

HeBSdigital

Independent Hoteliers:

eBusiness Levels the Playing Field | By Max Starkov and Jason Price

Hoteliers experienced phenomenal growth with hotel occupancy rates over the past several years, but this may be history. According to Smith Travel Research, U.S. hotel occupancy was 59.9% year to date through April, a significant drop from the average occupancy rate of 63.7% reached in 2000 (PricewaterhouseCoopers). Reports from the field do not look good. Occupancy rates worsened for 19 of the top 25 metro areas, with significant drops reported in New York, Chicago, Detroit and New Orleans. The softened economy is forcing Hoteliers to think about ways to deal with lower occupancy rates and shrinking RevPARs in the upcoming years.

Can independent hotels deal successfully with today's challenges and emerge as winners from the present economic downturn? Will independent hotels lose more ground to the major brands who have enough marketing muscle to feed a third world nation? Our own research has determined that by employing a robust eBusiness strategy and by using technology to level the playing field in marketing and eDistribution, any lodging company or independent hotel can successfully compete with the major brands amidst this softened economy.

Hospitality is not all about rooms and F&B. eDistribution and eProcurement must become the focus of attention of hoteliers if they want to soften the effects of a national economic downturn. Cost-effective online distribution is what increases occupancy rates, improves the bottom line and gives hotels sustainable competitive advantage.

Developing a long-term eBusiness strategy is the main key to gaining competitive edge not only over your peers, but over many major brand hotels. This strategy requires the hotelier to embrace eDistribution. It necessitates turning the hotel website into a 24/7 sales force thus reducing distribution, sales and labor costs. It calls for a real-time booking engine on hotel website for online reservations of transient rack rates, corporate and promotional rates, group inventory, packages and special accounts, in addition to hotel and room description, hence a growing opportunity to generate cash and increase occupancy. It demands the hotelier to react instantly to the changing market conditions by dynamically adjusting pricing and availability of inventory.

" Hoteliers must take action and develop robust eBusiness strategies to have staying power and compete"

To maximize revenue opportunities, eBusiness enabled hoteliers offer real-time booking for a variety of complementary services on their website: theater or musical events, spas, city tours, limousine, air, car rental and other products natural to a traveler's experience. Accepting travel agency bookings, promotional codes, group and special account reservations by preferred customers like corporations, associations, and clubs is an important functionality that not only generates additional revenues but saves staff time and cuts sales and marketing costs.

How well is your website working for you? The attached "Hotelier Website Check List" can tell you where you stand.

Hoteliers must devote renewed attention to long-term eBusiness strategies and online technology applications to have staying power and compete successfully in this Internet-focused new world. Web buyers spent \$512 million on hotel reservations in April of this year alone. And yet, less than 50% of hotels offer online reservations on their websites and less than 1% offer reservations for groups, special accounts, corporate preferred rates, convention housing. According to Forrester Research, online hotel sales are expected to grow to \$5.7 billion in 2004. Jupiter Communications forecasts that online travel bookings will top \$20 billion in 2001 and are expected to grow ten-fold over the next five years. Many sophisticated consumers are already shying away from hotels not current with the Internet times. Hoteliers can level the playing field by embracing new web-enabling technologies.

A best first step is to develop your eBusiness strategy. You too can start leveling the playing field.

For questions or comments, please write to Max Starkov at maxstarkov@yahoo.com.

Evaluate your website! .

<p>Do you have:</p> <ul style="list-style-type: none"> • Hotel description • Room description • Images of hotel and rooms • List of amenities • Map of surrounding and location • Description of entertainment and restaurants in vicinity 	<p>3</p> <p>3</p> <p>3</p> <p>3</p> <p>2</p> <p>2</p>		
<ul style="list-style-type: none"> • Is your website found on all major search engines? • Is your website featured in the local portals and directories? • Do you feature your website on fliers, leaflets, and brochures? • Do you refer to your website on the hotel automated phone system? 	<p>5</p> <p>5</p> <p>4</p> <p>4</p>		
<p>Online Bookings</p> <ul style="list-style-type: none"> • Do you offer email reservations (response within 24-48 hours)? • Do you offer a 24/7 real-time booking engine on your website? • If you have a 24/7 booking engine, does it offer bookings for: <ul style="list-style-type: none"> ○ Rack rates ○ Special packages ○ Promotional rates ○ Corporate rates ○ Special Accounts ○ Do you pay travel agent commissions 	<p>3</p> <p>10</p> <p>5</p> <p>5</p> <p>5</p> <p>5</p> <p>5</p>		
<p>Can any of the following services be booked in real time on your website</p> <ul style="list-style-type: none"> • Theater shows • Day Spas • Sporting events • Museums 	<p>5</p> <p>4</p> <p>3</p> <p>3</p> <p>4</p>		

<ul style="list-style-type: none"> • Restaurants 	4		
<ul style="list-style-type: none"> • Sightseeing Tours 	4		
<ul style="list-style-type: none"> • Airport transfers 	4		
<ul style="list-style-type: none"> • Limousines 	2		
<ul style="list-style-type: none"> • Car rental 	2		
<ul style="list-style-type: none"> • Airlines 			
<p>Do you have an online store?</p> <ul style="list-style-type: none"> • Hotel Gifts 	5		
<ul style="list-style-type: none"> • T-shirts 	3		
<ul style="list-style-type: none"> • Flowers/Fruit Basket 	2		
<ul style="list-style-type: none"> • Memorabilia 	3		

How to read your score:

75 points and above: You are utilizing your website properly and probably generating increasing revenues. Now it's time to enhance your eBusiness Strategy and move ahead with fine-tuning website functionality.

45 to 74 points: Your website is being underutilized and you are missing on significant opportunities. You can generate additional revenues with a few modifications.

Below 44 points: Your future competitiveness is at stake and you are behind your peers. You should embrace a more aggressive eBusiness strategy and move toward the web for low cost, highly efficient marketing and distribution.

Max Starkov is Chief eBusiness Strategist, Travel and Hospitality, Hospitality eBusiness Strategies in New York City. Mr. Starkov has an extensive eBusiness experience. He co-founded and served as CEO and Director of two eBusiness companies: Whale Media, Inc. (B2B travel technology infrastructure provider to the hospitality, corporate travel and convention and meetings markets) and Travelbreak.com, Inc. (B2C online travel marketplace). Under his leadership Whale Media won the prestigious 2001 Microsoft RAD Award for its ASP technology for the hospitality industry. Max has 17 years experience in pioneering and building successful travel businesses and eBusiness strategies for national and multinational leisure and hospitality companies. He has written numerous reports, industry research, and articles including: "If I were Barry Diller" (commentary on USA Networks' acquisition of Expedia), "Independent Hoteliers: eBusiness Levels the Playing Field"(co-author with Jason Price), "If I were a Partner at Crosspoint Ventures" (investment opportunities in the travel industry), "If I were Henry R. Silverman" (commentary on the Cendant-Galileo deal), "Twelve Inexpensive Ways to Promote your Website". "Independent Hoteliers: How to Level the Playing Field Amidst Softened Economy"(co-author with Jason Price). Max has an MBA degree, Beta Gamma Sigma Honors, from Fordham University in New York and an MS in Economics degree. You can contact Max at maxstarkov@yahoo.com.

Jason Price served as VP of Business Development at Whale Media, Inc. and Travelbreak.com, Inc. in New York City. He has participated in many research projects in eDistribution and eProcurement. Jason has an MBA degree from Fordham University in New York.