Reserving the travel experience

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Reserving ancillary services throughout the pre-travel and travel experience is critical to winning the battle for the retail consumer.


By Scot Hornick and Dan Kowalewski

When it comes to reservations, hoteliers could learn from cruise operators.

For decades, the hotel industry has thought of a reservation as a single transaction, a point-in-time purchase by a traveler through a channel. But the cruise industry has always thought of a reservation as an itinerary. The booking scope includes pre- and post-cruise flights and accommodations, a cabnin, onboard amenities like spa treatments and dinner reservations, and excursions, like snorkeling, at each port of call.

Winning the battle for the retail consumer requires the hotel industry to broaden the scope of a reservation and think of it more as a process that follows the customer throughout the pre-travel and travel experience. Ancillary revenue could be a critical profit lever for hotel companies. By making such bookings easier and more attractive to customers, hoteliers could boost profits and offer a booking experience that is differentiated from online travel agents.

Reshaping the reservation

Reserving the end-to-end travel experience is not a new concept. The cruise industry is built on this concept, and hotel companies are exploring it through enhancements to their legacy platforms and agreements with other travel suppliers. Many hotel companies have developed pre-stay direct marketing that asks travelers with room reservations to add on ancillary services. Most major resorts and destination properties have developed apps for smartphones that allow vacationers to explore all activities and services on property, but these capabilities typically fall short of enabling the customer to book without a phone call. As various types of travel companies vie to dominate the process of hotel booking, these early movements to capture ancillary revenue could become the basis for hoteliers to win.
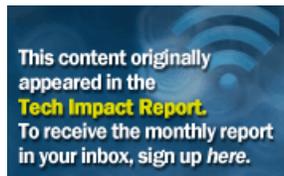
There are three key trends shaping the evolution of a reservation in the hotel industry:

- *The battle for the top of the reservation funnel*: As discussed in our previous column, "Can hotels win the retail consumer?" hotel companies must be more flexible, tailor the reservation process to the traveler and give customers more choices to win the battle for control of the top of funnel. That is, in order to capture customers when they first decide to book a trip, beating online travel agents and search engines, so-called meta-mediaries, to the consumer.

- *The proliferation of mobile technology*: The growth of mobile devices has put booking capability in the hands of the customer. If the customer can easily book a service anytime, before or during the stay, this enables the industry to tailor the experience. Hoteliers can customize choices throughout the pre-travel and travel experience, in particular on property, where many of the ancillary products and services are purchased.

- T*he importance of total revenue management*: More than ever, the industry is focusing on total revenue management. Many of the major chains have installed revenue management technology to improve sales of sleeping rooms. But ancillary revenues are not managed to the same extent.

Special challenges

Enabling customers to reserve ancillary services throughout the pre-travel and travel experience requires more than building an online booking tool. Hotel companies should think about their reservations processes along three dimensions:

- **Occasion of stay**. Not every traveler is booking a leisure stay or looking for nightly activities during a business trip. In some cases, the same traveler will combine both leisure and business nights in a single stay, sometimes bringing the family along for part of the trip. The reservation process is not one-size-fits-all. Hoteliers must avoid burdening travelers with time-consuming additional steps, and make ancillary offers selectively while still driving revenue growth.

- **Property profile**. Not every property has the same set of amenities or nearby ancillary spend opportunities. And even across the

same hotel type (resort, airport, suburban) the mix of on- and off-property services differs based on location. This means setting up and managing inventory for each ancillary service is critical to successful execution. Treating both theater tickets and sleeping rooms as inventory within the reservations construct becomes necessary because each now becomes critical to fulfilling the reservation made by the customer.

- **Customer preferences**. While customer preference is utilized today in sales channels, when you combine it with property choice and occasion of stay, the concept gets more complicated. Some customers prefer to understand all of their choices and options throughout the booking process, while others want streamlined and simple purchases that remove complexity from the decision. Understanding past booking behaviors and tailoring offers based on preference is critical to making the booking experience more meaningful.

A comprehensive strategy

A comprehensive strategy must develop technology and business capabilities that embrace the convergence of these three challenges. Many of the technology enhancements are significant and require foundational changes to legacy platforms. The most common example is redefining the notion of inventory to include both room and ancillary products and services. Ancillary products and services need to be tracked and balanced as inventory items if hotel companies are going to effectively manage, sell and increase their yields in a total hotel revenue management environment.

Technological improvements are not the only part of the strategy. Changes in business policy and processes are also required. For starters, hotels must design a different booking process and reservations dialog with the customer for each occasion of stay. Customer experience executives must set guidelines that define when, where and to what degree a potential traveler will be offered ancillary products. Revenue management executives must limit the amount of ancillary inventory and decide how to price it.

If hoteliers do not begin to think strategically and build plans to achieve this goal, other players in the travel distribution landscape will fill the void and seize the opportunity to control the top of the funnel, stripping away the ancillary sales that hoteliers covet.

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