Training Distribution, Channel Management & Reservations

Agenda

Introduction to Basics

Distribution Management

Channel Management

Reservations

Distribution – What Exactly that is?

What | **Where** | **How Much** | **For How Much**

Distribution – What Exactly that is?

Hotel (Rooms) Distribution is the process of making a product (Rooms/ Packages) or service available for use by a consumer or business user, using direct means, or using indirect means with intermediaries.

An **intermediary** (or **go-between**) is a third party that offers intermediation services between two trading parties (Hotels & Traveler). The intermediary acts as a conduit for goods or services offered by a supplier to a consumer.
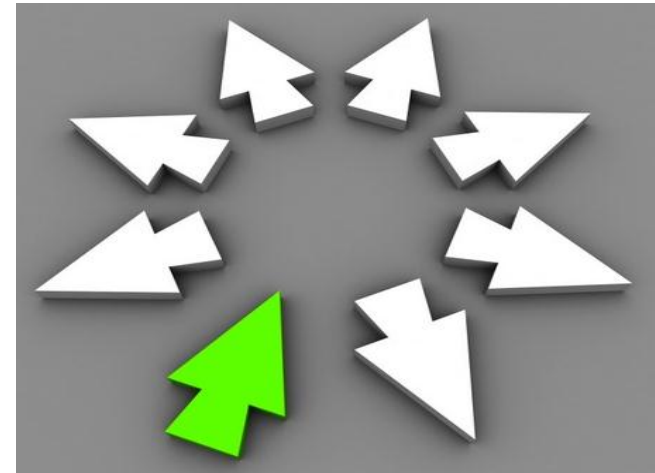
Why Intermediaries?

- Selling through wholesalers and retailers usually is much more efficient and cost effective than direct sales

- *Right* product in the *right* place at the *right* time at the *right* price and under the right set of conditions or circumstances

Is intermediaries really important? Yes!

- As products become more and more like commodities with little significant differentiation (as perceived by consumers)
- Competition is moving rapidly away from products toward efficiencies in distribution
- Today, success or failure depends on how quickly and inexpensively their products flow through and reach final customers.

Information that is distributed:

The four main categories of information that need to be distributed are:

- Hotel rates (frequently changing — dynamic)
- Hotel availability (frequently changing — dynamic)
- Hotel information such as room types, package types, amenities, location, contact information, meeting space (infrequently changing — static)
- Rich content such as photos and video (some dynamic and some static), which is a category that is growing in importance

Different types of Distribution

Selling Direct to Guest

Supplier → Guest

Selling through Retailers to Guest

Supplier → Retailer → Guest

Selling through Wholesaler to Guest

Supplier → Wholesaler → Retailer → Guest
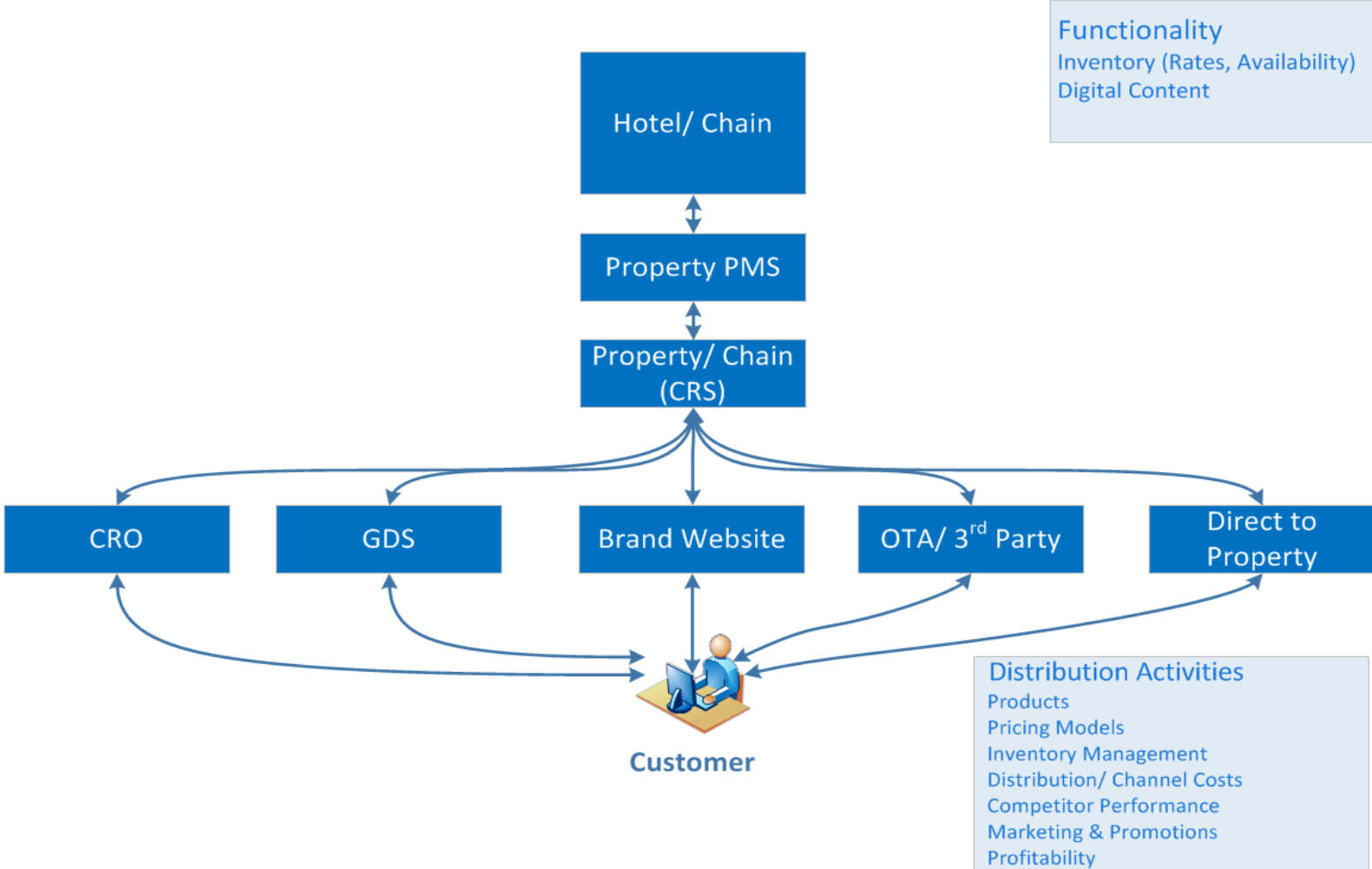
Distribution Channels

Direct Channels

- Property reservations department

- Central Reservations Systems/ Voice

  - Affiliate Reservation Network (Hotel Chain)
  - Non-Affiliate Reservation Network

- Internet Channels

  - Branded Website
  - Social Media apps (Facebook, Google, Yahoo etc.)
  - Mobile Apps
  - Kiosks

Indirect Channels

- Cluster Reservations Offices

- Global Distribution Systems

  - Sabre
  - Galileo
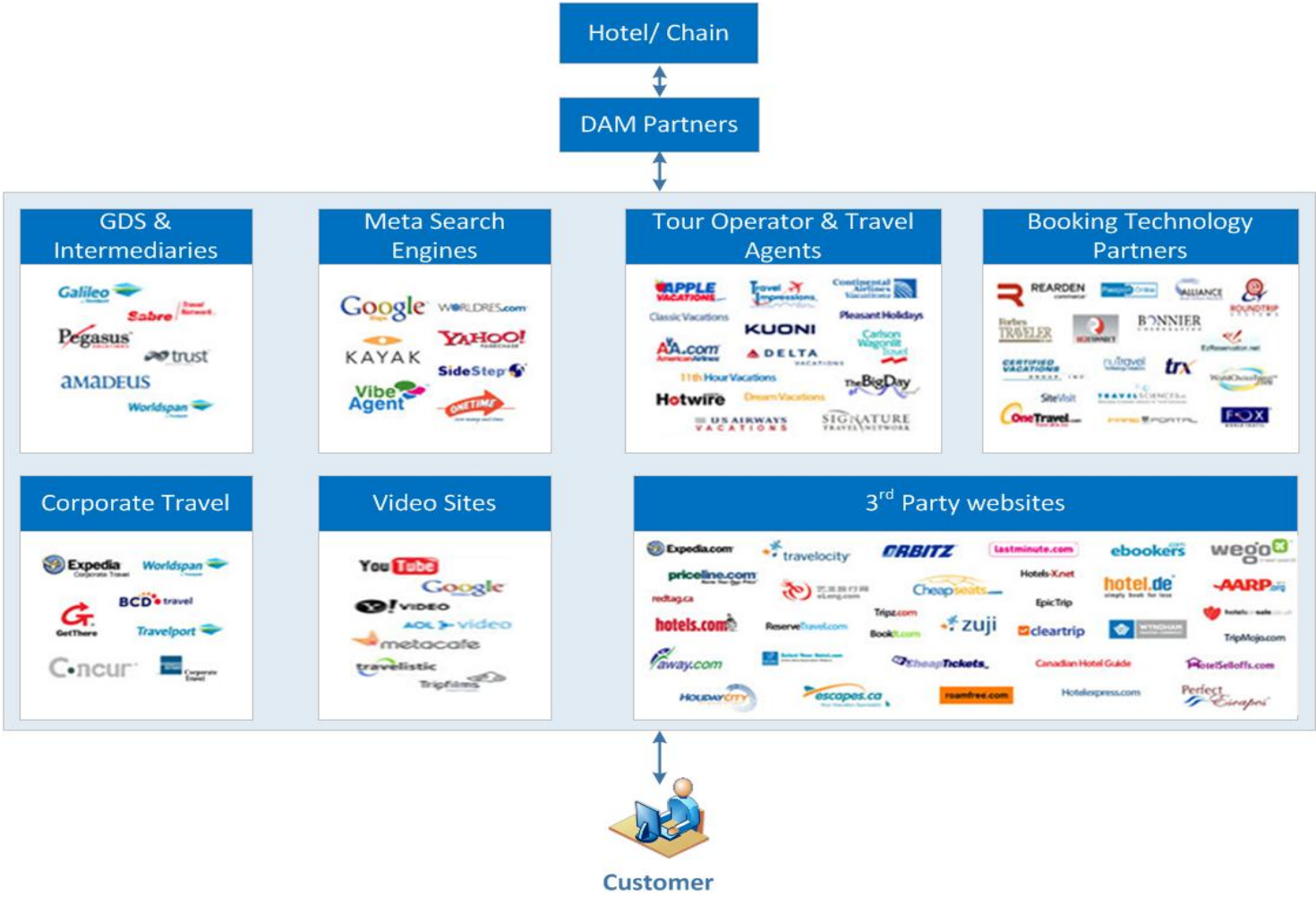 - Amadeus
  - WorldSpan

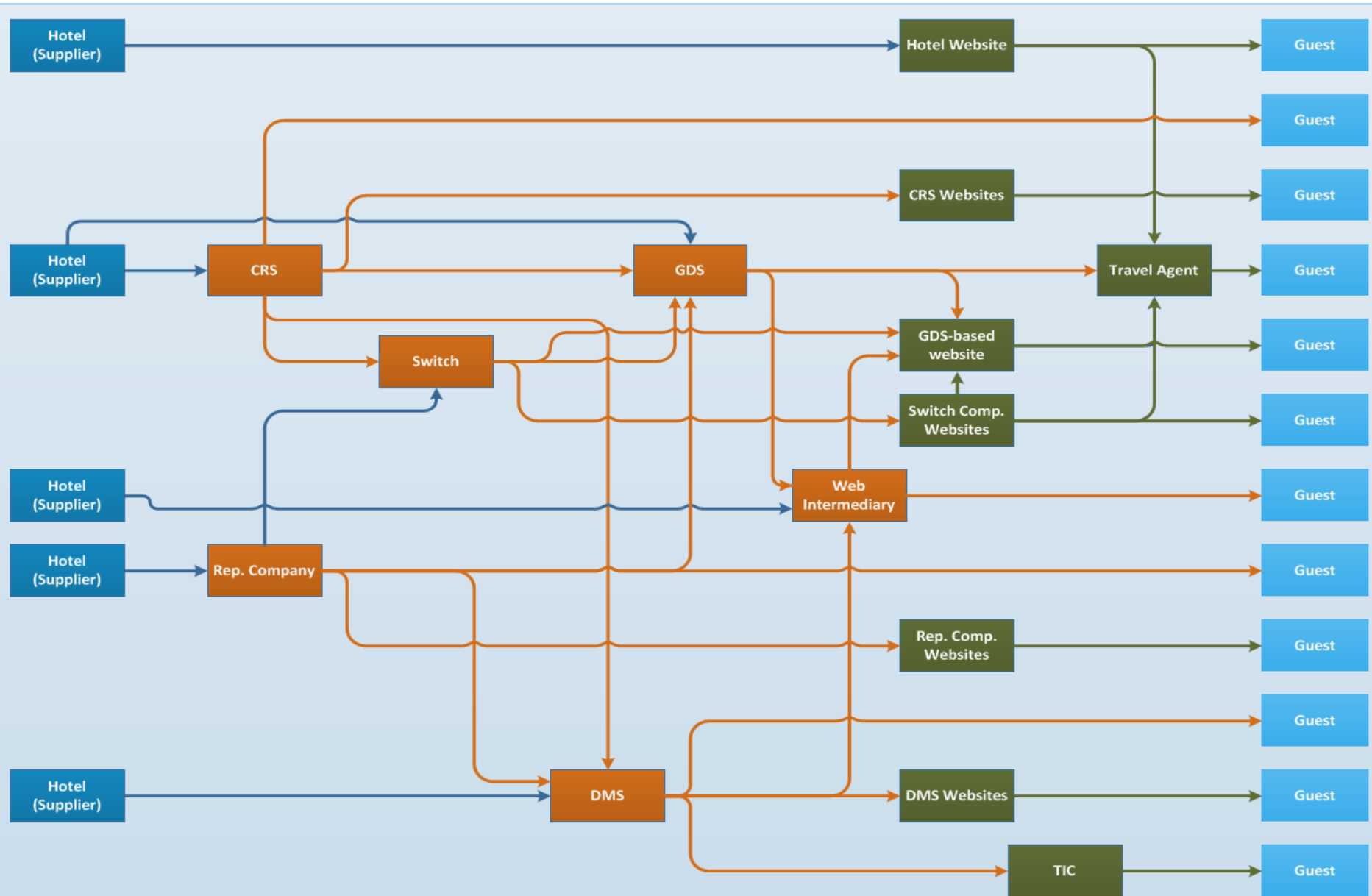- Online Travel Agencies

The Hotel Distribution & Planning

Hotel/ Chain

Property PMS

Property/ Chain (CRS)

CRO | GDS | Brand Website | OTA/ 3rd Party | Direct to Property

Customer

Functionality
Inventory (Rates, Availability)
Digital Content

Distribution Activities
Products
Pricing Models
Inventory Management
Distribution/ Channel Costs
Competitor Performance
Marketing & Promotions
Profitability

Visual Content Distribution

Hotel Content Distribution

Distribution Flow

Advantages/ Disadvantages – Direct Channels

Advantages:

- Revenue Share: No intermediaries' costs the price at which hotel sells to the final customers is all hotel's revenue

- Customer and Loyalty: Direct relationship with customer

- Product: Product Selling Priority, Direct customer feedback on products etc.

Disadvantages:

- Customer acquisition is expensive and overall cost of selling is high

- Marketing: Many hoteliers claim they cannot afford to market themselves via the Internet and that is why they resort to the OTAs

- No global presence

Advantages/ Disadvantages – Indirect Channels

Advantages:

- Maintaining a brand presence – Billboard Effect (Global presence)

- Cost Saving: The members of distribution channel are specialized in what they do and perform at much lower costs than companies trying to run the entire distribution channel all by itself.

- Boosting Sales: Resellers often use persuasive techniques to persuade customers into buying a product thereby increasing sales for that product.

Disadvantages:

- Revenue Loss: The hotels sells his rooms/ packages to the intermediaries at costs lower than the price at which these intermediaries sell to the final customers.

- Loss of Product Importance: The importance given to a hotel's product by the members of the distribution channel is not under the hotels' control.

Systems to be considered in Distribution

- Central reservation system (CRS)
- Property management system (PMS)
- Connectivity to GDS, OTA, search engine (via switch, extranet or direct)
- Channel management Tools
- Revenue management tools (RMS)
- Content management system (CMS)

Distribution Channels

- A **distribution channel** is a set of independent organizations involved in the process of making a product or service available to the consumer or business user

- Used to move the customer towards the product

- **Channel Management:** Controlling the allocation of hotel inventory and rates across all distribution channels including website, third parties, and the GDS.

- **Effective channel management** solutions should reduce labor costs and improve efficiency by providing a centralize way to control multiple channels.

Electronic Distribution Channels

Hotels make their products & Services available via electronic channels.

Categories of Electronic Distribution Channels:-

1. Global Distribution System (GDS)

   - Amadeus, Sabre, WorldSpan & Galileo

2. Internet Distribution System (IDS)

   - OTAs

   - Travel Agents

   - Wholesalers

   - Tour Operators

Global Distribution System (GDS) Channels

- GDS link directly to the Reservation Systems (CRS) of the hotels, airline, car rental and travel agency companies on a worldwide basis and provide access to inventories around the world.

- Most Central Reservation Systems (CRSs) connect with one or more of the GDSs

- Historically, each GDS was owned by an airline company or consortium of airlines

Benefits:
- A Global Bookings Channel
- Global Marketing: Exposing you to the global travel market
- Administration: Manages rates on multiple channels, integrates with back office, front office.

Internet Distribution System (IDS) Channels

- Typically, IDSs are operated by independent website sponsors that implement an online hotel reservation booking engine

- Ways to connect;

  - Channel management tool

  - Connection to Hotel's Central Reservation System (CRS)

  - Connection to a switching company (Pegasus, HBSi or Derbysoft) that connects to hotel's CRS

  - Connection to GDS that connects to Hotel's CRS

Distribution Partner's Business Models:

There are three types of arrangements/business models that vendors offer with the hotels:

- **Merchants**: Merchants take control of your inventory and stand between you and the guest. Hotel receives _net rate_ after intermediary get compensated based on negotiated percentage with the hotel. (15%-35%)

- **Wholesaler/ Travel Agents**: Intermediary is compensated on a _commission basis_ based on a pre-negotiated percentage. The commission is paid by the hotels after the total room rate is sent to the property. (10% - 25%)

- **Opaque** – Brands not disclosed to consumer until after sale, hotel gets pre-negotiated rate with vendor. (35% - 50%)

IDS processing Models:

- Transparent Sites – Expedia.com, Hotels.com, Travelocity.com etc.

- Opaque Sites: Brand Opaque: Hotwire.com

- Auction basis – Auctions or name your own price (Priceline.com) "Name their own price"

Examples of OTA using their own concept of Opaque:

- Travelocity / Lastminute - Top Secret Hotels
- Getaroom.com - Unpublished Rates
- Booking - Hidden Hotel
- GTAHotels.com - Mystery Hotel
- HotelsCombined.com - Hotel Roulette
- TravBuddy.com - Hotel Roulette
- Easyclicktravel.com - Off The Record
- HotelDirect.co.uk - Hidden Gem' Hotels
- BookIt.com - Mystery Hotel
- SuperBreak.com - Mystery Hotels

Few Terms in Distribution

Rate Parity, can be defined as maintaining consistent rates for the same product in all online distribution channels—Expedia, Orbitz, Hotwire, etc.—regardless of what commission the OTA makes.

Rate parity strengthens customer loyalty and encourages guests to book directly with the hotel where terms/policies may be more flexible, given the same pricing as in other channels.

Hotel need to log and configure the taxes and margins of the 3rd party websites correctly.

Rate integrity, is identified as justifying price discounts to ensure a hotel isn't slashing rates for no reason.

Opaque Pricing, Hidden discounts through non-branded offers. Use opaque channels like Priceline and Hotwire to unload distressed inventory.

They provide wonderful reports showing hotel exactly what demand volume exists at each price point.

Hotel Channels Management:

Channel Management: Controlling the allocation of hotel inventory and rates across all distribution channels including website, third parties, and the GDS. Effective channel management solutions should reduce labor costs and improve efficiency by providing a centralize way to control multiple channels.

Channel Management Tools, allow hoteliers to respond swiftly to changing market circumstances. By responding rapidly to changes in demand on all your 3rd party channels, you can yield better and stay ahead of your competition and maximize revenue.

Channel Management, is about managing a multitude of channels along with optimizing the bookings and revenue.

Hoteliers observe and find out which distribution channels have the highest ROI and adapt their strategy accordingly..

Distribution Channels:
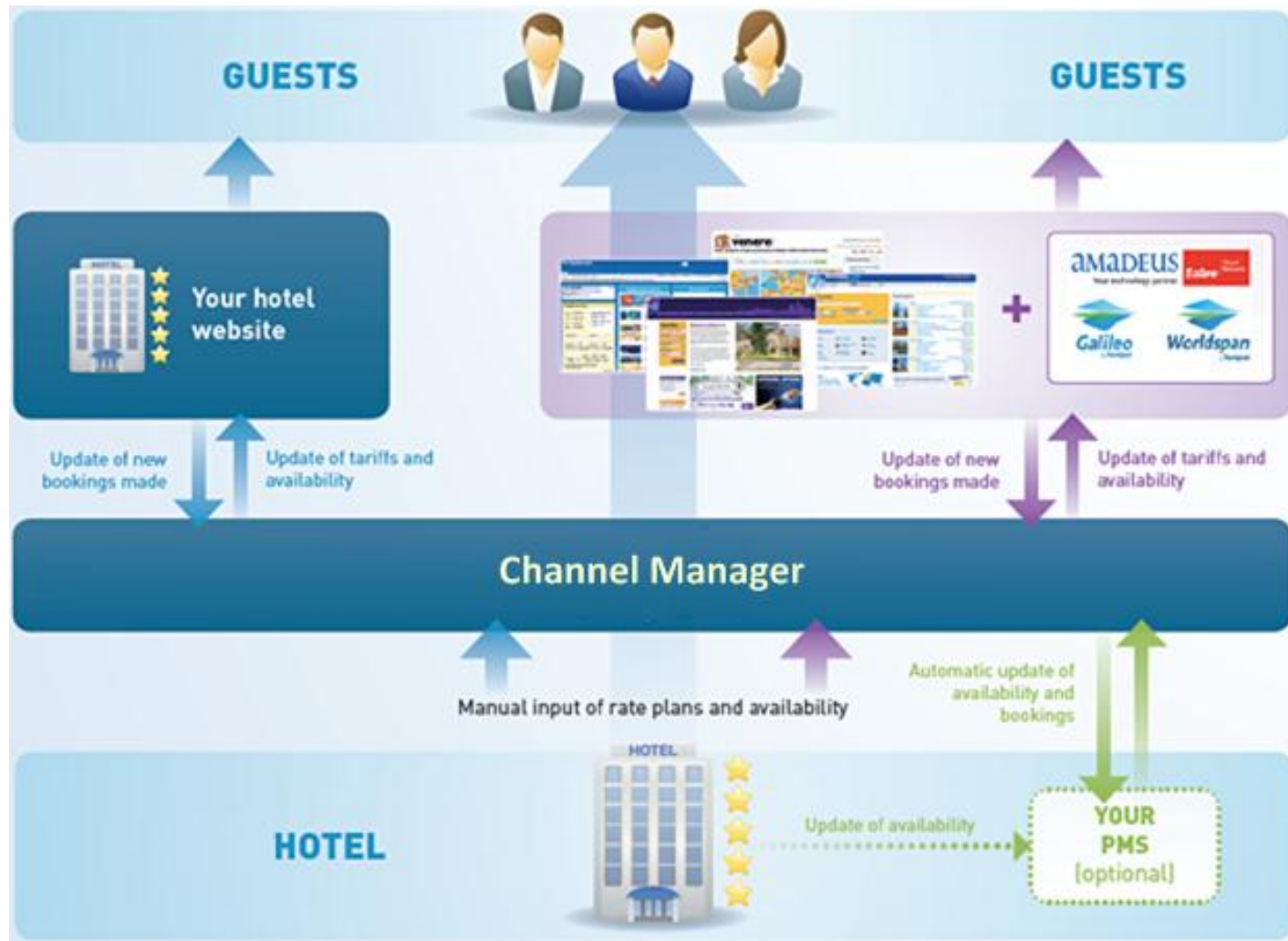
Management Contracts & Management Companies
- Agreement between the hotels and the distribution partners
  - Wholesaler/agents/ Merchants: The partners and hoteliers negotiate on fixed rate or percentages or markups on the net rate of selling.

- Agreement between the hotel owner & a management company
  - Leasing (Renting): Are popular when times are good
  - Franchising: Franchise fees have almost doubled during the past 20 years. They now represent 9% to 10% of room sales – some 8% of sales from all sources

RESERVATION

Reservations are legal contracts – the request constitutes the offer and the promise of accommodations represents the acceptance. The promise to pay or the actual transfer of a deposit is the third important element of a contract.
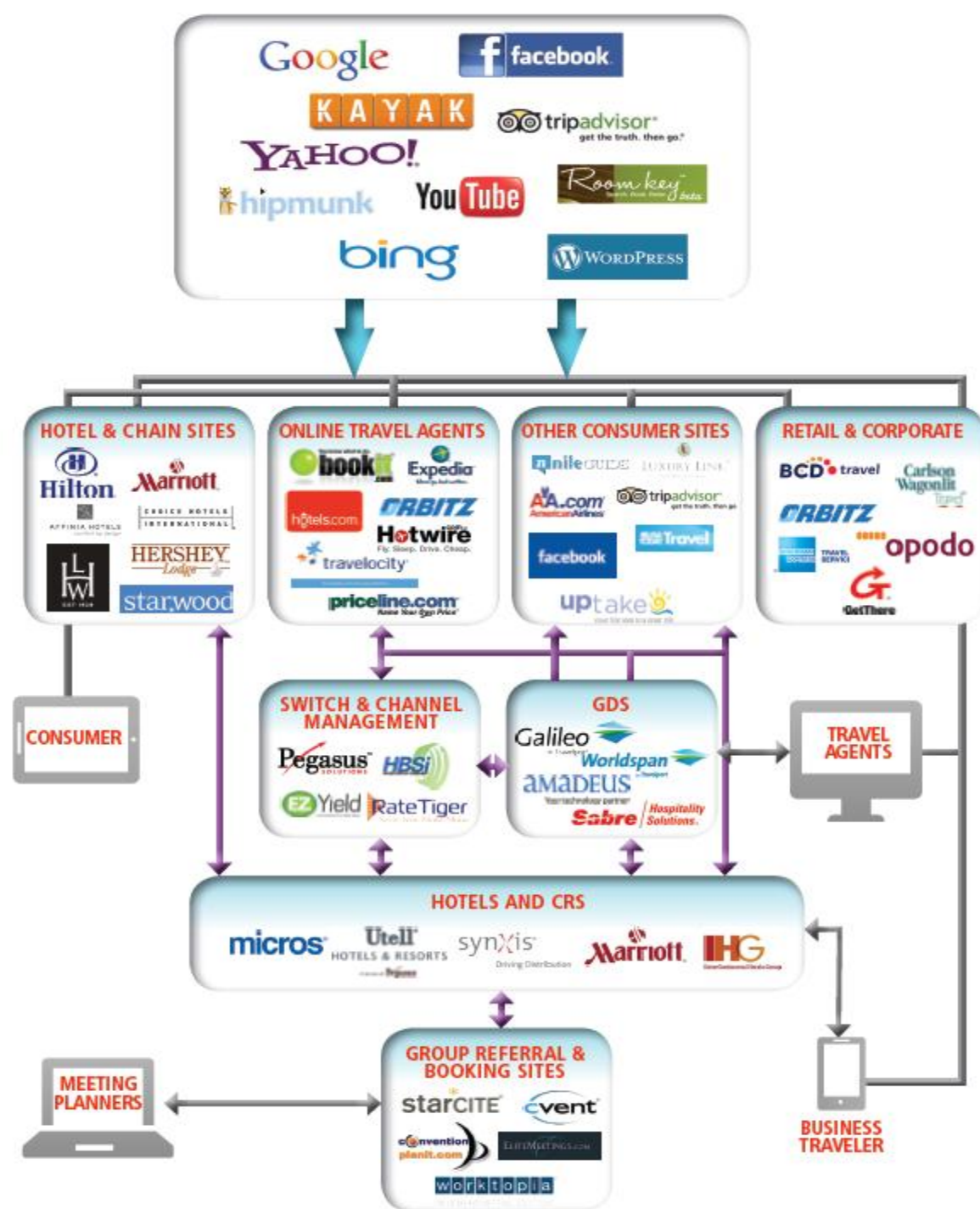
Type of Reservations:

Guaranteed Reservations: Assures the guest that the hotel will hold a room until a specific time of the day following the guest's scheduled arrival date. The time may be check-out time etc.

- Prepayment

- Credit card

- Advance deposit

- Travel agent

- Voucher/miscellaneous charge order (MCO)

- Corporate

Non-Guaranteed Reservations: the hotel agrees to hold a room for the guest until a state reservation cancellation hour (usually 4 PM or 6 PM) or the day of arrival. This type of reservation does not guarantee that the property will receive payment for no-shows.

Source of Reservations

- Property Direct
- Central Reservation System
  - Affiliate Reservation Network (Hotel Chains)
  - Non Affiliate Reservation Networks
    - Leading Hotels of the world
    - Preferred Hotels
    - Distinguished Hotels
- Cluster Reservation Offices
- Global Distribution System
  - Sabre
  - Galileo International
  - Amadeus
  - WorldSpan
- Internet Distribution System
  - OTA and others

A Reservation Record

- Guest name
- Product sold (Room Type)
- Actual Rate (Nightly Rate)
- Terms & Conditions (Policies)
- Home/billing address
- Telephone number
- Company name and number (if appropriate)
- Name of person making reservation
- Number in party
- Arrival date and time
- Number of nights
- Type of reservation
- Special requirements
- Additional information, as needed

Reservation Transaction Reports

- Commission agent report

- Reservation transactions report

- Regrets and denials report

- Revenue forecast report

- Expected arrival and departure lists

Majorly sales department is involve in the group booking activities (Quote to Close)

A major player in today's lodging industry, the term *group business* represents a variety of options:

- Major conventions & expositions (trade shows)
- Midsized corporate meetings & conferences
- Smaller incentive travel packages, tour groups & corporate retreats

Group business has 3 positive characteristics:

- The market is large
- Groups provide economies of scale
- Group delegates spend more dollars than individual travelers

Segment of Group: A Sales representative may be assigned to attracting social, military, educational, religious, and fraternal groups which together called **SMERF market**.

Tour Groups
- Sold as a group
- Guests handled as a group
- One sale, one registration, one service, one billing=savings

Convention Groups
- Sold as a group
- Guests handled individually

Expositions and Trade Shows
- Similar to conventions
- Average guest stay is longer with a show because displays require set up and tear down time.
- Reservation and front-office procedures are the same as for a convention or an individual guest.

Group Booking "Few Terms"

- **Block**: An agreed upon number of guestrooms are set aside

- **Booked**: Rooms reserved for specific guests are referred to as booked.

- **Cut-off Date:** Unreserved rooms in the block may be released to the inventory at a predetermined date called cut-off date.

- **Wash/Wash Down:** Reducing the block based on the group's history is called wash down.

- **Definite Group**: In contract

- **Tentative Group**: Sales in process

- **Rooming List**: The final list of guest in association with the allocated rooms

Packages:

Promotional packages are always include the guestroom + features such as Spa & wellness, golf, tennis, sports lessons, limo service, sight-seeing etc.
This will always be discounted price than actuals.

Packages can be very effective for hotels when designed well.

Packages:

Inclusions: These are the items which are part of the package sold and will always be zero in cost but there might be inventory associated with it as regular booking and scheduling purpose.

Extras: These items are available for purchase and will cost extra to the guest.

NOTE: Booking engines should be capable of pricing the extras and including inclusions (without price) and book.
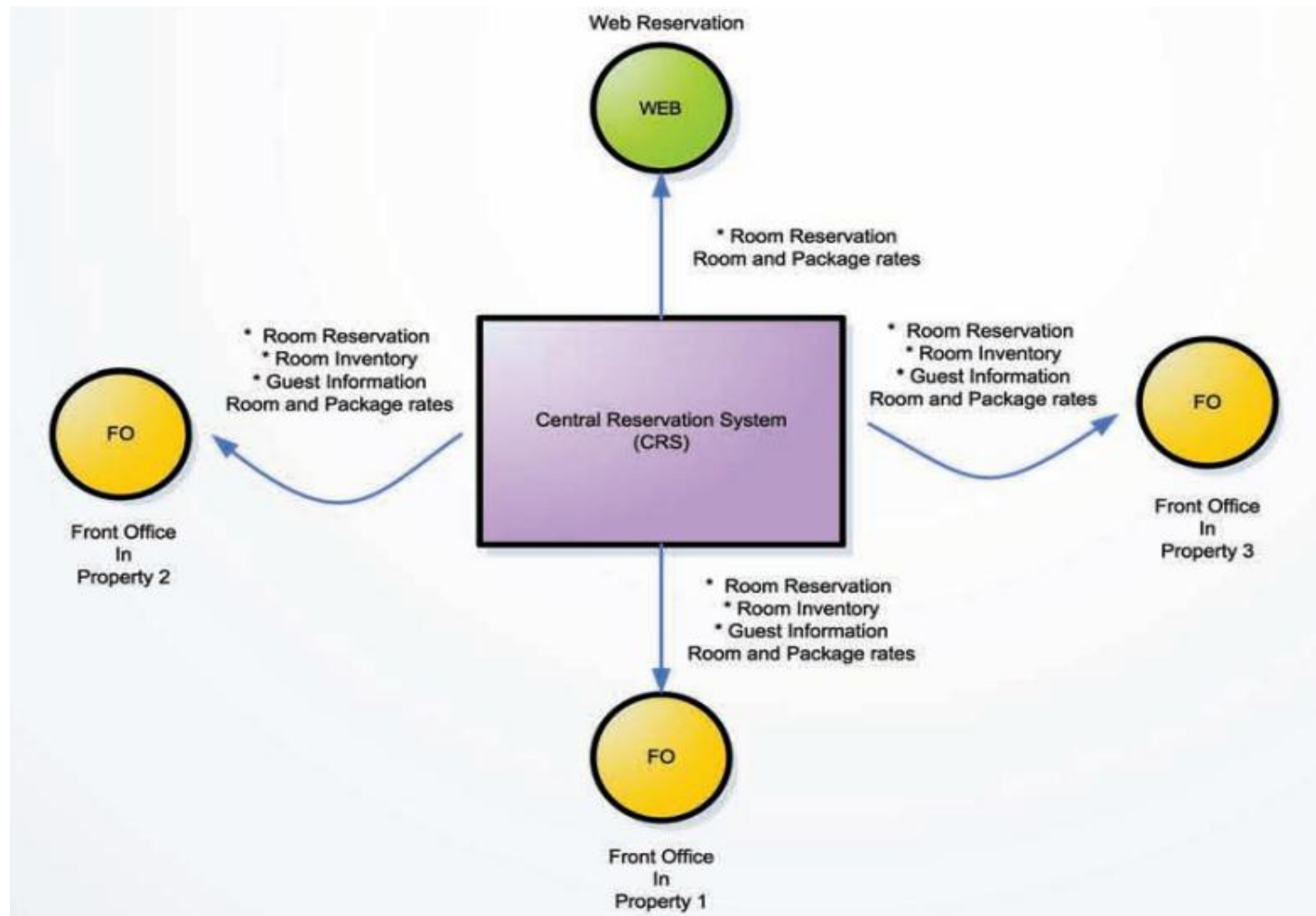
Reservation Confirmation:

The modify/ cancellation of a reservation will based on the sales and cancellation **policies.**
If the dates in the policy guest will be allowed to modify/cancel his/her reservation.

Policies:

- Arrival/ Departure

- Modify/ Cancellation

Web Reservation System:

Web Reservation Portal is a comprehensive hosted web-booking engine provided to a single or multiple chain of properties for managing reservations over the Internet.

Reservation System (CRS)

Functionalities:
- FIT Reservation, Agent Reservation, Corporate Reservations
- Reservation Status Monitoring,
- Agent Account Management, Agent Profile
- Allotments, Special Offers, Overbooking, Guest History, Multi-Property Operation

Goals:
- Central Reservation System (CRS) enables an entire chain of hotels to be centrally managed by a single reservation office.
- Room inventories of multiple properties available in one convenient location, such as the Central Reservation Office
- Electronic communication with chain properties to update reservations and room positions in their systems and room positions at the central office
- Accommodation of call centers that accept bookings from travel agents, corporations and FITs (Frequent Individual Travelers)

Systems Integrations:
- Front Office, Web Reservations, Agent Booking System, GDS, Channel Management, Payment, Revenue Management

Property Management System

A property management system (PMS), is a computerized system used to manage guest bookings, online reservations, point of sale, telephone and all the amenities of the hotel.

Hotel property management systems may interface with central reservation systems (CRS) and revenue or yield management systems, front office, back office and point of sale systems.

(OR)

A PMS may have all/few of the above system as modules.

Property Management System (PMS):

Functionalities:
- Managing Reservations, Day use, Check-In, Walk-ins, Guest Amendments, Quick Reservations
- Management Flash Report, City Ledger Settlements, Currency Exchange
- Enquiries
- Check-in/Check-out Process
- Housekeeping Assignments
- Cashier operations
- Concierge

Goals:
Front desk is center of property operations responsible for guest reservations, registration, service and payment.

System Integration:
PMS, Revenue Management System, Accounting Management, Guest Service, Concierge

Distribution & Channel Management

- Hotel (Rooms) Distribution
- Intermediary
- Supplier | Wholesaler | Retailer | Guest
- Direct/ Indirect Channels
- Inventory Distribution
- Digital Content distribution
- Advantages/ Disadvantages of Direct/Indirect channels
- Distribution Channels
- GDS/ IDS
- Business Models - Merchants and Travel Agents
- Transparent Sites
- Opaque Sites
- Auction basis
- Few Terms: Rate Parity, Rate integrity, Opaque Pricing etc.
- Channel Management Tools & Flow

Reservation

- Guaranteed/Non-Guaranteed Reservations
- Basic Reservation Record
- Reports
- Group Bookings & Few Terms
- Package Bookings & Few Terms
- Policies
- CRS/ PMS Functions

Questions?

Thank you!