Electronic Distribution of hotel rooms: A paradigm shift

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Abstract

Internet technology has brought about a swift and unequalled revolution in all our spheres of life. Internet has radically transformed the way of distribution of products. The digital platform has made considerable progress in finding pioneering ways of reaching out to the customers. This has metamorphosed the world into a global marketplace. The aim of this research is fuelled by exploring ways of the electronic distribution of the hotel room product, and also the future ahead. The data is collected and assimilated based on structured interviews conducted with hotel industry experts. The research is exploratory and descriptive in nature coined for usage of the digital medium for marketing products. In the present day, electronic commerce has is limited and presents a study of how star hotels perceive the digital world of marketing, and leveraging it to reach the consumers.

Keywords: *"Electronic Distribution", "Digital Marketing", "Online Travel Agent" "Online room booking"*

1. Introduction

We are living in a digitally fuelled era, times which are driven by internet technology. Evidently, in the last couple of decades internet has undergone an unprecedented growth. It has succeeded in breaking geographical and physical boundaries, and become an unparalleled communication channel. Owing to its speed and reach, it has succeeded in shrinking the global marketplace. Today, internet is extensively used for social media network, mobile apps, and other varied forms of digital communication. This has led to a surge in digital marketing, a term to not only transacting goods, but also selling and services. Service-oriented products such as hotel room reservations, travel by air, rail, cruise, car rentals, all inclusive holiday packages, restaurant food delivery, home services such as cleaning and maintenance etc. are also gaining popularity selling it on the electronic medium like websites and mobile applications.

Online hotel booking refers to making rooms reservations by on websites using the internet as the medium. It enables travellers to make their prospective (immediate or distant) by click of a button. To reach the decision of making the booking, the portals help customers with all needed information such as – product features and facilities, room types, inclusions, visuals, virtual tours, comparisons, rating, reviews and many other facets of study. Importantly, they also provide real-time availability and volatile pricing which is based on revenue and yield management. Hence, owing to the ease and comfort to the end user, lowered costs and direct accessibility to the principal supplier, electronic distribution of rooms has seen an ascend which will only rise in the future.

2. Review of Literature

Rise of electronically enabled commerce: Gupta, et. al., (2004), developed a structure that comprised of three levels of electronic channel management. These comprised - information and design, e-commerce, and customer relationship management. On the other hand, a cautious note by Baand and Pavlou, (2002), mentioned that owing to the nature of the internet technology as a medium, basically virtual in nature and in the absence of physicality, it lacked assessment and of product quality, vendor claims and thereby making unethical practices such as cheating easier compared to brick-and-mortar establishments. Timeliness and promptness that is characteristic of real-time information exchange is critical (Schiffman, L., et. al., 2010: 18). Marketers have access to and also can also follow consumers' online behaviour, likes, preferences and demographic profile. They can easily gather information by having visitors to the websites to register and / or grant access to their registered information of mail or social media.

The realm of digital marketing: Customer information is used for sales, delivery and customer service functions. It has led to recognition as well as

response, owing to the real-time instantaneous communication that is possible due to internet technology. Owing to the personalized communication that customers receive, they are encouraged and easily prompted to communicate freely with digital companies. This effortless flow of communication helps customer service. This is done with incurring minimum costs, than the steep costs otherwise incurred with personalization (Rowan, 2002: 45). The ideal way to explore and exploit the online market is by using what is coined as "consensual marketing", (Rowan, W., 2002: 19). When online consumers are given what they desire, in the most speedy and convenient manner, they easily resist going to competition. Law, (2010), noted that in the internet era, there are a lot if websites and companies reaching out to the customers. As this happens, a lot of information goes to the through this channel. Owing to which, there is a danger of information overload. Electronic media now plays a vital role in supporting and helping consumers with their search for information. Consumers amounting to more than 40% consider that the digital medium of internet powerfully influences their process of arriving at a decision (Blackwell, et. al., 2006; 115).

Outbreak of social media: Xiang and Gretel, (2010), also remarked that from the view point of the online sellers, they have also taken cognizance and consider social media as an important tool of marketing communication. This means that both parties involved in the transaction have embraced social media as an important platform to facilitate buying and selling. In fact, all hotel chains have their own pages on handles like Facebook and Twitter. Jeong and Jeon, (2008), voiced that the essence of customer feeds on various social media networks are their personal experience that makes it original and honest. It is not camouflaged as any gimmick and is straight as is. Chen et. al., (2017), remarked that the surfacing of Web 2.0 can easily be witnessed by the increase in blogs, posts, comments that are evident in social networking sites (SNSs) such as LinkedIn, Twitter and Facebook.

Emergence of Online Travel Agents: Li-Ming, (2007), noted that apart from using the hotel websites, there is an evident growth in consumers using other third part websites to book travel plans including room. These are known as travel agents that operate online, for the online customers and book online travel products and service. The growth of this segment is also characterized by an increased motivation to travel, and having financial options to realize their plans. There are many pull factors that push the booker out to other agents. Even while online consumers are satisfied with the current set of services that are being provided, they may still look out for alternates and substitutes. One of the chief attractions of such online travel agents is that they are able to offer huge discounts to their online customers. There are many reasons for this, but principally because OTAs enjoy special rates from hotels that are negotiated against volume bookings. Morosan and Jeong, (2008), appraised that in order to counterbalance this mass penetration of OTAs in the space of making online hotel room bookings, travellers need to be encouraged and enticed to book rooms straight via web sites owned by hotel companies which are trying various strategies.

3. Objectives

1. To explore the various modes of electronic distribution of hotel rooms.
2. To understand the current sources of online bookings of star hotels.
3. To study the future prospects of electronic distribution of hotel rooms.

4. Research Methodology

4.1 Collection of Data:

The primary data required for the research was collected using the following technique:

- Research Design: Descriptive and Exploratory
- Structured Interviews of hotel industry experts in the field of Sales & Marketing and Revenue Management

Keeping in mind the topic of the study, profiles of Director Sales and Marketing and Revenue Managers of star hotels were qualified, met and spoken to in person. The questions that were asked were prepared keeping in mind the objectives of the study. Following are the points that were covered during the interviews.

- The various segments that book the hotel
- The various electronic medium of booking hotels
- The share of OTA business and the commission earned by them
- Pros and cons of OTA dealings
- OTAs versus Meta Search Engine. Management of both
- Managing online reviews
- Hotel website optimization and loyalty
- End consumer management and control
- Hotel's plan for future scope of electronic booking

Apart from the above mentioned tools the relevant secondary data for the research was collected from journals, books & internet sources.

5. Data Analysis and Interpretation

Qualitative research is non quantifiable research and is undertaken for more descriptive purposes, in order to probe and get a deeper insight for things. The

underlying thought being getting a firsthand insight from the suppliers, their perspective on distribution and consumption through the online medium. Also to understand how the business model operates, especially pertaining electronic distribution of rooms in the volatile market and medium. This gave better insights into the mind of the interviewee. Qualitative research also enabled to understand the varied meanings that people place on their personal account, experiences and learning. These especially helped to delve in a more deeper manner into people's understanding, motivations and interpretations. The qualitative aspect has helped this study with the how (process) and why (meaning) of online distribution of star hotel rooms.

Interviews are primary data collection technique that involves gathering data in qualitative manner. The interviews vary in terms of the number of people involved in the interview process, the level of structure, the proximity of the interviewer to the participant and the number of interviews carried out during the research.

Interview One:

The interviewee has a career spanning two decades in renowned premium and luxury five star International hotel companies. He being a seasoned sales personnel, has spear headed marketing strategies and revenue management decisions pertaining for leading hotels in Mumbai, and is currently based in Pune.

He is very clear about the segments that city star hotels attract. Talking of which he shared that customers today have a wide array of choices. They are a well aware and travelled lot of people, who not only know what they want, but are also sensitive and intolerant of anything that does not please them. So was the case earlier, but the market then was niche. Today, majority of people are exposed to global standards and have similar comparable expectations.

With regards to online booking channel, he said that the room product is sold to customers both as a Business-to-Business (B2B) and also as a Business to Customer (B2C) formats. He mentioned that as much as selling directly to the consumer is desirable, it is not always feasible. Especially in case of Free Individual Travellers (FITs), which comprise of the unorganized retail market, selling via B2B format really is useful. He commented that Online Travel Agents (OTAs) help in aggregating and procuring this segment which accounts approximately 18-20% of the hotel's business. In case of leisure properties, the figure may go as high as 40 – 50%. Keeping the volumes in mind, the OTAs become a critical segment that attracts, influences and diverts business to hotels and helps push sales especially in todays competitive times. Apart from OTAs, he also mentioned that Global Distribution Systems (GDSs) also have a significant contribution. The networks by companies such as Galilio, Sabre, Worldspan is spread across the world and facilitates corporate bookings from various parts of the globe. GDS accounts for about 20-25% business in city hotels. He concluded saying that though hotels are etching towards B2C format, at the current moment the intermediaries also have a significant contribution towards selling hotel rooms and have to be handled as a crucial segment by themselves.

Interview Two:

The second interviewee is a Hotel Management graduate, having specialized in Accommodations Operations. She started her career in Front Office and then moved into Sales. Her education and experience has helped her knowledge of the product. Being heading Sales in many an international hotel companies, she has clarity of vision towards the direction that hotel distribution channels are heading, and also numerous ways of leveraging technology to reach its consumers across the globe.

Being part of the Marriott Hotel Company, she shared that fluidity of pricing is the underlying basis for pricing and revenue management. This has been made possible owing internet technology as the enabler and changed the way of selling and marketing.

She further added that OTAs amount to 12-14% of hotel sale and hence are regarded as a segment that needs to be serviced. She mentioned about contracts and tie-ups with them at special rates. Owing to discounted rates offered to them, and the commission that they earn she also added that OTAs do drive volume bookings, but also come at a cost compromising profits. Owing to this fact, they are valued on one hand for the business they drive, but are also kept on a check owing the low-end pricing that is garnered. Hence, revenue managers play with this segment which becomes critical. She also added, that bigger hotel companies, especially those which have multiple brands and presence across the globe, have a well set up company website and invest heavily in technology to reach the customers. Their dependence on OTAs is comparatively less than single property or stand alone hotels. In such cases, they have to depend on OTAs for visibility, marketing and reach to the world-wide customer who might not be aware of their standing and existence.

She mentioned that MakeMyTrip (MMT) and Expedia are key big players. She also added that in case of Meta Search Engines (MSE), Booking.com is a key player, alongwith Agoda. She opined that MSE are better as they are not booking portals and direct booking to the brand site. In this way they help in getting the customer directly to the company than retaining the customer. This is a chief and important difference between an OTA and MSE.

She further added that the company is technologically driven and has made break throughs to appeal to its customers who are as digitally aware

and active. To make the company site instantaneous, content driven, easy to navigate with real time availability and pricing are tasks that that the headquarters is taking seriously and is also being done in tandem at the property levels.

Interview Three:

A young and dynamic Revenue Manager who has a key role in optimizing yield and profits for the newest and most luxurious five star hotel in the city. He has specialized in revenue management and has consolidated his experience by pursuing continued management education. During his interaction with the researcher, he gave useful insights, excerpts are discussed as below.

He mentioned that all the bookings are enabled by technology. These come in through GDS, OTAs, and Central Reservations Systems (CRS). He agreed that all bookings are not manual anymore and are enabled by software interfaces.

He commented that the OTA business is significant and preferred owing to many reasons like: able to do comparisons, multiple property viewing, loyalty and incentives like cash back, booking multiple services like travel and stay etc.

As much as OTAs are useful, he mentioned that it is always preferred that business comes direct from customers than through agents. This gives hotels direct access, control, loyalty and retention. When through an OTA, the customer information and loyalty vests with the agent and customer control is minimum. His company has been trying to boost bookings directly with the hotel by means of the company / brand website. In February 2017, they launched the "Book Direct" campaign which aimed at creating awareness amongst its customers to book directly with the company. They also offered special benefits, accesses and best rates to direct bookers. These include: best rate guarantee, complimentary services such as wi-fi, loyalty points etc. He also mentioned that they are partnering with other travel services like airlines to be their miles and stay partners. He also mentioned that the website engagement and optimization is what the company has been working on, so that the customer experience translates into booking and promotes more clicks and successes. In fact, they like many other multi-national chains have also launched Hilton app. Apart from making bookings, customers can also pre-checkin, convey special requests, have the second occupant stay free etc.

He agreed that at present OTAs contribute to 17-20% business whereas brand site garners much less bookings at around 10%. Expedia and MMT being the key players. He also commented on the role of MSEs being another source that bring business to the company sites. Ranking and recommendations at these MSEs also influences prospective buyers. MSE like TripAdvisor, also are highly interactive and promote online reviews. These help the hotels with opportunities to gain visibility, customize offerings, improve negative comments and bring marketing opportunities at no additional costs.

Talking about analytics, he mentioned that data crunching on numbers such as number of visitors on the site, number of conversions, traffic from, traffic dates, booking patterns, booking lead time etc. serve as critical information to help decisions and strategies.

Interview Four:

A Management professional with a decade in hospitality sales with the hotels. She has knowledge about the hospitality trade and city market dynamics. She shared her hands on experience and knowledge that provided a well balanced view in the working of the subject of this study.

She believes that technology has changed the way business is undertaken. Technology has made information reach customers real time. Be it availability of rooms, rates or booking anywhere in the world. It has also ensured that information is centralized, no longer property specific. So, Property Management System (PMS) has been replaced by Centralized Reservation System (CRS). The interface between the user and the site is key. It has to be easy to navigate, speedy and should have all relevant and updated information.

OTA business has increased over time. They have replaced the traditional Travel Agents (TAs), though there is still 2-3% business from TAs, mostly for resort destinations. Also, the company has over time developed brands for each market segment. They have also rebranded to appeal to specific target markets. This makes it more important to be reflected in the company and brand sites as well.

Furthermore, she added that revenue manager's role has upscaled especially from the times internet technology has taken over. Pricing is more fluid and flexible. Yield Management, based on the market dynamics of demand and supply has changed the pricing and pricing in turn has created newer markets. These markets are near and far, and can be accessed easily by digital means.

Also, the company is particular not on only about managing the company site, making improvements regularly, but also has invested heavily in centralized sales and reservations. Also, Social Media Networks (SMNs) and MSEs are constantly checked and reverted within 24 hours. This helps in keeping control on online reviews and also helps in recovery.

Interview Five:

She is a Market Director with proven revenue strategist profile within the hospitality sector. She is skilled in budgeting and forecasting, business planning, market strategies and pricing analysis. Being with an International hotel company for close to a decade, and having specialized in revenue operations makes her ably lead as the cluster in

charge for revenue strategies for all properties in Pune.

The company is committed optimization of the company website. The initiatives are taken at the headquarters and are transcended down to regional and property levels. Uniformity, visibility, navigation and speed being the key features. They are constantly working on upscaling the technological interface to attract, retain and book through the brand site. To add, even special services and complimentaries are given to those customers who book directly through the company site. To combat GDS, Expedia has newly launched Agencia, a subsidiary for corporate negotiations and travel portal. It works on similar lines as GDS.

Apart from the company site, bookings pour in electronically through other sources, GDS is for corporate bookings. In OTAs, Expedia, MMT, Travelocity and Travel Guru are prominent. Apart from OTAs, MSE also account for 3-5% business. These sites help compare various sites on parameters such as price, location, service and the customer is directed to the site they prefer. This way, the business is rooted at MSE and materializes at the brand site. Individual hotels also tie up and invest in Search Engine Optimisers (SEOs). This helps hotels get direct bookings. The SEOs have monthly deals page, where hotels bid and feature their package deals. This attracts many impulse, on-spot and unplanned purchases. Rate Finder based on the day. Like in airlines, prospective customers cam look up a particular month of travel and check day wise prices, and book accordingly.

Another area that they are developing is the smart phone application (App). It has a unique feature of the Virtual Concierge that assists the guests for all that they need from the hotel, without physical interface. Special requests and chats also help personalize over the app. Analytics, especially to study the footfall, traffic and conversions is useful.

6. Findings

On the basis of the interviews conducted with industry experts, the following are the key take-aways.

- The current business with OTAs is approximately between 12-15%. This comprises of the unorganized market which books via OTAs. These are not frequent stayers, but fragmented market that comprise the volume.
- Currently, OTA is not the main source of bookings, as much as corporate are. But they are substantial. Till the unorganized retail sector is tapped directly, hotels will have to leverage the business through OTAs.

- OTAs are on top of the game as far as making website improvements is concerned. It is their prime product, unlike hotels where boarding and lodging services is prime.
- All companies also realize the importance of having customers book directly. It has two-fold advantages. One is that it is more profitable, no having to sell at discounted / commissioned rates to OTAs. The other reason being that the primary consumer data and consumer loyalty would rest with the hotel company and not with the OTA. They are also promoting direct bookings by providing free-bies that consumers can avail only if they book through the company sites,
- Hotel companies are investing heavily in improving their websites for seamless, fast one stop shop bookings. Making improvements for better user interface and navigation.
- Hotels are also moving towards developing mobile applications. These provide varied facilities such as pre-check in from the airport, special requests etc. to make service stronger and better for the wired customer.

7. Suggestions

On the basis of the study, it is recommended that:

- Company brand sites need to be invested upon. The booking process is more utilitarian, and its management needs to be update, seamless and user friendly.
- There should be pull motivators to attract consumers to book directly. These should be in monetary and non monetary terms.
- Other alternate mediums such as mobile phone applications also need to be developed that offer various hotel functions.

8. Conclusion and Discussion

The study was undertaken to understand the extent and effect of various online booking portals that help distribute star hotel rooms. On the basis of individual structured interviews, it was found that hoteliers are fast coming in terms with the changed dynamics of distribution channels. They are currently leveraging the OTAs especially for the retail sector. Yet, developing team to improve brand sites and its usage for direct customer handling, improved relationship and loyalty.

9. Future Scope for Research

Further study in the future may be undertaken for other categories of hotels as well. Analytics may be used to study in-depth. Furthermore, the room aggregator model rooted in internet technology may

also be probed into, to give another dimension and extension to this study.

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