

Promoting Electronic Distribution throughout the Hotel Industry

# Executive Summary: Dynamic Packaging

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## EXECUTIVE SUMMARY

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In a world where consumers are far more educated than they were several years ago, the travel industry's future is facing a customer-driven mix of packages, individual products and self-organized travel.

"Dynamic Packaging" is a sizzling new buzz phrase throughout the industry and can be described as the ability for consumers to put together their own trips online by combining one or more elements. The combination of elements can be as basic as hotel + air + car or can be much more complex allowing the inclusion of other activities such as entertainment components.

Dynamic Packaging can clearly be considered one of the industry's key topics, as it has been dominating the podium at nearly all industry events. It is not, however, a new phenomenon. Instead, it has come front and center as a new solution due to the growing popularity, and some may say controversy, of the merchant model and the overall homogenization that has occurred with the sale of travel online.<sup>1</sup>

Historically, leisure travel had been purchased either on a component-by-component basis or in a pre-packaged way where the package components were defined in advance and the package was pre-priced. Consumers did not typically play a role in choosing elements of a package and generally there were no options for modification of the package contents.

At a recent conference one panelist representing the supplier side told delegates to focus on customer wishes and to offer individualized packages matching these wishes. He further said that the number of travelers around the world would continue to increase due to rising prosperity, while online booking would gain even more in popularity.

Dynamic Packaging will continue to grow while leading to new relationships between suppliers, distributors and consumers. The industry will soon experience another level of "coopetition" with Dynamic Packaging as consumers travel from one destination to another but may stay at varying hotel brands.

Dynamic Packaging technology helps online travel customers build and book their perfect vacation. The growth of these combination purchases is a new trend for the online travel market.

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<sup>1</sup> Key Trend: Dynamic Packaging, Chicke Fitzgerald, The Solutionz Group

According to PhoCusWright's Consumer Travel Trends Survey Seventh Edition report, last year one-third of online travel buyers made a combination purchase of travel components using dynamic packaging technology; this is up from 24% in 2003. While the vacation packages have been available for years, today's custom packages offer the ultimate in flexibility and choice.

Leading travel Web sites let travelers build their own vacation by dynamically mixing-and-matching the purchase of airline tickets, hotel rooms and rental cars into one bundled low price, inclusive of fees and taxes. Customers can be sure they are getting exactly what they want by choosing an online provider that displays specific airline and flight information, rental car provider, and hotel chain and location on one screen before booking.

So exactly what is Dynamic Packaging? Although the meaning of it is not yet universal, some common definitions include:

### Common Definitions

#### Dynamic Packaging:

- ▮ Is based on an individual consumer search request;
- ▮ The technology includes the ability to combine multiple travel components (typically air, car and hotel) in real time and;
- ▮ Provides a single, fully priced package (hiding the pricing of individual components) within 5 – 15 seconds.<sup>2</sup>

Some other alternative definitions that companies are starting to refer to it as are flexible pre-priced components added to a room price.

It is important to understand however, that it is more than just assembling a single price based on individual components; it is more than just implementing the right technology. True Dynamic Packaging is defined as a package for which the overall price and component prices change based on the business rules that govern them, as well as the value of the customer to the supplier, packager to intermediary, and the value of the trip to the traveler.<sup>3</sup> This may also be referred to as Dynamic Packaging "Nirvana".

*"True Dynamic Packaging will be successful because it is **consumer driven**, and not about technology; although technology is needed for its success."*

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<sup>2</sup> Key Trend: Dynamic Packaging, Chicke Fitzgerald, The Solutionz Group

<sup>3</sup> Dynamic Packaging Presentation, Christine Brosnahan, Carlson Hotels Worldwide, HEDNA Barcelona, May 2005

Christine Brosnahan of Carlson Hotels Worldwide recently spoke these words at the HEDNA conference in Barcelona this past May. The definition she provides takes into consideration the full picture and speaks to where most companies want to and need to go with all pricing. It touches three very important areas: revenue management, customer relationship management and technology – all of which will be explored in this paper.

The paper will explore where the industry is currently, where it needs to go with Dynamic Packaging, and finally how to achieve the true definition.

Within this white paper, the following topics will be addressed:

1. The evolution of dynamic packaging;
2. Key features of a strong dynamic package;
3. The technology and management that is required to support Dynamic Packaging;
4. A review of the key industry drivers including the consumer, supplier, distributor and traditional wholesaler perspective;
5. A review of the key industry challenges such as revenue management and customer service issues;
6. A review of the key success factors including the integration with Customer Relationship Management (CRM) and loyalty programs;
7. Interviews with some of the industry's key players and their approach to dynamic packaging.

In writing this paper, many key industry executives were interviewed. Their input and perspective has been truly invaluable. The executives are:

<b>Jeff Kinder</b>	Senior Vice President Supplier Development, Cendant
<b>David Doucette</b>	Manager, Internet Strategy, Fairmont Hotels & Resorts
<b>Tina Fitch</b>	Chief Executive Officer, EzRez Software
<b>Don Smith</b>	Vice President Hotels / Packages, SideStep, Inc.
<b>Bryan Saltzburg</b>	Vice President Packaging and Cruises, Travelocity
<b>Noreen Henry</b>	Vice President Hotels, Travelocity
<b>Sylvia Lee</b>	Director Packaging and Cruises, Marketing Operations, Travelocity
<b>Joel Frey</b>	Public Relations Manager, Travelocity
<b>Brian Robb</b>	Chief of Staff, Mark Travel
<b>Christine Brosnahan</b>	Vice President Distribution and Reservation Services, Carlson Hotels Worldwide
<b>David Pavelko</b>	Vice President, Business Development & Account Management, Hospitality & Leisure, Travel Distribution Services Division, Cendant's Neat Group
<b>Jennifer Ginty</b>	Director, Electronic Distribution, Hyatt Hotels
<b>Jimmy Suh</b>	Vice President of Revenue & Distribution, Kimpton Hotel Group, and President, HEDNA
<b>Tom Coulthurst</b>	Director, Product Marketing, Synxis
<b>Matt Hersh</b>	Manager, Interactive Marketing, JetBlue Airways
<b>Tom Botts</b>	Vice President, Global Travel Industry Sales & Strategy, Starwood

HEDNA and the Solutionz Group partnered together to educate the hotel industry on a series of topics throughout 2005. This paper is the fourth in the 2005 white paper series.

HEDNA is a not-for-profit trade association whose worldwide membership includes over 200 of the most influential companies in the hotel industry. The association was established in 1992 to further the electronic distribution of hotels throughout the world. For more information regarding HEDNA, please visit [www.hedna.org](http://www.hedna.org).

The Solutionz Group is a business development and strategic consulting group, headquartered in Tampa, Florida, with offices around the world. Caryl Helsel and Kathleen Cullen are authors of the white paper series and are hospitality industry veterans, as well as past president and vice president of HEDNA respectively. For more information on Solutionz Group, please visit [www.solutionz.com](http://www.solutionz.com).