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Failing to Make That Connection: An Analysis of the Web Reservation Facility in the Top 50 International Hotel Chains

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An Analysis of Web Reservations Facilities in the

Top 50 International Hotel Chains

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Consumers increasingly expect to be able to locate and book suitable hotel accommodation in a single seamless process over the World Wide Web. By assessing the facilities provided by the top 50 worldwide hotel companies, the current level of sophistication of hotel Web reservations facilities is established. Factors such as the provision of search facilities, on-line availability and rate quotations and security are examined. In addition, a comparison is made between the information obtained over the Web and that available through each company's call centre in an attempt to assess the accuracy and credibility of data obtained through Web reservations sites.

Introduction

The Internet is dramatically changing the way people research information, communicate, make decisions and particularly the way in which they buy goods and services. Most analysts agree that 1997 was the year that "digital shopping" on the Web seriously began (Smith and Jenner, 1998). Prior to this, consumers were nervous about buying goods and services over the Web, and were frightened about entering their credit card details. However, in 1997 they were willing to risk about US$50m, and this amount is expected to increase dramatically in 1998 and beyond.

Travel is reputed to be one of the most suitable products for sale over the Internet, as it is almost entirely information-based. In contrast with 'hard goods' such as books and CDs (which the consumer might want to consume immediately), all a consumer purchasing a travel product immediately receives in return is a piece of data such as a confirmation number. In an increasingly wired world, making such a purchase over the Internet on

their home or office computer will be far faster, easier and more convenient for the consumer compared to contacting a travel agent or telephoning a supplier directly. In addition, the typical profile of an Internet user – affluent, frequent travellers who spend above average on leisure and entertainment - is very attractive as a market segment (Dombey, 1998). As a result, many travel suppliers are actively becoming involved in Internet commerce in an effort to supplement and increase their business.

Research has shown that travel is already one of the most popular products sold over the Internet. Over 800 million bookings were made online in 1997, and booking volumes are forecast to climb significantly over the next five years. For example, the Travel Industry Association of America (1998) estimates that by 2002 between 6% and 10% of all travel reservations will originate on the World Wide Web. As can be seen from table one, this will make travel the highest grossing online product, nearly doubling the current leading product (PC hardware).

Table One. Online Sales by Category (million US$)

	1997	2002
Travel	911	11,699
PC Hardware	986	6,434
Grocery	63	3,529
Software	85	2,379
Books	152	3,661
Apparel & accessories	103	2,844
Ticketing	52	1,810
Speciality gifts	100	1,357
Music	37	1,591
Videos	15	575
Toys	2	555
Consumer electronics	15	792
Health and beauty	2	1,183
Other	485	2,689

Source: Jupiter Communications, published 7 December 1998, Wall Street Journal Europe, p 11.

The Hotel Industry and the Internet

In the past, hotels have been quick to capitalise on the opportunities presented by developments in distribution technology. For example, hotel rooms were among the first products to be added to the expanded GDS as they searched for complementary products to help increase sales volumes. In the early 1990s, hotels also acted quickly to take advantage of the potential of the developing World Wide Web. According to John Cahill, senior vice-president for Inter-Continental Hotels "Never has a new technology been so universally embraced by hospitality executives in such a short period of time" (Cahill,

1996). By November 1996, 80 percent of the world's top hotel chains had established Web sites (Ayano Hird, 1997). However, despite giving their respective companies a Web presence, the majority of these sites were limited in scope. Many were composed of simple text and graphics pages - in effect forming electronic versions of the company's paper based brochures and other publicity material - that failed to take advantage of the features of the Web medium. Admittedly, in certain cases, this strategy was deliberate, as the company had decided to focus on using their Web site purely as a promotional tool. For example, Michel Bouquer, executive director for Relais and Chateau (quoted in Murphy et al, 1996), points out that the goals for his company's Web site were "to increase worldwide visibility, upgrade public relations and publicity, develop sales and include new technology in external communications". While a site exclusively for promotional purposes does bring benefits, it fails to capitalise on the ability of the Web to facilitate two way communications and thus to generate direct sales.

Many analysts currently are sceptical about the sales potential of the Web, pointing out that it produces only a small number of reservations. However, its importance can be seen from the fact that, for European hotels, the number of reservations originating on the Internet is forecast to surpass the volume generated by Central Reservations Systems by the year 2005, thus making it a mainstream channel of distribution. In addition, the number of reservations actually originating on the Web may understate the importance of this channel. Connolly et al (1998) report on a Neilsen study that found that while 53% of those surveyed used the Web to reach a purchase decision, only 15% of these completed the transaction online. Such behaviour is typical of what has been observed in the hotel industry, where a significant number of consumers use the Web to learn more about individual hotels and to conduct comparison shopping, but currently make their booking through other channels (Stoltz, 1998). At the same time, research has also shown that the consumer increasingly wants to be able to complete the purchase in a single seamless process (Proll et al, 1998). In the case of the hotel product, this means finding an appropriate property, checking availability, reviewing the rates offered, completing the booking and receiving a confirmation number, all in a single session. Indeed, particularly with well-known brands, such as Marriott, Hilton or Sheraton, there is now an expectation among consumers that they have a Web site with a "buy direct" option (Pusateri, 1997).

Research carried out three years ago indicated that most hotel Web sites were not capable of meeting this expectation (Murphy et al, 1996). Only 35% of the hotel sites surveyed provided search facilities to allow users to find suitable properties within the chain. While 60% claimed to offer reservation facilities, only seven of the 32 sites surveyed

suggested how to make a payment, while only two offered a secure (encrypted) method of making payment directly on the Web site. As the authors point out, "there is a huge chasm between offering reservations facilities and actually completing the transaction", which the hotel Web sites of the time were clearly not capable of doing. However, three years is a long time in technology, particularly in a rapidly developing field such as electronic commerce.

In addition to providing reservations facilities, the price offered to the consumer over the site is also important. Irrespective of whether it is explicitly stated or not, there is a expectation among consumers that prices quoted on the Web will be better value than those offered through other distribution channels. Such a theory has developed for several reasons. Firstly, with many other products, on-line retailers compete with traditional outlets based on price competition. As a result, there is an assumption among the Web community that the same is true of hotel accommodation. Secondly, many consumers are aware of the high cost of distributing hotel rooms through travel agents or using tele-sales. Since the Web is a direct channel, such costs are reduced, and there is a perception that at least some of these savings are passed on to the consumer in the form of lower prices. Lastly, many hotels have, in recent times, been using the Web to promote last minute deals – packages at relatively low prices but with very short lead times. While such promotions can help dispose of distressed inventory, they have also resulted in the public associating rooms sold over the Internet with cheaper prices.

Methodology and Limitation of the Study

Previous studies of hotel Internet use have focused on rating the content of hotel Web sites (Murphy et al, 1996) or on attempting to measure managers' perceptions of, and attitudes towards, the Internet (Van Hoof and Combrink, 1998). Web reservations facilities are mentioned as part of a broader study on relationship marketing (Gilbert et al, 1998), but, to the author's knowledge, there has been no comprehensive research carried out on the area. The objective, therefore of this study was to provide an up-to-date picture of the reservation facilities available on hotel chain Web sites. Are companies taking advantage of the potential offered by the Web? Are appropriate facilities being provided to allow customers to search and book online? Is there consistency between the availability and prices being offered over the Web and that available through other channels? These, and a variety of related questions, were the subject matter of the research project.

Obviously a comprehensive analysis of all hotel Web sites would be difficult. However, the use of both technology and electronic distribution has in the past been lead by the major international hotel companies, and thus an analysis of their efforts with regard to Web distribution should help provide a clearer picture of developments in this area. As a result, it was decided to focus the study on the efforts of the top 50 international hotel companies. While this limitation means that the sample used is not representative and that the results are not generally applicable to the hotel industry as a whole, it does however allow an accurate picture of developments in the area to be established.

It was also decided to focus exclusively on the reservation facilities provided by companies directly through their own branded Web sites. In today's fast changing environment, both the variety and complexity of Web distribution channels are continuing to evolve, with most companies using multiple routes to get their product to the consumer (Castleberry et al, 1998). For example, in addition to providing direct reservations over their own Web site, many companies also distribute through intermediaries such as *TravelWeb* or *WorldRes*. Many properties are also available on travel Mega-sites (such as *Microsoft Expedia*, Preview travel, *Travelocity* and *ITN)* as a result of their link with the Global Distribution Systems. In addition, individual properties within the chain often maintain their own Web sites, which could also provide reservation facilities. While the options are many and varied, the focus of this study is purely on assessing the facilities provided by the chains for the benefit of their member properties.

The hotel chains included were chosen based on the ranking of the top 50 hotel companies published in Hotels magazine in July 1998. During November 1998, attempts were made to locate each company's Web site using a combination of search engines and Web directories. Despite an extensive search, sites could not be found for six of the fifty companies. In addition, four companies included on the list were found to be investment companies or REIT. Such companies tend to operate properties under a variety of different brand names, and make no effort to co-ordinate the sales and marketing efforts of the group as a whole. As such, they do not operate as a hotel chain in the traditional sense, and for that reason, were excluded from further consideration in the study. Another Web site was "under construction" at the time of the study, while one more was not functioning correctly, which resulted in a total of 38 sites being included in the study. Of these 23 were the sites of US based companies, 9 were European with the remainder from Asia. The companies included and the URLs of their sites are shown in Table 2.

Table 2. Hotel companies included in the study

Ranking	Hotel Chain	URL	Rooms	Hotels
1	Cendant, eg Ramada	www.ramada.com	499056	5566
2	Holiday Inn	www.holiday-inn.com	465643	2621
3	Best Western	www.bestwestern.com	300000	3800
4	Choice	www.hotelchoice.com	292289	3474
5	Marriott	www.marriott.com	289357	1477
6	Accor	www.accor.com	288269	2577
7	Starwood	www.ittsheraton.com	213238	2577
8	Promus	www.embassy-suites.com	178802	1119
9	Hilton	www.hilton.com	155943	420
10	Carlson	www.radisson.com	98404	482
11	Hyatt	www.hyatt.com	80311	179
12	Patriot American Hospitality	www.wyndham.com	57220	241
14	Grupo SolMelia	www.solmelia.es	52359	224
15	Forte	www.forte-hotels.com	47814	260
17	Club Med	www.clubmed.com	38077	134
18	Societe du Louvre	www.concorde-hotels.com	37732	591
20	La Quinta Inns	www.travelweb.com/TravelWeb/lq/common/laquinta.html	34772	271
21	Red Roof Inn	www.redroof.com	29661	259
22	Bristol Hotels & Resorts	www.bristolhotels.com	28800	101
23	Prince Hotels	www.princehotels.co.jp	26304	80
25	CapStar Hotel Company	www.capstar.com	24297	120
26	Circus Circus	www.circuscircus.com	22352	15
27	Extended Stay America	www.exstay.com	22267	213
28	Walt Disney Company	www.disney.com	21694	19
29	Prime Hospitality Corp	www.amerisuites.com	19513	140
30	Fujita Kanko Inc	www.fujita-kanko.co.jp	19106	82
31	Nikko Hotels international	www.nikkohotels.com	18744	50
32	Park Plaza Int'l Hotels	www.parkhtls.com	18472	138
33	Riu Hotels Group	www.ibacom.es/riuhotels	18100	68
35	Shrangri-La Hotels and Resorts	www.Shangri-La.com	17852	35
36	Marcus Hotels & Resorts	www.budgetel.com	17586	156
37	Hotels & Compagnie	www.hotelscie.fr	17340	335
38	Scandic Hotels	www.scandic-hotels.com	17000	122
40	CDL Hotels	www.cdl.com.sg	16695	66
42	Omni Hotels	www.omnihotels.com	16094	44
44	ANA Hotels	www.ananet.or.jp/anahotels/	14673	40
46	Husa Hotels Group	www.husa.es	13854	167
50	Outrigger	www.outrigger.com	13364	56

Each site was visited and an attempt made to locate a hotel in a nominated city and reserve a double room for the night of the 17th / 18th December. Based on the resulting dialogue and the success / failure of the attempt, the reservation facilities of each Web site were assessed. Furthermore, where a reservation was successfully made online, the tele-sales centre of the company was contacted and a second reservation requested for the same date at the same property. This allowed the online and "normal" rates to be compared. All reservations were subsequently cancelled.

Summary of Research Findings

As was mentioned above, all of the 38 hotel companies included in the study maintained a web site. In general, these contained publicity and promotional material for the company as a whole, and listings of information about individual properties. As the focus of the study was on Web reservation facilities, the information content of the sites was not assessed. Instead, the reservation facilities were examined by following the process that a typical customer wishing to book a room would follow. The first step was therefore to identify a suitable property. 90% of the sites surveyed included facilities that allowed the visitor to search by region – either through the use of an image map or through a site search engine. Only 24% allowed users to specify criteria other than location (such as for example non-smoking rooms, leisure or other facilities, etc.) in the search. In addition, only 52% of those companies who operate multiple brands allowed the user to specify a particular brand. Given the vast amount of information contained on most sites, and the ease with which search facilities can now be included, such low levels of use and sophistication are surprising, but may be a reflection of the relative immaturity of hospitality Web sites.

Once a suitable property had been identified, the next step was to establish if a reservation could be made through the Web site. As can be seen from Table 3, 79% of the sites surveyed allowed users to make a reservation is some way. Of these, 29% provided a reservation request facility. This process works as follows. Potential customers complete a form on the Web site, specifying details such as the dates and type of room required. This is then dispatched electronically to the company for processing. Email is then used to re-contact the potential customer with rates and availability (although three of the sites provided an option for the information to be sent by fax). If rooms are available and the rate offered is agreeable, the client can send another email to the company accepting the offer, which is in turn confirmed by the hotel company. Although such a process works, it can be very long and drawn out, with the speed of response depending largely on the efficiency of the hotel company's reservations office in processing the requests and emails.

As was discussed above, customers increasingly want to be able to complete the booking in a single seamless process. With a reservation request, there could be a delay of several hours (or several days!) between the time the request is submitted and a reply is received. Most consumers would prefer to be able to confirm availability and be quoted a rate immediately (Gilbert et al, 1998). 50% of the sites surveyed provided such on-line reservations facilities – with the ability to interactively check availability, quote rates and

accept a credit card to guarantee a booking. While this figure is considerably higher than that found in the Gilbert study (21%), such a result can be explained by the fact that this research only examined large hotel groups, which by their very nature are more likely to provide such facilities. It also corresponds with the findings of the Hotels magazine technology survey, which found that 51% of US hotel chains accepted Web reservations (Hensdill, 1998). Each of the sites that accepted on-line reservations generated a confirmation number online, and the majority followed up with an email to further confirm the booking. Most (95%) also allowed existing bookings to be modified and / or cancelled online, while 58% gave access to last minute promotions or late availability deals.

Table 3. Reservation facilities available on hotel web sites

Reservation Type	Number	Percentage
No reservation facilities	8	21%
Reservation request	19	50%
On-line reservations	11	29%

Where online reservations facilities were provided, a noticeable trend was the use of third parties to actually process the reservation. 57% of those providing online reservations seamlessly used a facility called "*Netbooker*" from Pegasus Systems (the owners of *TravelWeb*) as their booking engine. Three others used links with *Microsoft Expedia*, *Travelocity* and *TravelWiz* respectively to provide online reservation facilities, leaving just 28% of companies using an in-house system. These findings support a noticeable trend in electronic commerce in general – the use of non-exclusive alliances between companies at different levels in the distribution chain, each specialising in a particular competency. By using such third party services, the hotel companies do not have to "reinvent the wheel" in order to provide an acceptable level of service to their customers. They thus save on development costs, although such savings would be offset in the long run as a fee must be paid to the service provider for each transaction processed through the system.

Although most Web sites are aimed directly at the consumer, many also target both the corporate and the travel agent market with their services. Of those providing online reservations, 68% permitted the user to enter a corporate ID, thus confirming their eligibility for special corporate or negotiated rates. Similarly, 62% allowed the entry of a travel agent identifier (such as an IATA or TAA number), indicating their willingness to pay commission on the booking. Encouraging such sectors to book over the Web is very

attractive to hotels, as the associated costs are much lower than either the GDS or the voice channels (Cahill, 1996).

Given the fears of consumers about security on the Web, it was anticipated that most sites would incorporate appropriate encryption technology in an attempt to reassure customers and encourage online booking. Although several sites provided alternative methods of payments (such as for example telephoning a call centre to give a credit card number), the use of secure servers to protect customer data during transmission was surprisingly low. Only 60% of sites accepting reservations used secure links to protect consumer data while processing or accepting a booking. This lack of focus on the consumer was further evident in other ways. For example, only 16% offered any incentive (in the form of discounts or special Internet rates) to make a booking online. Only 32% of sites provided information and facilities in a language other than English, (with, not surprisingly, a statistically significant relationship between the location of the company and multilingual facilities). However, it was in relation to the rate offered that consumers were most likely to be disappointed.

As was discussed above, consumers have come to associate purchases over the Web with good value. As Jack Geddes, Managing Director Sales and Marketing Asia, Radisson Hotels Worldwide has pointed out "They understand that suppliers are cutting costs through this channel and expect savings to be passed onto them, as well as being rewarded for making the booking themselves" (Muqbil, 1998). However, in the case of hotel accommodation, the opposite appears to be true. A comparison of the rates obtained over the Web with those obtained through the Central Reservations Office revealed than in 55% of cases, a cheaper rate was obtained by contacting the company by telephone. In many cases, the rate quoted by the Web site was substantially higher, despite the lower cost of distribution, perhaps indicating a lack of connectivity between the "on-line" Web reservations facility and the company's Central Reservations System. Even more worrying were the discrepancies that arose in terms of availability. In 27% of cases, rooms were being sold on the Web site for dates during which the hotel was being quoted as being full by the CRO. Such problems are reminiscent of the situation with the GDS prior to the introduction of seamless connectivity, where travel agents could never be sure that they were obtaining accurate information from their systems, as availability and better rates could often be obtained by contacting the CRO or the property directly.

Conclusions

While it is clear that the hotel industry has invested considerable funds in developing Web sites, it is questionable as to whether they are providing customers with the facilities that they need to find appropriate properties and to book online. Many sites are still relatively unsophisticated, and although certain companies have progressed beyond the brochure-ware stage, there seems to be a lack of understanding of the Web as an electronic commerce medium. This is indicated by factors such as the difficulty in locating some of the sites in the first place, the lack of sophistication in the search facilities provided within many sites, by the low level of the use of encryption technology to protect consumer data and by the relatively cumbersome reservation facilities being provided by many companies. If hotel chains want consumers, corporate buyers and travel agents to book online, then they need to make it as convenient, as fast and as secure as possible. At the moment, this is clearly not the case.

The credibility issue is far more pressing from a strategic point of view. Despite the public perceptions of the Web as a 'value for money' channel, the survey found that different and indeed cheaper rates could easily be obtained using the telephone. Also worrying was the discrepancy in terms of whether rooms were actually available, which further undermines user confidence in the system. Unless customers are convinced that the most accurate and up to date information on rates and availability can be obtained over the Web, they simply wouldn't use it.

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