

# Role of hotel brand website in enhancing room revenue in star rated hotels

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**Abstract :** The hospitality industry is growing by leaps and bounds in the last few years. The scope and advent of technology has largely affected the hospitality industry. There has been an immense growth in the number of hotels worldwide but at the same time due to opportunities available there is a cut throat competition in hotels in all parts of the world. Optimizing revenue has become need of the day and hence revenue management has been implied. The paper discusses how hotel brand website which is one of the distribution channels can enhance the hotel room revenue.

**Key words-** Hotel, star rated hotels, revenue management, average room rate, occupancy percentage, revenue per available room, hotel brand website, online travel agents, global distribution system, meta search engines

## Introduction

As per Tewari (2010), a hotel is defined by British law as a place where a bonafide traveler can receive food and shelter, provided he is in a position to pay for it and is in a fit condition to be received. Also, as per ministry of tourism, India- the guidelines dated Jan 2018, hotels in India are classified as per rating into- one star, two-star, three-star, four-star, five star and five star deluxe. Almost 60% of hotel revenue comes from room revenue. So, we see that main source of revenue for hotels is room revenue. So, hotels generally focus on this source of income as a priority considering the volume and capacity. Boom in tourism industry over the past few years also gave rise to a tough competitive market. The biggest challenge for the hoteliers is to sustain in the market. This has made it imperative to make revenue management an integral part of hotel operations.

Revenue management is the technique used to sell the right product at the right time to the right customer at the right price using the right distribution channel (Hereter G, 2017). So, there are five main areas where revenue management focuses on- product or service, time, customer, price and distribution channel. Also, there are three performance metrics when we measure hotel room revenue performance namely- occupancy percentage, average room rate and revenue per available room.

**Occupancy percentage=  $\frac{\text{No of rooms occupied}}{\text{Total no of rooms available}} \times 100$**

**Average room rate=  $\frac{\text{Total room revenue}}{\text{Total no of rooms sold}}$**

**Revenue per available room= Average room rate x Occupancy percentage**

The above metrics determine the hotel's performance for a set period of time. A successful revenue manager will be the one who by applying his expertise will achieve good numbers in these performance metrics.

If we see the definition of revenue management one of the important elements is distribution channel. Distribution channel is defined as the vehicle utilized to make a product or service available to the consumer (Mayer J, 2014). Hotel distribution channels are mainly your hotel brand website, global distribution system, online travel agents, meta search engines, hotel reservation office, hotel sales etc. To optimize revenue, each distribution channel should contribute towards generating sales. But there are

certain channels which are profitable compared to others. If we only see online distribution channels they are hotel brand website, meta search engines, global distribution systems and online travel agents.

### **Literature review**

Today out of the nine billion population in the world almost one third uses internet. Due to this drastic change the use of online channels has increased. According to Pilepic (2015), third party bookers like travel implants and online travel agents have gained more importance due to one-stop-shop facility. Beneder (2015) also has an opinion that the online travel agents have become powerful and charge high commission fees. Also, when you depend on these channels for your business and not on your brand website, you tend to lose control over your business. The popularity of these online channels is attributed to client centric approach and consumer growing confidence in online purchasing (Lee, 2013). Pilepic (2015) also says that the only viable option for the hotel industry in the future is to weaken its dependence upon the OTA channel by developing direct online distribution channels which will ensure hoteliers with a long-term competitive advantage on the market. Guests booking through hotel brand website are more loyal, generate more revenue and are in the habit of travelling more often. According to Logt (2017), price transparency, rate parity, high commissions and competition are various factors describing negative aspects for a hotel of working together with a third-party booker. According to Engels (2018) by relying on third party distribution channels, hotels gain access to a broader client base and the global marketing power of recognized booking engines. However, this increased reach comes at the cost of significant commissions on each reservation and an increased dependence on them to fill rooms. Similarly, according to Landman (2018) direct hotel bookings make possible to take advantage of important opportunities such as repeat bookings, cross-selling and up-selling, and increased brand loyalty, which all ultimately lead to higher revenues and higher profits. So let us see the various online distribution channels.

### **Online distribution channels**

An online travel agent is one engaged in selling and arranging accommodations, tours, transportation and trips for travelers on an online platform (Hereter, 2017). E.g. Booking.com. A meta search engine is a tool for comparing prices offered by different online travel agent websites (Himanka M, 2014). E.g. Trivago. Global distribution system is a worldwide computerized reservation network, which is used as a single point of access for reserving rooms, airline seats, rental cars and other travel related items. It provides a bundle of products and services to prospective use across geographical boundaries and is a link between the producers and end users of travel products and services (Tewari, 2010). E.g. Galileo, Sabre. Hotel brand website is the website designed by any hotel on which it can sell its products and services (Hereter, 2017).

### **Hotel brand website- The most profitable online distribution channel**

Today online travel agents are booming worldwide. It is a one-point area where a customer can view various hotels in a specific area. So, at the first go we can say that these can be our prime business channels. But at the same time, they incur a commission of not less than 15-20% per booking which is a high amount. Meta search engines on clicking on a particular hotel redirect you to these online travel agents. Also, there is a pay per click fee which is incurred by these meta search engines. Global distribution systems give the hotel a worldwide access but at the same time the travel implants and consortia incur a 12-15% commission and 2% booking fee is incurred by the GDS. If we take this entire picture into consideration we are getting revenue but it is not optimized revenue. To optimize revenue, we need to have a considerable amount of bookings through the hotel brand website. Hotel brand website is designed by the hotel and whenever there is a booking no commissions are incurred. Also, there are no booking charges or hidden costs. Ultimately hotel earns the maximum revenue through these hotel website bookings. We will discuss how in the below illustration.

**Illustration 1**

Let us say a customer books a room at rate of INR 6000, each distribution channel will give below revenue.

Sr No	Channel	Room rate INR	Commission %	Commission INR	Booking fee/Pay per click %	Booking fee/ Pay per click INR	Revenue earned INR
1	Online travel agent	6000	15	900	0	0	5100
2	Meta search engine	6000	15	900	1	60	5040
3	Global distribution system	6000	12	720	2	120	5160
4	Hotel brand website	6000	0	0	0	0	6000

From the above illustration we see that highest room revenue is earned through booking of brand website.

**Illustration 2**

Now let us see how bookings made through various online distribution channels affect the average room rate and revenue per available room.

**Case 1**

Consider a hotel of 100 rooms out of which 50 rooms are occupied on a particular day at the rate of INR 6000 per room per night. Out of the total bookings 20 are booked through global distribution system, 10 are booked through online travel agent website, 8 are booked through meta search engines and 12 are booked through hotel brand website.

Sr No	Channel	Room rate	Rooms Occupied	Room revenue after commission and fees	Room revenue earned
1	Online travel agent	6,000	10	5,100	51,000
2	Meta search engine	6,000	8	5,040	40,320
3	Global distribution system	6,000	20	5,160	103,200
4	Hotel brand website	6,000	12	6,000	72,000
Total Room Revenue					266,520
Average room rate					5,330
Revenue per available room					2,665

**Case 2**

Consider a hotel of 100 rooms out of which 50 rooms are occupied on a particular day at the rate of INR 6000 per room per night. Out of the total bookings 10 are booked through global distribution system, 5 are booked through online travel agent website, 10 are booked through meta search engines and 25 are booked through hotel brand website.

Sr No	Channel	Room rate	Rooms Occupied	Room revenue after commission and fees	Room revenue earned
1	Online travel agent	6,000	5	5,100	25,500
2	Meta search engine	6,000	10	5,040	50,400

3	Global distribution system	6,000	10	5,160	51,600
4	Hotel brand website	6,000	25	6,000	150,000
Total Room Revenue				277,500	
Average room rate				5,550	
Revenue per available room				2,775	

From the above illustrations, if we consider the performance metrics of average room rate and revenue per available room, they are directly affected by the total room revenue. So if more bookings come through the hotel brand website, higher will be the room revenue earned which will lead to higher average room rate and revenue per available room which in turn will lead to optimized revenue.

### Effective tool for upselling

The word upselling is basically meant to describe the activity of hotel front office and reservation staff being able to sell a higher priced room to a guest who might have come with a concept of hiring a comparatively a lower category room. It is also called sell high (Bhatnagar S, 2002). Up selling helps in increasing incremental revenue and hence is one of the most effective technique of revenue management. Hotel brand website can play an effective role in up selling. Let us say a guest is making a booking through the brand website for a base category room. In such case, the website can just pop-up the features of the next category room with the differential amount. Many guests might book this room after viewing the features and also because they have to just pay an additional incremental amount. So, without doing much the hotel will earn additional revenue from the same guest. Hotel brand website can thus act as a tool of online upselling.

### Creating loyal customers

Hotels nowadays have their own loyalty programmes and want maximum guests to enroll in the same. We also know that a loyal guest will spend more at the hotel and also the cost required to get him to the hotel is very low compared to new guest. Hotel website is the main area where guest can enroll in the loyalty programme. These guests get points and other benefits when they book rooms over the brand website. This adds value to the guest stay and also hotel earns more revenue as they don't have to pay any commission. The rule is simple, more loyal guests you have, more will be the bookings through your hotel brand website.

### Other facilities

Your hotel brand website will feature all facilities and services of hotel apart from guest rooms. It will include information about your restaurants, banquets, shopping arcade, wellness and fitness center etc. The marketing of these facilities can be effectively done through the brand website. Customers take into consideration all facilities of services of the hotel before doing a room booking. So, if the brand website is designed with a professional and customer friendly approach it will enhance your bookings which in turn will increase the hotel room revenue.

### Suggestions

- Hotels should design marketing plans in such a way that hotel brand website should be the main focus.
- There should signage in various areas promoting bookings through brand website.
- The employees should educate the existing guests for booking through hotel brand website for their future stays.

- The lowest rate of the day can be made available on the hotel brand website to enhance the booking rate through the hotel website.
- Bulk bookings or group bookings facility to be made available for bookings through hotel brand website.

### Conclusion

We saw in the discussion that how hotels are facing a threat of a very tough competition and revenue optimization is the need of the day. Hotel brand website is one of the cheapest and profitable sources of revenue. Hoteliers should identify this opportunity and focus on marketing of hotel brand website which will give positive results in a long run. The paper thus concludes by proving that hotel brand website will give maximum room revenue amongst all online distribution channels. But the onus is on hotels to implement this step for optimized revenue.

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