

The online booking in the hospitality industry tourism essay

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3 Year Annual Bookings As % of Total Annual

Bookings 2% 4% 6% 9% 13% 16% 20%* 2003 figure is estimated, and the figures for 2004 and 2005 are projected. Table 1: Summary of Recent Annual Online Hotel/Motel Bookings

More significantly, the groups who are now going online bookings are those of business travelers and above-the-average vacationers - who are traveling more frequently than the average publics. Targeting great deals while still in control of their search process, those online bookers claim that more than often they are able to book a hotel room at much lower rate online comparing traditional phone reservation systems or old styled travel agents (e. g., to book a high end hotel room in New York city under \$200/night). The hotel industry is certainly full aware of this trend and fully willing to contribute its share in this effort. In fact, the industry has realized that during those early forays into cyberspace, the industry didn't view e-booking strategically (many hotels simply considered online room bookings at the time as a way to pick up additional business by selling distressed inventory through those online travel agencies), and handed over too much control of inventory and pricing to those third party online travel agencies, and now the industry is in the unenviable position of trying to take back the reins after early shopping patterns have been established. While the pressure to sell their inventory rooms online will be continuing, the industry has developed its new online strategy striving to get a better grip on this emerging marketing channel. First, now every hotel/motel chain has developed its own website in which bargain hunters can book their hotel rooms online - other than through an Internet travel agency. By 2002, over 51% of the total annual online bookings of \$6.3 billions (Table 1) were

earned through hotels' own websites (i. e., remaining 49% were through those specialized online travel agencies). Another attempt by the industry is to change its early agreements with those online travel agencies - from old "merchant model" where hotels making rooms available to online travel agencies at wholesale rates and the agencies marking up those rates by 15% to 30% before peddling them to the public at fixed prices for fixed periods of time to a new "sharing model" where the hotels will have more control of their rooms via online booking by providing a higher priority to their own websites over the websites of those third-party travel agencies. Thirdly, other than allowing those onlinetravel agencies to profit for an average 20% from original wholesale prices, some hotel chains now offer a more competitive price on their own websites to directly compete with those online travel agencies. For example, Six Continents PLC chain (including: Holiday Inn and Inter-Continental) and Starwood Hotels & Resorts Worldwide Inc. (including: Sheraton and Westin) both started to promote their special online packages since May 2002 - which are guaranteeing the best price deal available on all online websites. The slogan of their programs is "If a customer is able to get a better rate for the same room on another website within 24-hour of booking, the company will not only match that price, but beat it by extra 10%." Both companies reported increased online bookings on their own online systems. Another effective strategic decision by the industry is to form an online allies with a single combined e-booking website. In this effort, for example, five major hotel chains (Hilton, Hyatt, Marriott, Six Continents, and Starwood) launched their allied online booking website - in 2002 to serve as their rival directly to those online travel agencies (e. g.,

hotels. com or Travelocity. com). This combined discount room site provides negotiated cut-rate deals at more than 10, 000 properties and nearly 100 hotel brands. The claimed advantages to online room hunters include: a better deal in room rates, a direct link to all airlines' websites, reservations are made directly into hotels' systems to eliminate any potential snafus, and a fast payments to hotels where rooms are booked online. And finally, the hotel/motel industry has realized the importance of flexibility and thus developed new programs to provide hotels with more flexible room offerings and pricing schedules on an available-as-needed-basis. While the e-booking of airline tickets has reached about 26% of total annual sales in 2002, the online hotel room booking is just account for half of that proportion - 13% to total annual hotel room bookings (Table 1). As every two out of three hotel rooms are currently booked through traditional telephone reservation systems (see Table 2), the industry has predicted more quick increase in online room bookings during next few years - as the Internet technology becomes more popular and the access to the Internet becomes more easy and convenient to the public. As a result, a clear trend displayed in Table 2 is that the hotel room bookings through both traditional (in-house) travel agency and traditional hotel telephone reservation systems has been declining year after year. Both hotel chains and existing online travel agencies have seen those potentials and prepared for the coming competition

Year	Online Travel Agency	Tradition Travel Agency	Hotel Chain	Own Website	Hotel Telephone Reservation	Individual Walk-In Customers					
2001	13%	21%	3%	63%	10%	2002	25%	20%	5%	60%	10%
2005	59%	18%	11%	53%	9%*	2005 figure is projected.					

Table 2: Breakdown of Annual

Hotel/Motel Room Bookings The competition among all online travel agencies has been intensified during the past years. As the end of 2002, current major players in the e-booking business include: Hotels. com, Expedia, WorldRes, Travelocity, Priceline, and Orbitz. com, and their market shares in 2002 are shown in Figure 1 below (Deegan & Horan, 2003). As a pioneer, Hotels. com is the current market share leader (with 34%), followed by Expedia (30%), and Travelocity (15%). These market share percentages, however, are just snapshot of the time and will be more dynamic as the competition is expected to go deeper in a near future. It is noteworthy that the newcomer Travelocity has climbed into top three among all major Internet-based travel agencies in just a few years - through its effective business strategy and operations. The details about Travelocity and its operations will be explored in a later case study section.

Company	Market Share (%)
Hotels. com	34.0%
WorldRes	7.0%
Priceline	7.0%
Orbitz	7.0%
Travelocity	15.0%
Expedia	30.0%

Figure 1: Online Booking Market Shares

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There certainly are some challenges and issues in the application of Internet technology in the hospitality industry (including e-booking). One major obstacle addressed most in the practice is the security concern. Customers are certainly concerned of giving their personal financial information (e. g., a credit card numbers) online, and many old-fashioned customers somehow afraid to pay an invoice through Internet. Another issue challenged to the online booking is the quality of delivered service - including both delivery speed (i. e., short advance time required in ordering) and delivery reliability (i. e., the rooms booked are available on check-in times). It has been predicted that in the

travel industry to be successful in long-term, the operations of an online booking business must compete in a more creative way comparing to those traditional business counterparts. That is, the strategic positioning decision of an online booking business must establish its own unique competitive advantages over its traditional business competitors as well as its online business counterparts. To illustrate the recent development in the e-business application in the hospitality industry explored and discussed above, two case studies - one is about a local hotel/motel industry's effort to use the Internet to boost its local market, another focuses on the strategy and operations of a major online travel agency are described in the following two sections