

DISTRIBUTION CHANNEL REVENUE MANAGEMENT

Using travel sites to expose your hotel to millions.

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The Internet continues to be a critical sales channel for the lodging industry. In the first six months of 2004, 60 percent of Web surfers shopped for travel services on the Internet, according to Nelson/Net ratings. Travel sites have become the most widely utilized online channels for booking travel, lodging, and complete vacation packages for millions of travelers around the globe. According to Media Metrix, in any given month, one in four Web users visits a travel site, such as Expedia or Travelocity, to search for information, find the lowest rates, and reserve rooms, trips, airline tickets and all-inclusive travel packages. As the lodging industry recognizes the significance of travel sites for hotel exposure and representation, hotels must capture every opportunity to maximize their presence and position on the major travel sites to stay competitive and effective in this online market.

Much of hospitality e-business is derived from popular travel sites, such as Priceline, Expedia, Travelocity, Orbitz, Hotwire, Hotels.com, Lodging.com, World Res, Travel Hero, Site59, Travelweb and many others. Most travel sites have two components: (1) a booking engine, and (2) a source to hold content.

Both components are usually powered by either a global distribution system (GDS) or Pegasus, and may use a combination of several connections, including direct extranets. Travel sites also power travel portals like Yahoo, MSN, and AOL, in addition to hundreds or thousands of additional affiliate partner Web sites, as their distribution network.

The two key elements of managing travel sites are the rate structure and content. Buzzwords for marketing and managing these channels are consistency and parity. For branded hotels, the ever-growing best rate guarantee will set the framework for how you sell yourself on travel sites. For both branded and independent hotels, focus on not relinquishing too much control of inventory and rates, which may hinder your ability to sell in the future.

Types of Travel Sites based on Rate Structure

Travel sites can be categorized into four basic models: retail, wholesale, opaque and last minute/package deals. Most major sites will use a combination of these models to give the consumer a wide array of products to choose.

- **Retail:** Retail rates for hotels on a commission basis, typically discounted 10 percent off the rack rate. Includes travel sites such as Travelocity, Expedia and Orbitz.
- **Wholesale:** Net rates negotiated directly with hotels, typically discounted 18 percent to 30 percent off the rack rate. Includes travel sites such as Travelocity, Expedia and Orbitz.
- **Opaque:** Deeply discounted net rates negotiated directly with hotels and sold to the public without identifying the hotel name until after sale, typically discounted 25 percent to 35 percent off the rack rate. Includes travel sites such as Hotwire and Priceline.
- **Last Minute/Package:** Deeply discounted net rates directly with hotel. Offered for sale in a limited time frame as distressed inventory or bundled with other components, such as air and car. These rates are typically 25 percent to 35 percent off rack rate. Most travel sites offer this category of rates to eliminate distressed inventory.

TIPS ON MANAGING RATES ON TRAVEL SITES

Managing rates on multiple channels is challenging. You need to apply special focus to ensure there is rate parity among different channels.

- Manage rates to maximize revenue and maintain rate parity on different channels. Focus on maximizing revenue. At the same time, don't destroy your rate structure by giving too much inventory at very low rates.

- Use the same base rate — your rack rate. Derive rates for all channels using the same base rate. This enables you to maintain rate parity.

- There are third-party tools available that can help you maximize revenue, such as *Any Rates* reports by Trend FX. Use net rate during dates or seasons of forecasted low occupancy. These tools help you develop pricing strategies by obtaining rates from GDS and third-party Web sites.

HELPFUL HINTS FOR SELECTING TRAVEL SITES

It is imperative to find out the distribution channels for travel sites before deciding your rates. In other words — what is the cost of doing business and how will you control how and where your hotel is being sold? You also want to find out how these sites are updating rates and content. Before you develop a plan for choosing travel sites and rates, determine your needs and expectations.

MARKET REACH OF A TRAVEL SITE

What is the reach and target market of the site? How many room nights has it brought into my market and how many of my competitors are listed?

EASE OF MANAGING A TRAVEL SITE

How do I input information, rates and availability? How do I make changes, by extranet, direct connection or fax? How long does it take for changes to take effect — immediately, hours or days?

GETTING THE BEST EXPOSURE

What determines sort order and positioning on the site — merchant rates, random selection, price, alpha-

betical selection, formula or are they set by the market manager?

RATES, BILLING, AND CUSTOMER SERVICE

How are rates and inventory managed — yieldable or fixed? Can I place restrictions like minimum stays, advance purchase, and non-refundable rooms, or offer added value like breakfast, limited-time discounts, discounts for multiple nights, or a free night, to my rates? Are there any additional fees like commission or GDS fees to be aware of? How are reservations delivered, via an interface like GDS or Pegasus, or by fax?

PAYMENT AND CANCELLATION POLICY

How will I be paid for rooms sold — via billing, pre-payment or directly by the guest? Understand the cancellation and reservations change policy.

CONTRACTUAL TERMS

Are there any special terms? These could include your ability to sell on other sites, margin guarantees, bonus room concessions or set-up and advertising costs. These may be negotiated if you ask.

GETTING THE MOST OUT OF TRAVEL SITES

Allocate resources — Once you have obtained answers for all your questions, allocate appropriate resources to set up travel sites. Perform ongoing reviews of rates, inventory and information (content). It is more effective to only work with travel sites that you have allocated resources for, versus being on every site.

Train your staff — Once your information is updated, make sure your front desk understands what rates are offered on the travel sites and how reservations come in. You will not find a repeat customer in a guest who booked a room at your hotel via a travel site, then finds out that there is no reservation or the rate is not the same as on the travel site.

Regular Reviews — Regularly review all the travel sites and see how your hotel is listed on each of them. Make sure your hotel is displaying all the pictures and relevant information that customers need to make a reservation. Make sure your current rates and special offers are presented on all travel sites.

Be a Good Partner — Be prepared to be a good partner with travel sites to maximize your results throughout the year. Travel sites need inventory to survive and hotels that regularly close out travel sites or limit availability during demand periods will suffer. This is why it is critical to forecast your demand and need periods as far out as possible and yield your rates accordingly.

Know Your Market Manager — Make your market manager your best friend. Once you have decided which sites you want to participate with, the best source of information is your market manager. They can advise you on how to best use their sites to maximize your results, regardless of how much or how little you know. Hotels that regularly capture the majority of business are the ones that work closely with their market man-

ager on a weekly basis to capitalize on the changing trends and opportunities.

Track Your Results — Track your results weekly, or at least monthly. Identify your production from different sites. Compare results to your market to ensure you are getting your fair share. Make changes based on your findings as soon as possible after analysis. You can use monitoring tools, such as Rateview by TravelClick and Marketvision™ by the Rubicon Group, that are used to generate rate comparison reports, or EZYield, a software that manages multiple extranets of travel sites. Internet Hotelligence by TravelClick provides the number of bookings and revenue in a designated competitive set and local market that come from selected travel sites. Most major travel sites will also provide detailed information at no cost to you. Reference the rate of your hotel and that of your competition using free available resources, including www.Sidestep.com, www.Traveladvisor.com, www.BookingBuddy.com, www.Travelaxe.com and www.biddingfortravel.com.

CONTENT MANAGEMENT ON TRAVEL SITES

Each distribution channel has programs that allow hotels to enroll on that site. You can contact the market manager of the distribution channel for enrollment forms or use the services of a company such as Milestone Internet Marketing to enroll and manage the content on the multiple distribution channels.

If you are a branded hotel, it is important to check on the relationships that your corporate partner has so that you can take advantage of their negotiated pricing.

THE TOP FIVE TRAVEL SITES

EXPEDIA, INC.

- Rated second largest online travel site (Source: Nelson Rating)
- Powered by Pegasus and Worldspan
- Powers both Expedia and Hotels.com

Site Model: Prefers merchant rates (net rates) over GDS rates. Expedia offers Merchant Model rates, also called Expedia Special Rates (ESR). Merchant Model properties get priority placement over GDS properties in the search path.

Milestone Insight: Expedia acquired Hotels.com last year. By providing exclusive offers to Expedia and allocating minimum inventory, your property can get priority placement in your area. Work with your market manager to identify what it might take to rank high on the site.

HOTWIRE

- Ranks fifth most visited site in the United States (Source: Nelson Rating)
- Powered by Pegasus and owned by IAC

Site Model: Based on opaque model, where the traveler does not see the name of the hotel until sale is made. Its brand-shielded distribution model enables you to sell perishable inventory without diluting the brand.

Milestone Insight: Set up a tier of rates. Hotwire always searches for lowest double occupancy rate and payment is guaranteed to the hotel.

ORBITZ

- Ranks in the top 4 most visited sites (Source: Nelson Rating)

Site Model: Based on Orbitz Merchant Model (OMH) rates. OMH property is offered premium placement over GDS property.

Milestone Insight: Offers net rate programs, called Orbitz Saver and Orbitz Packages. Consider participating in Orbitz Saver rates and more aggressive (opaque) net rates bundled with airfare. Yield out your rates and

allocation based on supply and demand.

PRICELINE

- Ranks most visited site in the United States. (Source: Nelson Rating)
- Powered by Worldspan

Site Model: Based on opaque model, traveler does not see the name of the hotel until sale is made. Allows hotels to fill rooms at very short notice. More than 60 percent of Priceline reservations are received within 14 days of arrival and 70 percent of all requests include a weekend stay.

Milestone Insight: Offer rate should be competitive based on demand, supply and occupancy. Work with your market manager to determine the bidding rate in your area. Site enables you to sell perishable inventory without diluting brand.

TRAVELOCITY

- Rated as third most popular site (Source: Nelson Rating)
- Powered by Sabre
- Powers: Yahoo and AOL Travel

Site Model: Prefers merchant rates (net rates) over GDS rates. Merchant model program provides opportunity for preferred placement in the Travelocity search path. Offers three programs:

- Hotel Only Net Rates (unbundled)
- Total Trip Package program (bundled hotel and air)
- Site 59/Last Minute Deals

Milestone Insight: Travelocity powers Yahoo and AOL Travel and many more affiliate sites. Work with Market Manager. Participate in a package product and carefully watch sort order.

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