

Global Reservations Technologies

Chapter Five

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Objectives of Chapter 5

- Global Distribution System(G.D.S).
 - The role that airline reservation systems played.
- Seamless Connectivity
 - Last room availability
 - Electronic switch technology
- Reservation Channels
 - Travel agents
 - Central Reservations Services (CRS)
 - Internet and web-based reservations
- Changing electronic reservations environment.
 - Growth of on-line reservations
 - Voice recognition technology
- Automated revenue/yield management systems
 - Assumptions and components of revenue/yield systems



Global Distribution

- **Airlines - Global Distribution Systems (GDS)**
 - Exhibit 5-2
 - Exhibit 5-3
- **Hotels - Central Reservation Systems (CRS)**
 - Started in 1960s
 - Linked airlines with Travel Agents (TAs)
 - Put terminals in TAs offices, enabling them to book
 - Hotel chains linked up their CRSs into this GDS
 - System of blocking rooms manually
 - » Problems of overbooking and sales refusal
- **Seamless Connectivity**
 - Move from half-duplex (one-way) to full-duplex (2-way)
 - Last room availability
 - Everyone sees same availability, updated in real-time
 - Faster, more accurate, sells more rooms at higher rates



Global Distribution

- **Seamless Connectivity**
 - Electronic switch technology.
 - Earlier, airlines and hotels had incompatible systems
 - Complicates training, causes errors, increases costs
 - Now, incompatible systems “speak the same language”
 - Now one terminal is used for booking air, lodging, car rentals
 - All bookings done in real-time
 - » Inventory updated in real-time
 - » Customer confirmation provided instantly



Global Distribution

- **Application Service Providers (ASPs)**
 - Software companies that offer a suite of software applications via Internet-based access
 - Through an Internet Web site, each hotel runs off the same suite of software by simply using any Internet-ready computer
 - Four primary functions in their arsenal of applications (Exhibit 5-5)
 - A CRS
 - GDS connectivity
 - Connections to “alternate” distribution systems
 - Internet reservations

Global Distribution

- **Application Service Providers (ASPs) - Continued**
 - Benefits associated with ASP applications
 - No need to make large capital investments in hardware and software
 - No need to employ many specialized software engineers to maintain the system and program new applications
 - Avoid multiple versions of poorly integrated applications
 - New software enhancements are implemented immediately at the ASP site and available to all users instantaneously
 - Single-Image Inventory allows all users to feed from the same database and results in a lower error rate in reservations bookings and an improvement in overall customer service (Exhibit 5-9)



Global Distribution

- **Taking the Reservation**

- The Travel Agent – An intermediary between the hotel and the guest who:

- Books the room for the guest
 - Bills the guest and pays the hotel
 - Collects a 10% or more commission from the hotel

- The hotel/travel agent relationship

- Hotels want TAs business, but dislike paying their commission!!
 - Marketing problem – TAs send business only in peak periods
 - Bookkeeping problems – Too much paperwork/hassle/costs to deal with individual TAs not providing regular business
 - TAs complain about late/non-payment of commission
 - Will steer guests towards high/prompt commission payers!
 - Hotels developing Info/booking Web Sites to bypass TAs.
 - Saves commission and gains direct guest relationship



Global Distribution

- **Central Reservations System (CRS) or Office (CRO) or Res Centers**
 - A central call-center to handle incoming reservations
 - May handle millions of phone calls a month
 - Average call time is 2 to 3 minutes
- **Automated systems route callers to the right operator**
 - Press “1” for USA, “2” for Europe etc
 - Hold time is used for sales messages
 - System is expensive to set up and maintain
 - Hotels are billed for each reservation made + annual fees
 - Call centers being moved to India and Philippines
 - » Availability of cheap, skilled English-speaking workers
 - » International telecom costs are dropping, supporting this trend



Global Distribution

- Taking the Reservation
 - Direct or In-house reservations center
 - Many guests call hotel directly
 - Hotel better informed – CRS deals with 1000's of hotels
 - May have rooms available, despite CRS refusal
 - Group reservations, meetings often booked directly
 - Maybe a large source in independent properties
 - Maybe a whole department or just FO Clerk



Global Distribution

- Internet and Web-Based Reservations
 - Travel related bookings are the largest category of internet transactions
 - Exhibits 5-1 & 5-6
 - Search Engine Optimization
- Need to be in the top .0005% of the search to be listed in the top few
 - Paid search results – Pay for placement and per-click through to search engines
 - Organic search results – Develop sophisticated website, optimized to rise to the top of the search
- Hotel Web Sites
 - 40% of annual marketing budget may be spent on online products
 - Booking through own website nets more revenue than 3rd party sites
 - Exhibit 5-10; Exhibits 5-11 a & b
- Chain Sites - Encourage bookings through chain site by:
 - Enhancing quality of website
 - Offering lowest price guarantee
 - Letting users search for multiple brands at multiple price points on one-click
 - Exhibit 5-13



Global Distribution

- **Internet and Web-Based Reservations** (Continued)
 - Third Party Travel Sites
 - Sites that are not controlled either by the hotel or the chain
 - Exhibit 5-10
 - Examples: Travelocity, Cheap Tickets
 - **Opaque sites** - hotels sell distressed inventory at low prices. Hotel name is revealed only after transaction is completed.
 - Used by hotels to protect brand integrity
 - Used by guests more interested in prices rather than brands
 - » Examples: Priceline, Hotwire
 - Meta Search Technology
 - Sites that search all available websites to present side-by-side comparisons and booking options
 - Example: Sidestep, Kayak or TravelZoo

Global Distribution

- Other Trends in Electronic Reservations

- Voice Recognition

- Possible with limited choices
 - Days of week, Dates, Credit Card types etc
- Capabilities are improving dramatically
- Supplemented by touch-tone or operators

- Mapping Capabilities

- Links reservation queries with maps, using internet technology (Yahoo Maps etc) to give directions

- Guest History Databases

- Electronic systems capture huge amounts of data and permit sophisticated analysis
 - Excellent tool for cross-selling, promotions etc

- Mobile Apps

- Enabling potential guests to locate and book hotel rooms through their smartphones and tablets.

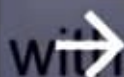
Global Distribution

- **The Hotel Representative**

- Sales/Reservation offices maintained by individual hotels or small chains
- May represent and sell several non-competing hotels/chains
 - Promotes them in Trade Shows etc
 - Example – Utell International
 - International reps provide language operators/liaison with local TAs etc
 - Hotel Reps maintain their own CRS systems
 - Cost-effective for smaller chains, independent hotels

- **Independent Reservation Services**

- CRS for hire, used by smaller chains, independent hotels



Automated Revenue Management Systems

- The Yield Management Revolution
 - The act of controlling rates and restricting occupancies to maximize gross room revenues.
 - Price–Occupancy Mix
 - Revenue is a function of rooms sold and revenue per room
 - High ADR can balance low occupancy and vice-versa
 - A \$2 increase in ADR in a 400 room hotel = \$200,000
 - » True, only if there is no corresponding decrease in occupancy%
 - Exhibit 5-16, Exhibit 5-17
- A brief history of yield management
 - The airlines' role – Invented yield management
 - After airline de-regulation they competed on price, but found it difficult to track, so developed computerized systems
 - Airlines have high fixed costs, low variable costs, and highly perishable products
 - Need to sell "today"
 - Any income that exceeds fixed costs is welcome
 - Hotels have similar characteristics



Automated Revenue Management Systems

- The Yield Management Revolution

- Market demand assumptions for yield management

- Demand is price sensitive, different segments have varying levels
 - Price sensitivity of demand can be measured and manipulated



- **Corporate guests** – Less price sensitive, seeks flexibility, weekday travel, books at the last minute, cannot wait for deals



- **Leisure guests** – Very price sensitive, weekend travel, will trade price for restrictions, is motivated by deals

- **Group guests** – Place and date more important than rate

- Hotel needs to balance total value of group against room rates
 - Books well in advance, reducing risk for hotel

Automated Revenue Management Systems

- The Yield Management Revolution (Continued)
 - Tools for Measuring Results
 - **PHASER Complete Access Reports**
 - Breaks the hotel rates into two categories, GDS and CRAS, and looks for the lowest available rate in each of these areas
 - Features include
 - » Highlighted rates that have risen or dropped by a user defined amount
 - » Total hotel availability status by day in both the GDS and CRS
 - » Details for every rate offered in the CRS by room type across each competitive hotel during the selected time period
 - **Smith Travel Research's STAR Reports**
 - Based entirely on historical data
 - Answer questions: How well did I do in terms of average daily rate, occupancy, and RevPar against my competitors last week? Last month? Last year?
 - Does not share specific performance data for each competing property
 - » Hotel can't see how well each competing hotel performed individually

Automated Revenue Management Systems

- Tools for Measuring Results (Continued)
 - ***Travel Information Management Services (TIMS)***
 - Rates are gathered through the CRS seamless connection
 - Displays discounts and lowest available rates for all hotels in the competitive market set
 - ***Hotelligence Report (Exhibit 5 -19)***
 - Compares a manager's rooms available with those available in the competitive market set and room-nights sold for the manager's hotel against room-nights sold across the competitive set
 - Compares actual history with theoretical market share
 - Shows growth trends for current periods against similar periods the previous year



Automated Revenue Management Systems

- Tools for Measuring Results (Continued)
 - ***Expedia Competitive Price Grid Report***
 - The hotel wants to see the rates it is listing in Expedia as well as the rates listed by competitors in order to manage its own hotel-direct Web site
 - ***Other Reports***
 - Sabre. Net Reports
 - Hotel Information Service (HIS) Reports
 - TrendFx



Automated Yield Management Systems

- **Role of Yield Management Systems**

- Establishes and monitors rate structure
- Continually monitors reservations activity and sets inventory controls as needed
- Aids rates negotiations with bulk buyers
- Monitors and restricts the number of reservations that can be taken for any particular room rate/room type
- Enables reservationists to sell, rather than be order taker
- Matches the right room product and rate with the customers needs and price/other sensitivities
- Provides reports to management for basis of accepting and rejecting bookings and can give suggestions for improving yield

