



Key Issues in Distribution Management

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Our Issues

1. Will “Brand.com” Replace Everything?

- Examining the Future of GDS & Voice



Our Issues

2. Revenue Management & Channel Management

A Future of Cooperation or Conflict?



Our Format

First:

Introductory Remarks

Then:

Panel/Audience Discussion



Will “Brand.com” Replace Everything?

**Examining the Future of the GDS
and Voice Channels**

Brand.com: A Success Story

Hilton Hotels Corporation Press Release:

“Hilton Hotels Corp. Expects Unprecedented
\$2.5 Billion in Revenue from Website
Bookings in 2006”

Brand.com: A Success Story

Website bookings currently (10/06) represent 17.2 percent of the company's overall distribution of bookings, compared with 9.1 percent in 2002

- Making it the most dominant central delivery channel for the company
- In contrast, OTAs have remained flat at 3% of reservations, and now represent just 15% of the Hilton's Internet business



Yes, the GDSs Have Issues...

In the past decade they have gone from a position of exclusivity to one of:

- Intense competition
- Technological maturity
- Offering an austere sales environment in a time of visual richness by their competitors
- Sometimes being “the high cost option”

Today...

- Hoteliers are actively promoting “brand.com”
- Consumers are generally comfortable with Web shopping and booking
- GDSs compete with well-funded OTAs
 - Offering increasingly successful corporate travel booking solutions



Today...

- GDSs are designed for (and functionally limited to) professional users: TAs
- They reward their users through expensive “incentive” plans
 - funded by increasingly reticent suppliers

GDS Remains Important

- 50,000,000 hotel reservations a year
– US\$15.7 billion (Source: TravelClick)
- Preferred booking channel for TMCs and TAs

GDS Remains Important

- Much higher ADR compared to other online distribution channels
 - 41% higher ADR compared to “web” bookings
(TravelClick April 25, 2007)
- GDSs continue to grow in all-sector transaction processing volumes
 - Global bookings rose 22% in 2006 over 2005
 - Further growth of 10%-15% is expected in 2007

Voice in the Next Decade

- Voice is the preferred booking channel for some travelers
 - Especially for non-routine situations
 - Including in new markets
- Excellent up-sell opportunity
- Conversion rates have grown
 - and are holding
- This is the “customer service” channel



So, will “Brand.com” Replace
Everything?

***No, GDS and Voice will remain
strong... and demand our
attention***



Revenue Management & Channel Management

A Future of Cooperation or Conflict?



Evolution of Hotel Revenue Management

- In the beginning....no Revenue Management
 - (or so we thought; forecasting, competitive analysis, displacement analysis all took place)
 - A strange little fellow in the closet

Evolution of Hotel Revenue Management

Next...

- A strange analyst - Now out of the closet
 - Analyzing consumption and contributing to forecasting
 - A peer of the Reservation Manager

Evolution of Hotel Revenue Management

Today, increasingly...

- Director of Revenue Management
 - Determining inventory, availability controls/restrictions, channel allocations, FIT rate, group rates, negotiating contracts
 - Restructuring rates to a BAR configuration
 - Using an RMS increasingly often
 - Steadily evolving capabilities including rate shopping and channel management



Evolution of Hotel Revenue Management

Director of Revenue Management

- Supported by a corporate organization and extensive procedures
- Reservation Manager now reports to them
- Probably reporting the GM, peer of the DOS



Major Expansion in Revenue Manager Role

A major responsibility realignment related to:

- Who sets/approves rates
- Who selects and determines inventory for all distribution channels
- Who approves groups and their rates
- Who sets rates for other services (ex: Spa)
- Who comments on every sales promotion
- Who reports to whom

Change Hurts...

With these changes comes Concern
(and sometimes Conflict)

- Disappearing roles (Reservation Manager)
- Requirement to learn new specialty: RM
 - apply new techniques
- Requirement to trust the RMS (“a black box”)

Change Hurts...

With these changes comes Concern
(and sometimes Conflict)

- Influence or management exercised by someone who may not understand the hotel business; may not give traditional priority to relationships
- Fundamental disagreements with DOS (and maybe GM) based on goals (Occupancy vs. Revenue, RevPAR)

The Hard Truth

RM is resulting in more revenue to hotels that use it diligently

RM is most successful when aided by an RMS and whole-heartedly supported by property and corporate executives through a major culture change

Owners and asset managers love RM

It's not going away



Our Options as Reservations & Distribution Professionals

1. Embrace Revenue Management
 - Gain understanding and credibility
2. Identify and advocate application of Revenue Management in distribution
3. Become a Revenue Management champion



Where the Rubber Meets the Road

The discussion continues...

Brand.com vs. GDS & Voice

Revenue Management & Channel
Management

The background is a dark blue gradient with several bright blue, glowing, curved lines that create a sense of motion and depth. The lines are of varying thickness and brightness, some appearing as sharp streaks and others as softer, more diffuse bands. They curve across the frame, primarily from the left side towards the right.

***Key Issues in
Distribution Management***

Thank You