"Channel management is basically dealing with any of channels of distribution, from your own Web site to traditional wholesalers to Expedia and Hotels.com," says Edward St. Onge, president and co-founder of EZ Yield. "Channel management systems give hotels one point of input to distribute their rates and inventory across many of the distribution channels."

"We listen to hotels complain about how hard it is to keep all of their channels updated," he continues. "That's why we created this system, to give them the ability to no longer have to make revenue decisions based off of how long it's going to take to execute it."

Without managing the channels, marketing can be hampered. Guests may end up finding rooms at your hotel on third-party sites that are cheaper than intended, because improper channel management leaves updated pricing at risk.

"It's like asking, 'Should hotels be taking advantage of revenue management,'" St. Onge says. "You have to be doing it, because channel management is the act of executing your revenue management decisions."

"It used to be that people just had an interface with the CRS and allocated rooms on a block availability basis, but there's been a lot of work over the years on two-way interfaces to give people the latest room availability," says Jon Inge, a hotel technology consultant with Jon Inge & Associates. "What I'm seeing more of is an interest in treating the Web site as a channel for the rate and revenue management functions of the PMS. Then you can define what rooms and rates you want to put out there and under what circumstances and cut them off if occupancy forecasts get to a certain level or if you've sold a certain number of packages.

"I'm also seeing the impact of distribution workgroups looking to tie together all of the systems that affect rate and availability, including the full revenue management systems that work with the property management systems to give a more sophisticated control over what's put out on the Web site and over the other channels," Inge continues.

That's a type of centralization that has been debated in the industry for quite some time. The question is often asked, "How much centralization is too much?" Barbieri and his team dealt with this question before deciding to take Red Lion to a single database system. "We had historically operated with separate databases for inventory and PMS and profile management and such," he says. "The strategy that we've devised and implemented over the past few years has been one where we've moved all of our inventory into the same database and all of our profile management into the same single database."

Barbieri says the approach has enabled Red Lion to leverage the same database for all of the distribution channels that involve access or management to customer profiles. "Our Web site uses the same database, and really the same records, that our central reservation system uses and all of our property management systems use for interacting with our guests," he says.

That interaction with guests even spreads to third-party sites. "It's important that every outward distribution channel—travel agents, GDS, OTAs—feeds off of the same inventory and rate structure," Barry Hughes, vice president of distribution and marketing at Red Lion adds. "When we adjust a rate anywhere in the system, it instantly populates everywhere in the system."

Werner Schneider, vice president of operations at Sutton Place Hotels, also sees value in bringing control of inventory and pricing under one easy-to-manage system. "The idea for the hotelier is to book at your own Web site. There's no commission if they book with us instead of one of the [others]," he says. "Obviously, if our own sites don't match or are higher, the business, for sure, goes to the other site. By having rates in sync, we have substantially increased our own Web bookings."

Integration and Growth

Barbieri says that centralization takes the “heavy lifting” of complex and time-consuming distribution and revenue management away from individual properties in the chain but still provides the properties with control and accountability of their financial performance.

He also points beyond operational benefits. “We have seen measurable differences between the growth in the channels for the properties that are integrated this way versus properties that aren’t,” he says. “We’re seeing better growth in ADR and better growth in net bookings.”

Barbieri says the evidence is clear that integration can lead to faster growth and better rates per room. “With all the rates that are actually booked through integrated properties operating out of a central database, the metrics point to this being the right answer,” he says. One reason for that is better customer service since hotel companies are dealing with only one database.

“Because there is no delimitation between the PMS and the CRS, we have a corporate staff that actually manages all of our Web rates, including RedLion.com,” Hughes adds. “It’s almost like the stock market where they’re monitoring it and taking rates up and taking rates down based on competitive changes.

Likewise, Reidenbach says Kimpton finds its brand.com site to be its most profitable and least costly booking agent. “It’s our lowest cost of distribution, so, simply enough, it’s where we’re able to garner the highest room rate at the lowest cost,” she says.

Making it Happen

Getting to a point where a hotel’s Web site is its best booking agent is easier said than done. “One of the challenges is that central reservations systems are designed for distribution and PMS systems are designed for on-site management,” Barbieri says. “There are components of information about rooms that mean something to a PMS system but don’t necessarily mean anything to a CRS. So, unless you’ve made appropriate selections on matching those technologies together, I think this is a big, big challenge.”

Barbieri points to the fact that you can end up compromising your distribution strategy if your property management system can’t supply the right information. “All of a sudden, your distribution strategy gets massively complicated,” he says.

Luckily, several developers of both types of systems have recognized the growing trend and the advantages of working with each other.

“There’s a number of different things we’re doing,” says Mike

Kistner, chief operating officer at Pegasus Solutions, a provider of central reservation systems. "You need to be able to survive the thrashing of the sheer volume of transactions your Web site will be subjected to."

Pegasus' newest tools are designed to let hoteliers have more control of inventory and rates. "You're able to adjust your rates based on the type of experience that you're achieving," Kistner says. "Am I selling out my inventory? Am I seeing a higher rate of demand than I anticipated? We've written our products to deal with third parties and to deal with events that would cause you to want to adjust your rates and inventory. We interface to a number of the major revenue management systems."

Kistner says where legacy systems were limited, new technology enables hotels to produce vast amounts of content. He also says that today's users of the Internet are more interactive, and CRS technology has taken that into account.

Likewise, Warren Dehan, president of U.S. operations at Northwind, maker of the PMS systems, believes integration and the brand.com strategy are vital to today's hotelier. "Our feeling is that the Web has become a very critical component of any hotel's operation," he says. "The trend is not coming, it's here. More people book online than offline. It's important to convey a message of being in touch with what guests want from an online point of view."

Dehan says his company has extended its product line to include more than just booking a room. "If we look at it in its simplest form on the technology front, once they find a Web site, we facilitate making the booking very easy for the guest," he says. "On the revenue side, our booking engine is tightly integrated with the yield management component. What that means is that as reservations are being made, the system is constantly monitoring the yield rules that the hotel manager has put in for what they want to sell on all channels. The rates become dynamic."

The newest technology, as in the case of Red Lion, results in a single database that is accurate and allows hotels to market to the people in that database more easily and across all channels. n