

CHAPTER III

OVERVIEW OF THE COMPANY

3.1 Collecting Data and Results

This research is carried out on the basis of primary and secondary data. The empirical evidence reveals the extent of the critical understanding in the actual outcomes after the implementation of the new reservation system in ABC hotel.

3.1.1 Primary Data

The primary data were collected through in-depth interviews and past statistic data including the staff's performance appraisals before implementation.

- **Interviews**

The interviews were done with general manager and top managements in ABC hotel. The duration was approximately 45 minutes to one hour, and each interview was recorded in order to obtain a complete collection of information from respondents.

- **Surveys**

Survey questionnaires were conducted in two components. Firstly, the group of target sample is all employees in reservation department. All are classified by four job characteristics as a reservation manager, a reservation assistant manager, reservation supervisors, and reservation clerks totally by 14 persons of this group. In term of research methodology, all questionnaires were be conducted in order to understand the employees' perceptions toward new reservation system that are consisted of training programme, job descriptions, standards of procedures, and the modified reservation model.

Secondly, the other group is the group of experienced customers; this group is selected for any customers who have ever made reservations at the hotel both before

and after the online reservation was implemented. Most of them are the frequent guests who have come to conference nearby the hotel. All respondents in this group will be studied in term of the perception toward the factors related to reservation service providing. The questionnaires were received from 240 out of 300 experienced customers.

3.1.2 Secondary Data

The secondary data were gathered and collected from various sources including the Websites, the Tourism Authority of Thailand (TAT) reports, National Statistical Office of Thailand (NSO) reports, public documents, newspapers, journals, and books. The all gathered information available on computerised reservation system and the role of information technology in operations management were used to develop the conceptual design for the reservation model utilised in ABC hotel.

3.1.3 SPSS Software

The SPSS software is used to analyse the data. The statistical test generated the results suggesting how reservation staffs are satisfied with the new reservation system and the reaction towards the system is, and whether it will lead to a better performance or not.

3.2 History of Hotel

The lodging or hotel industry is made up of companies that provide overnight accommodation to the travelling public, often in conjunction with food, beverages, entertainment, recreation, and meeting facilities (Barnett, 2002).

When people first started travelling, they tried to cover long distances in shorter time as soon as possible and without much travelling facilities. They use to travel in group and so as to cover long and never ending distances with helps of others. Cold nights were spent outside in the dark woods among animals and long hot days were spent travelled with a hope to cover distance quickly. This kept going on for quite some

time and until roadside “inns” came into existence. One advantage of these “inns” came into thus facilitated travelling, especially for those who were travelling for business. Not only this, they also provide the staying overnight. Later on, as time went by, and the needs of people grew, these ‘inns’ were converted into small hotels, where people can stay for more than a day and have all kinds of facilities (Keeseey, 1929).

As the needs and the customers changed, the hotel industries have also changed to cope with the customers’ expectation. The hotel business is the one of the fastest growth business in the world.

- **Why Stay in Hotels?**

As living standards advanced, tourists raised the requirements necessary to satisfy their consumption objectives in buying accommodation, i.e. they want higher standard of rooms and facilities. This demand has been spearheaded by all the tourists, especially the tourists in developed countries who get used to the high living standard; they naturally wish these standards to be maintained on a holiday or a business trip.

3.3 Company Background

The ABC hotel, the selected company in this study, opened in 1987. It is a multi purpose complex comprising a 31-storey, 420 rooms, a 10,000 square metres, shopping plaza and a high rise car park with 600 parking spaces.

The hotel is excellently located on Sukhumvit Road, one of the central Bangkok’s main arteries, with easy access to the main business, shopping and entertainment areas of the city. It is also close to the expressway and is near to the Queen Sirikit National Convention Centre, the country’s premier meetings and exhibition facility. Nana sky train (BTS) station is just steps from the hotel giving quick and easy access to the central business district and the most important tourist attractions. According to its location in the heart of Bangkok, this leads ABC hotel competitive advantage over most of the other hotels in Bangkok.

Of the 420 well-appointed guestrooms, this included 55 suite rooms. All of the rooms are well equipped with full package of facilitate services. Besides, guests can enjoy their time at various entertainment places inside the hotel.

Due to these advantages, since ABC hotel opened, the room occupation rate has been consecutively as high as 70 per cent till year 1996, but from 1997, ABC hotel was unavoidably impacted by the Asian financial crisis.

In addition, the high degree of centralisation in ABC hotel's management system, the old incentive system, and the lack of employee's professional training stated to show the negative effects to the hotel's performance. The room occupation rate radically dropped and had no sign to be well recovered till now. Employee's moral was affected, and the general work attitude was inevitably affected as well. Thus the ABC hotel started to be troubled with high turnover and absenteeism, low employee morale, which unavoidably caused the decreased employee's productivity, such as low sale volume and profit.

According to hotel's measurement of productivity, is formed as total sale divided by the number of employees. Table 3.1 shows hotel's productivity compared to other hotel at same level in year 2004 and 2005 which were shown as below.

Table 3.1: Total Sale Volume, Number of Employee, and Productivity

Hotel	2004			2005		
	Net Sale (mil. Baht)	#Employee	Productivity (Baht/head)	Net Sale (mil. Baht)	#Employee	Productivity (Baht/head)
ABC Hotel	403	440	915,909	376	460	817,391
Shangri-La Hotel	1,459	890	1,639,325	1,371	955	1,435,602
JW-Marriott Hotel	996	590	1,688,135	1,019	640	1,592,187
Oriental Hotel	1,673	696	2,403,735	1,455	684	2,127,192

Courtesy of: ABC Hotel Fact Sheet, 2006

3.4 Hotel's Accommodations

At the ABC, the hotel has a variety of choices of accommodation to suit the customer's style and personality. From beautifully furnished superior rooms and newly created deluxe suites to the superior rooms of exclusive ABC club, complete with its private lounge and boardroom. All of the guestrooms and suites now offer broadband Internet access.

	<p>Superior Room 36sq.m. superior king or 2 singles bed, city view separate bath and shower, coffee-tea making, broadband access for a fee.</p>
	<p>Deluxe Room 40sq.m. superior king or 2 singles bed, city view separate bath and shower, coffee-tea making, broadband access for a fee.</p>
	<p>Deluxe Corner Room 46sq.m. deluxe corner king with city view, deluxe bathroom with separate shower, unique amenities, coffee-tea making, broadband access for a fee.</p>
	<p>Deluxe Suite Room 75sq.m. deluxe suite king with city view separate living room with deluxe amenities, coffee-tea making, broadband access for a fee.</p>
	<p>Superior Club Floor 36sq.m. city view ABC club superior 1 king or 2 singles bed on 26th-29th floor, full executive benefits, broadband access for a fee.</p>
	<p>Deluxe Club Floor 40sq.m. city view ABC club superior 1 king or 2 singles bed on 26th-29th floor, full executive benefits, broadband access for a fee.</p>
	<p>Deluxe Corner Club Floor 46sq.m. with city view deluxe bathroom with separate shower, unique amenities, coffee-tea making, broadband access for a fee and full executive floor benefits.</p>
	<p>Club Deluxe Suite 75sq.m. city view ABC club superior 1 king bed on 26th-29th floor separate living room, full executive benefits, broadband access for a fee.</p>
	<p>Superior Lifestyle Floor Lifestyle superior 26sq.m. city view, contemporary king or 2 singles bed on 21st-22nd floor, full executive benefits DVD player, broadband for a fee.</p>
	<p>Deluxe Lifestyle Floor Lifestyle deluxe 40sq.m. city view, contemporary king or 2 singles bed on 21st-22nd floor, full executive benefits DVD player, broadband for a fee.</p>
	<p>Deluxe Corner Lifestyle Floor 46sq.m. with City View Deluxe bathroom with separate shower, Unique amenities, Full Executive Benefits, DVD player and broadband for a fee.</p>
	<p>Lifestyle Deluxe Suit Lifestyle suite king 75sq.m. city view, contemporary king or 2 singles bed on 21st-22nd floor, full executive benefits, DVD player and broadband for a fee.</p>

Figure 3.1: Guestroom Types

Courtesy of: ABC Hotel Fact Sheet, 2006

3.5 Hotel's Organisation Structure

There are three levels of management careers in the ABC hotel: first-line, middle, and top. First-line refers to those who have day-to-day contact with the guests and clients of a lodging business. The first-line manager oversees the work of the supervisors and line employees. In this case, first-line positions include assistant reservation manager, assistant manager of housekeeping, and assistant restaurant manager. First-line managers are responsible for a hotel's basic work. Such as checking guests in and out, making up the guests' rooms, and preparing and serving the meals. First-line managers are in daily or near-daily contact with line employees.

Middle management of hotel includes the department manager, general manger, and any position between those levels. Unlike first-line managers, those in middle management plan, organise, lead, and control other managers' activities and are responsible for the performance of their departments.

Top management comprises a small group of managers such as the chief executive officer, president, and vice president. The top management is responsible for the performance of the entire hotel business as well as for supervision of the middle managers. The top manager is accountable to the owners of the financial resources used by the ABC hotel, such as the stockholders or executive board.

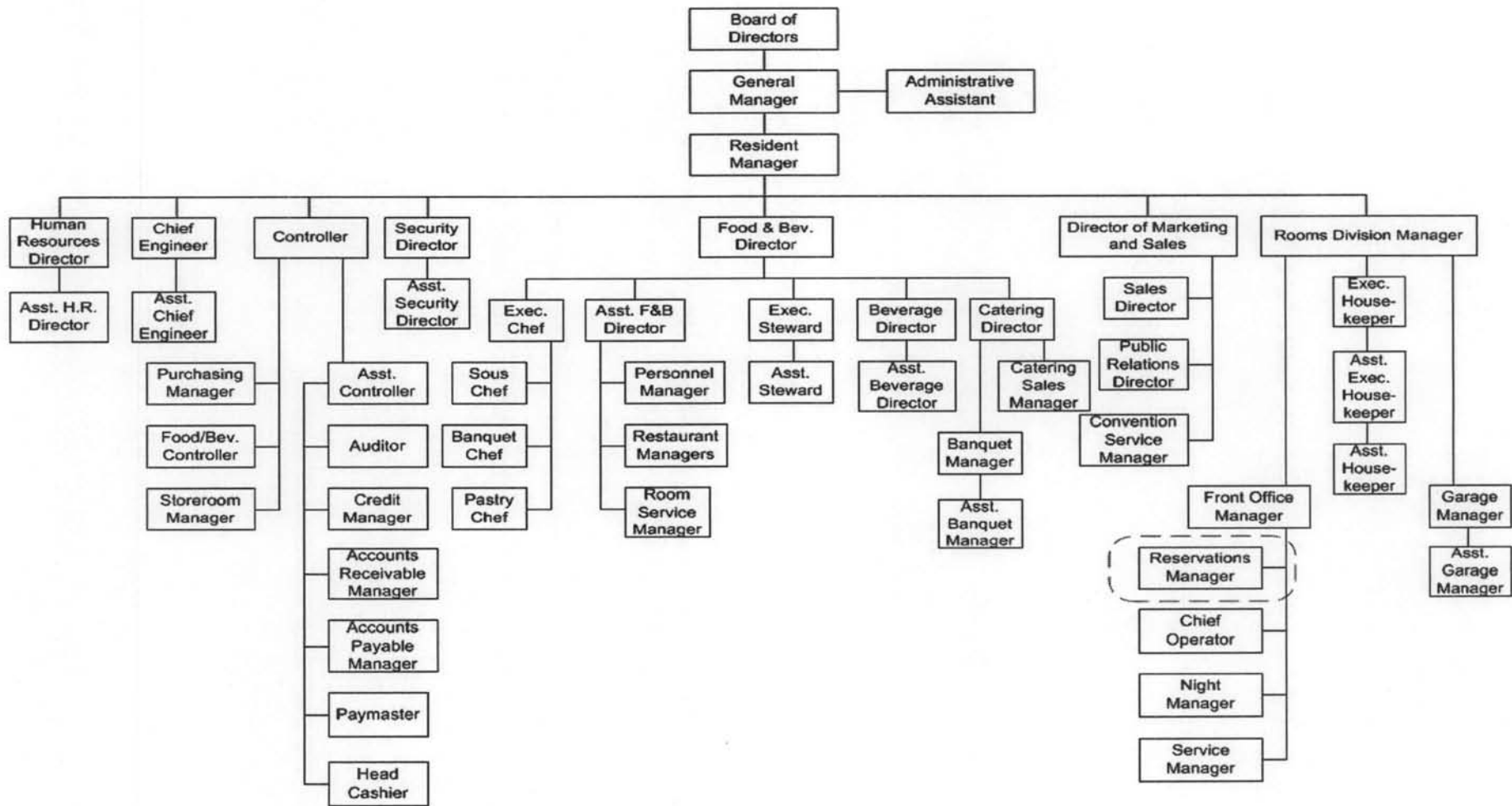


Figure 3.2: ABC Hotel's Organisation Chart

Courtesy of: ABC Hotel Fact Sheet, 2006

3.6 Company Analysis

3.6.1 SWOT Analysis

The Table below shows the overall evaluation of the hotel strengths, weaknesses, opportunities, and threats.

Table 3.2: ABC Hotel's SWOT Analysis

	"S" Strengths	"W" Weaknesses
Internal	<ul style="list-style-type: none"> • Located in the centre of Bangkok • Near to the public transportation • Experience in hotel management • Price competitive • Recently redecoration 	<ul style="list-style-type: none"> • Poor management in reservation system • The hotel's name is not famous • No penalty policies for booking/reservation
	"O" Opportunities	"T" Threats
External	<ul style="list-style-type: none"> • Thai government launched a new campaign to support the travelling business • Thailand is an attractive destination for tourists • Increasing reservation channels • Gain profits from hotel's Website features 	<ul style="list-style-type: none"> • Most of all targeted hotels have their own Websites • There are high competitors in hotel business • The crime which happens to the tourists in Thailand

- **Strengths**

- 1) The ABC hotel is located in the centre of Bangkok. It is easy for the clients to go shopping or sight seeing.
- 2) The ABC hotel is near to the public transportation such as BTS and express way.
- 3) The ABC hotel has more than 10 years' experience, so the management careers know what they need to do in order to satisfy their customers.
- 4) The room rate is cheaper than any other 5-star hotels.

- 5) The hotel usually re-decorates lobby and guest rooms to attract the new & existing customers who come to visit.

- **Weaknesses:**

- 1) The customers have to call or contact directly when they would like to make reservation.
- 2) The hotel's name is not famous in Thailand.
- 3) In case customer does not show up in the day that they make reservation, the hotel cannot charge the penalties from customer because there is no money deposited or credit card number to guarantee.

- **Opportunities**

- 1) Thai government has a policy to support the travelling business in our country and encourage the foreigners to visit Thailand.
- 2) In the past several years, Thailand is one of the most popular countries among foreign tourists and investment around the world especially in this region (see Appendix B for more details).
- 3) Customers can make reservation through the hotel Website at any time, anywhere, 24 hours a day, 7 days a week.
- 4) Increase revenue Website as alternative tool in sales and marketing.

- **Threats**

- 1) More than 80 per cent, of all hotels have their own Websites to show everything in hotel and easily make reservation.
- 2) There are high competitors in hotel business; customers have more choices in search for the best hotel in their opinion.
- 3) The crime which happens to the tourists in Thailand is discrediting our country's image.

3.6.2 Marketing Mix

- **Product**

The ABC hotel is one of the independent hotels existing in Thailand. The hotel service has been awarded as one of the standard service from Thai Hotels Association (THA). The ABC hotel provides the room accommodation with other facilities and many outlets such as swimming pool, fitness centre (Fitness First), massage and spa, karaoke, conference room, banquets & meeting room, oriental restaurants, and business centre and etc.

- **Price**

Price is the advantage for customers; the customers can choose one of the best rate guarantees that they think suitable and reasonable for them such as promotion, package, corporate, government, senior citizen, association, weekend rates and etc.

- **Place**

The ABC hotel sets on fashionable Sukhumvit Road, in the heart of Thailand's exciting capital, The hotel is an established hotel offering five-star facilities and services for both leisure and business travellers. With a station of the Skytrain located in front of the hotel which is conveniently linked to the city's main commercial district and many of its leading tourist attractions. Moreover, it also enjoys easy access to Bangkok's major conferences centres, the Queen Sirikit National Convention Centre (QSNCC) and Bangkok International Trade and Exhibition Centre (BITEC). Nearby is the expressway to the domestic and international airports.

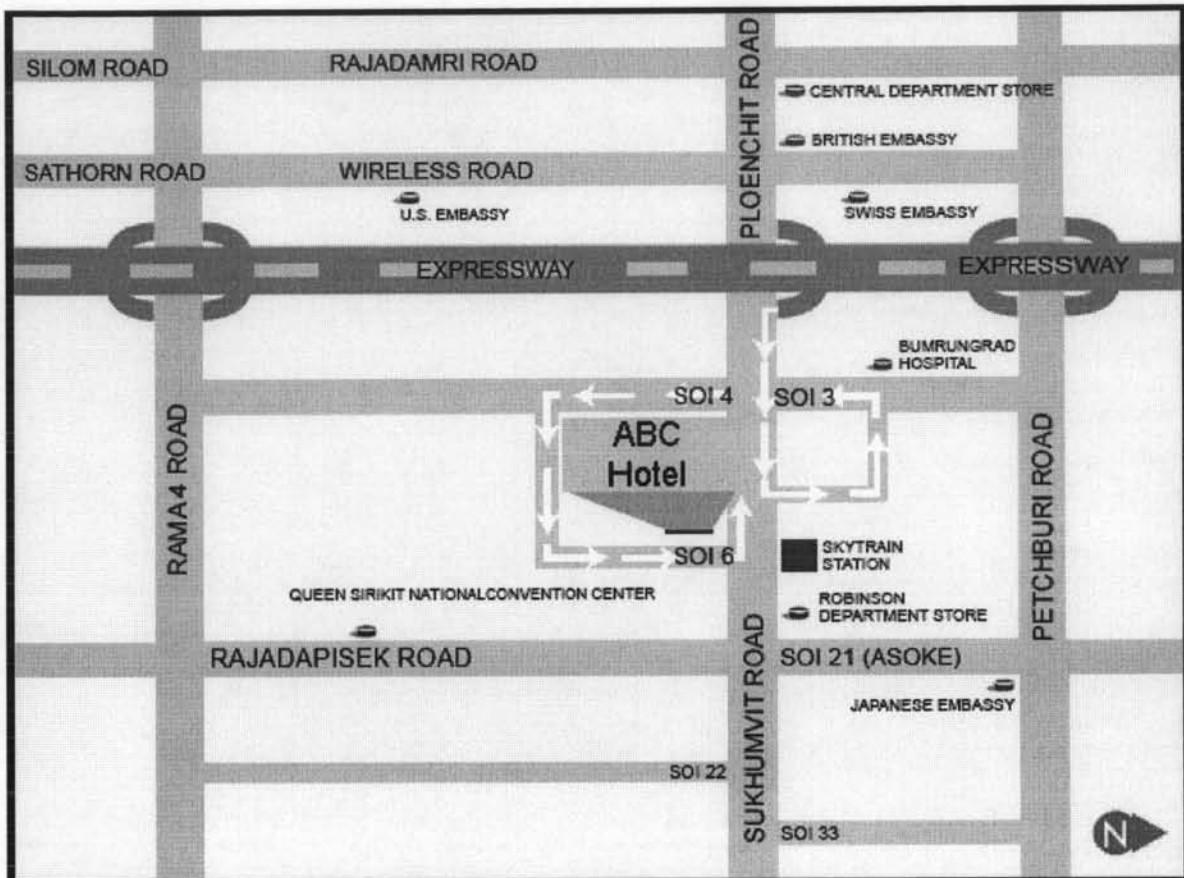


Figure 3.3: ABC Hotel's Location

Courtesy of: ABC Hotel Fact Sheet, 2006

- **Promotion**

The ABC hotel provides a special promotion which can be seen in the Table below:

Table 3.3: Guestrooms' Current Promotions

Promotion	Benefits
"Experience Thailand"	<ul style="list-style-type: none"> • Deluxe on ABC floors • 2 hours Thai cooking class • Complimentary voucher at Thai restaurant
"Affordable Luxury"	<ul style="list-style-type: none"> • Superior on ABC club floors • Full club floor benefits
"Lifestyle @ The ABC"	<ul style="list-style-type: none"> • Superior on lifestyle floors • Full club floor benefits • Complimentary dinner voucher at the Atrium restaurant • Complimentary broadband in room
"Suite Sensation"	<ul style="list-style-type: none"> • Overnight in deluxe suite, ABC floors • 24 hour lounge service • Full buffet breakfast • Hors d'oeuvres and cocktails • One way airport transfer • Early check-in and late checkout
"Luxury Weekend Break"	<ul style="list-style-type: none"> • Overnight accommodation in superior room with upgrade to ABC club floors • 24 hour lounge service • Full buffet breakfast in the lounge from 6am-10am • Coffee / tea and cookies / pastries throughout the day • 2 hours complimentary boardroom usage per day
"24/7"	<ul style="list-style-type: none"> • Guest can now check in at his/her convenient time & check out 24 hours later • Available 24 hours a day, 7 days a week, whether is it 10pm or 2am the customer will always be assured of a late check out
"Pay1 Get 2"	<ul style="list-style-type: none"> • Either 2nd room (in same category) or 2nd night complimentary • Complimentary breakfast either from room service (choice of set menus) or sumptuous buffet at the Atrium Café • Complimentary full cocktail bar from 5pm-7pm with hot canapés at club lounge • Late check out 6pm free of charge

Courtesy of: ABC Hotel Fact Sheet, 2006

3.6.3 Target Market

At the present time, the rate of people connected online is increasing at a rapid rate not only teenagers but also middle-aged group. Working people are not restricted to only men, so the possibility to sell to workingwomen seems high. Besides the social lifestyle is changing, women and men are equal in making any purchasing decision.

ABC hotel separates the target groups from traditional offline business and aims at quite different groups in order to expand to the new market. From this point of view, ABC targets men and women as well as the newly graduated groups aged between 20-50 years old who have income level above 20,000 baht per month. In other words, ABC hotel emphasises the target group with higher education level because most of them are familiar with the Internet and often spend their time Web browsing.

The target market of travelling business can be identified by size as follows:

- Teenagers: 10%
- Adult 20 – 50 years old: 50%
- Older people over 50 years old: 40%

As we can see from the proportion of the target market of the hotel, the majority of tourists are at the age between 20 to 50 or the people in the working age. This group is probably the most interesting group, which also has become an increasing growth rate; therefore it certainly makes sense to choose this group as the target market. The conclusion of the ABC hotel's target market is as follow:

Table 3.4: ABC's Target Market

Demographic	Age	20 – 50 years old
	Gender	Male and Female
	Income	20,000 baht per month and over
	Occupation	All ranges of occupation
	Education	Newly graduated to higher degrees who are affiliated to the use of Internet, and tends to purchase online
Geographic	Region	Unlimited, emphasis on foreign travellers

Courtesy of: ABC Hotel Fact Sheet, 2006

3.7 Situation Analysis

3.7.1 Market Situation

In reality, people are generally price sensitive to buy products from any service provider, and they expect to gain the vital customer service in return. Companies are basically selling tangible products that are accommodation, though they have to bear in mind to distinguish their companies from the other competitors. For example, the clients are not considering much in the tangible aspects but they are expecting to gain fast delivery of confirmation. The services provided should be the visa granting service, information provider and problem solvers. Therefore, to be outstanding in the intense competition of hotel business, any hotels should have to satisfy on what the clients' priority needs, by providing the impressive and distinguishing services.

3.7.2 Competitive Situation

Many 5-star hotels in Bangkok normally have their traditional stores and also set up their own Websites as supplementary means of selling. To expand the distribution

channel, they also emphasised heavy sales promotion online. In hotel industry sector, there is an intense competition environment as well as the competitive industry big fight on the heavy sales promotion on both online and offline channels.

The competition to gain market in the travel business sector as well as to gain brand awareness and be the first choice in the consumers' perception depends on both advertisement and sales promotion. The Public relation also plays a vital role in this matter by assisting to repeat the hotel's name to clients and also indirectly expands to new market. So in hotel industry sector, the promotion depends on advertisement, sales promotion and public relation.

The main competitors of ABC hotel are:

- Conrad Bangkok Hotel
- Sheraton Grande Sukhumvit Hotel Bangkok
- JW Marriott Hotel Bangkok
- InterContinental Hotel Bangkok
- Plaza Athenee Hotel Bangkok

3.7.3 Product Situation

In the service business sector, the only difference depends on how the hotel delivers intangible products along with the paramount service or any distinctive feature to clients over other competitors in the market. Similarly, in hotel environment, most hotels provide room accommodation to clients quite similar to other hotels.

Clients are in fact considering the interesting routes of packages per se, but any value added provided to them is significant to impress and conquer their mind. Among the same route of package offered in the market by various hotels, similar or same range of prices is set.

To sum up, in service business sector especially in hotel business, the similar intangible products are offered with the same price range.

3.7.4 Future Plan

To sustain success in the market, ABC hotel should continuously improve and develop both the market strategy and the Web page. Because no single strategy can be applied forever, it needs to be changed to suit the dynamic demands in the ever-changing market.

After the hotel's Website has been implemented, hotel must add more value to the visitors. After gaining targeted brand awareness within one year, ABC hotel plans to improve their Website to be more attractive and entice many Web visitors. Till that time, the adding of the search engine capability or even to adapt the layout of the Webpage have been made continuously by adding some interesting topics. ABC has to improve the Website to avoid becoming boring since Website represents the first impression tool. Good Website design can attract more people to come.

As for the advertisement and sales promotion, heavily offline advertisement on newspaper, magazine, and radio will be reduced and will emphasis on the traditional shop instead; ABC expects that they could gain enough share in hotel market. For online advertisement, they will further advertise continuously since any prospective clients have to go online and this is the way to attract them to ABC's Website and buy accommodations. The fresh sales promotion plan is also developed to suit the new market situation.

After gaining brand awareness among end users of Thai and foreign travellers, the hotel will expand to the new market – a business group. ABC is aiming to make relationship with a large company and set up the customised business tour group such as seminar or meeting set up in Thailand.

3.8 Role of the Internet in Securing Reservations

The Internet can be defined as a collection of many different networks of computer hosts, clients and servers that collectively provide and use information and connection services. The computer networks now include a community that literally spans the globe and counts among its members nearly every user in the planet.

The use of the Internet in making room reservations is becoming a part of the natural way of doing business. Potential business and pleasure traveller guests want to see what chosen hotel offers in the form of guest rooms, amenities, food and beverages, and other services as well as related prices. Likewise, the hotel managers seek feedback data on the customers who may visit the hotel's Website and hopefully the hotel.

3.8.1 The Growth of Internet Usage

Nowadays, Internet population is growing at a remarkably rapid rate. Industry analysts have estimated that the number of Internet users is increasing by 1 million every month (McLaren, 1999). According to Miniwatts Marketing Group (2005), there are about 1,300 million Internet users around the world. More than half of them were in Asia and Canada & U.S.A.

Table 3.5: Use of the Internet by Region

Country or Region	Number of Users (million)
Africa	27.26
Asia/Pacific	321.48
Europe	494.11
Middle East	19.24
Canada & U.S.A.	355.96
Latin American	68.28
Total	1,286.33

Source: World Internet Usage and Population Statistics
(Miniwatts Marketing Group, 2005)

Not only is the growth significant, the adoption rate of the Internet is also faster than other kinds of technologies. It took about 22 years for Fax, 9 years for VCR, 7 years for CD player, 6 years for Personal Computer (PC), but only 10 months for Internet browser to reach 10 million users (Intel, 2001a).

Table 3.6: Technology Adoption Rates

Technology	Time to reach 10 million users
Fax	22 years
VCR	9 years
CD player	7 years
Personal Computer	6 years
Internet Browser	10 months

Source: Delivering E-travel Services (Intel, 2001a)

3.8.2 The Internet as a Distribution Channel

The Internet has dramatically altered the relationship between a company and its channel partners because it offers a means of bypassing some of the channel partners. The Internet is viewed as a means of disintermediating. Clearly to say, it cuts out the middlemen. In addition, it provides more flexibility and cost savings (Cheffey, 2002; Alford, 1999).

Hoffman and Novak (1996) commented that the Internet is the massive global network of interconnected packet-switched computer networks, which as a new marketing medium has the potential to radically change the way firms do business with their customers. As a marketing channel, the Internet has both unique characteristics and; characteristics that are shared with other marketing channels. These characteristics include the ability to inexpensively store vast amounts of information at different virtual locations. The availability of powerful and inexpensive means of searching, organising, and disseminating such information, interactivity and the ability to serve as a transaction medium, the ability to serve as a physical distribution medium for certain goods (e.g. books, CDs), and relatively low entry and establishment costs for sellers (Peterson *et al.*, 1997; Chen, 2001). From the customer's perspective, electronic markets are more desirable than single-source sales channels because they can compare a number of competing products to be sure of getting the product features they want, at the best price. Not only do customers have electronic connections to their suppliers but they can also choose which supplier they want to use (Malone *et al.*, 1989).

3.8.3 The Travel Industry and the World Wide Web (WWW)

The tourism product differs from durable consumer goods in many aspects (Holloway, 2002). Travel products and services possess many characteristics needed to function in the electronic environment. The ease of description and commodity-like nature of many travel products (e.g. airline seats or hotel rooms) suggests that the travel industry exhibits the product attributes that are favourable for electronic commerce (Go and Pine, 1995; Lewis *et al.*, 1998; O'Connor, 2003). Moreover, tourism is an information-based product and the Internet is full of information. Online

customers have the perfect opportunity to gather travel information (Connolly *et al.*, 1998). The Internet is the perfect medium for selling travel as it brings a vast network of suppliers and a widely dispersed customer pool together into a centralised market place (O'Connor, 2003). Online technologies bring new efficiencies in both the business and consumer markets.

With respect to tourism providers, the Internet provides an infrastructure for the global distribution and inexpensive delivery of tourism-related multimedia information. It also empowers the consumer through the provision of tailor-made products which meet their individual needs, so bridging the gap between the consumer and destination/supply in a flexible and interactive way (Cooper *et al.*, 1998; Kotler *et al.*, 1999).

From a consumer perspective purchasing travel products online has, in many instances, become faster, easier, and more convenient than contacting a travel agent or telephoning a supplier directly (O'Connor, 2003). Moreover, the real draw of the Internet is the ability to save money by comparison shopping. Rather than heading to the nearest travel agency, travellers can visit one of the many Websites and complete the reservation tasks from their homes or offices. The Internet shops open 24 hours a day, 7 days a week, and allow users to access the relevant information whenever and wherever they want. Furthermore, the Internet welcomes customers from all over the world without physical and geographical barriers (Law and Leung, 2000).

- **The Online Travel Market and the Growth Rate**

The online travel services segment is the single most successful Business-to-Customer (B2C) revenues, surpassing PC hardware-software and peripherals combined (Laudon and Traver, 2001). For a number of years travel has been the fastest growing and the most successful business area of global e-commerce (Law and Leung, 2000; Alford, 1999). According to Jupiter Research, online travel purchase made up a third of nearly \$12 billion expected to be spent by on-line shoppers in 1999. Moreover, by 2002, total online shopping revenue is estimated to reach more than \$41 billion, with \$11.7 billion generated by travel purchases (Weiss, 1999). In the European market, Jupiter Media Metrix reported that the traffic to travel sites grew by up to 75 per cent

in 2001 (Salcedo *et al.*, 2002). In the U.S. market, Forrester Research estimated that in 2003 the online travel business will account for 30 per cent of 96 billion in retail online business (Smith, 2002).

Despite the strong effect of September 11 on the travel industry, economic recession, and the Gulf War crisis (Boniface and Cooper, 2005), the Internet as a channel for booking travel is growing rapidly and becoming the method of choice for many consumers and businesses for both bookings and information (Greenspan, 2002). The travel customers use the Internet to research travel options, seek the best possible prices, and book reservations for airline tickets, rental cars, hotel rooms, cruises, and tours (Laudon and Traver, 2001). An eCommercePulse studied based on an online survey of more than 39,000 Web users by NetRatings and Harris Interactive found that spending for the online travel sector totalled more than \$1.03 billion in March 2001, jumping 59 per cent from April 2000. Jupiter Media Metrix estimated that total online travel sales will be worth US\$10 billion by 2003 (Intel, 2001c). Moreover, offline spending generated by online travel shopping produced an additional \$506 million dollars in revenue (Greenspan, 2003).

The Pew Internet and American Life Project measured a significant increase in the amount of online travel buyers in 2002, up from 36 per cent (about 31 million Internet users) in 2000 – representing a 90 per cent growth rate. Comparatively, other online activities, such as participating in online auctions experienced 69 per cent growth, and playing games had a 45 per cent growth rate during the same period (Greenspan, 2002).

- **Online and Offline Market Share**

Although currently the online travel market share is less than the offline travel market, in the future the online travel market share will increase rapidly. As demonstrated in Table below, the online travel market will grow to 35 per cent of the overall travel market in 2005, from only 7 per cent of the market in 2000 and 15 per cent in 2002. Similarly, Jupiter analysts forecasted that online sales of travel (air, car, cruise, and hotel) will grow to \$64 billion by 2007 which is more than double the \$24 billion transacted in 2001 (Greenspan, 2002).

Table 3.7: Online vs. Offline U.S. Travel Market

Year	Online	Offline
2000	7%	93%
2001	10%	90%
2002	15%	85%
2003	17%	83%
2004	27%	73%
2005	35%	65%

Source: Online Travel Expected to Fly High (Greenspan, 2002)

3.8.4 The Hotel Industry and the Internet

Although technology has played an important role in the hotel business for more than 30 years, the development of the Internet is a steep change in the importance of technology to the hotel industry. It is quickly becoming an effective distribution channel in the hotel industry (Kotler *et al.*, 1999). The Internet has provided the lodging industry with a new set of opportunities.

Direct to customer online distribution has several benefits. It puts the hotel in control of its Internet presence and exposure. It prevents brand and price erosion and reduces dependence on online discounters and intermediaries. It is the shortest way to establish interactive relationships with customers and provides long-term opportunities to benefit from the value of lifetime customers. It is also least expensive route to deliver hotel inventory (Kotler *et al.*, 1999; Watkins, 2000; Price and Starkov, 2003). In short, the Internet provides the hotels with long-term competitive advantages by eliminating dependence on intermediaries, online discounters and traditional channels (Middleton and Clarke, 2001; Chen, 2001).

From the customer side, the Internet has simplified booking a room. In the past, guests reserved hotel rooms by phone, letter or facsimile to agents or hotels. The process involved is time consuming, indirect and effective. With the emergence of the

Internet, the information search and purchase behaviour of hotel guests has changed significantly. In the Internet era, guests can reserve hotel rooms directly with their own computers at anytime, anywhere, and are able to receive immediate confirmation (Chung and Law, 2003).

- **The Hotel Distribution Channel and Global Distribution Systems (GDSs)**

The distribution of hotel bedrooms is at first sight a complex affair (Mintel, 2001c). Hotels have traditionally employed a variety of different distribution channels. Conventionally there are three primary distribution channels: hotel direct, central reservation offices, and travel agencies (Choi and Kimes, 2002). In each case, the objective is to make information about the hotel product conveniently available to the customers and, at the same time, to simplify their reservation process at that particular property (Mintel, 2001b).

Global Distribution Systems (GDSs) has been employed in the hotel industry since the early 1970s (Holloway, 2002). They are computerised reservation systems that serve as a product catalogue for travel agents and other distributors (Kotler *et al.*, 1999; Holloway, 2002). Hoteliers loaded their various room types, descriptions and price categories into spare capacity on the GDS database, making such information available to thousands of travel agents worldwide (O'Connor, 1999 and 2000). Nevertheless, a variety of problems arose as a result of the data architecture of the GDSs since the database initially designed for airline seats which are relatively homogeneous, unlike hotel rooms (Emmer *et al.*, 1993). The problems were, such as, only textual information can be display and it limited the number of characters to be displayed (Vialle, 1999), loading or modifying data was time consuming and technical (Tan, 2002). Therefore, most hotel chains developed their own reservations systems which were more appropriate to the hotel product called Central Reservation System (CRS). There were then linked electronically to the GDS to permit access to the travel agent network. A transaction fee is paid to the GDS operator for each booking processed.

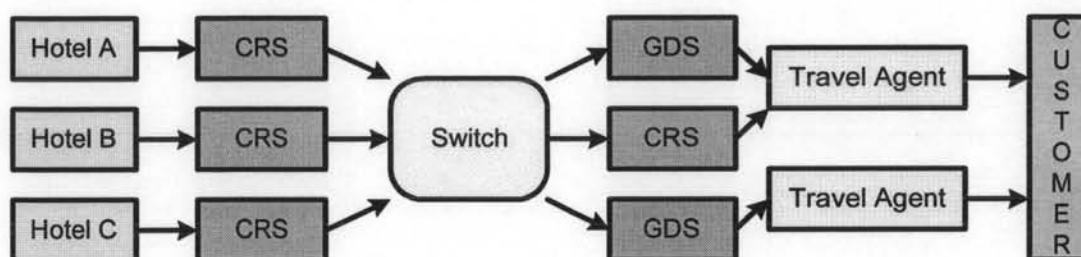


Figure 3.4: The Hotel Electronic Distribution Channels

Source: Information Technology and Tourism – A Challenging Relationship
(Werthner and Klein, 1999)

However, each major GDS serviced different geographical markets, hotel chains needed to be represented on each of them in order to gain maximum benefit. This involved developing multiple interfaces, as each was different in terms of its technical requirements and methods of operation. Several of the leading players in the sector combined to develop the concept of a 'universal switch' such as THISCO and WIZCOM. Such switches connecting the hotel CRS to the numerous GDS platforms (Werthner and Klein, 1999; Alder *et al.*, 1999). In short, the use of a switch means that only a single interface, between the hotel CRS and the switch, has to be created to give access to all of the major GDS systems (O'Connor *et al.*, 2001).

- **Comparing Costs between the Traditional Route and the Online Route**

The emergence of the Internet has reduced capital and operational costs in respect of hotel operation (Cooper *et al.*, 1998). According to investment bank Goldman Sachs and Accor analysis, booking a room via the traditional route could cost US\$13.50 per individual booking. However, the cost reduces to US\$10.50 for online intermediaries and decreases deeply to US\$1.50 if the customer books directly with the hotel own Website (Mintel, 2001c; Choi and Kimes, 2002).

Table 3.8: Cost per Reservation According to Booking Route**Traditional Route**

Customer	Traditional Travel Agent	GDS	Switch	CRS	Hotel
Traditional route	US\$5.90	US\$3.20	US\$0.20	US\$4.20	US\$13.50 (total cost)

Online Route

Customer	Online Agent	GDS	Switch	CRS	Hotel
Online route	US\$3.00	US\$3.20	US\$0.20	US\$4.20	US\$10.50 (total cost)
Customer	Internet	Hotel	Hotel Website	US\$1.50	US\$1.50 (total cost)

Source: Technology and the Hotel Industry – Global (Mintel, 2001c)

However, unlike GDS's systems, the Internet allows hotels to store more detailed information for customers. It can tell, and even show, customers precisely what they need to know and many hotels are increasingly offering everything from 360 degree views of inside hotels to full listings of even the most obscure facilities (O'Connor *et al.*, 2001).

As a result, the increased direct sales via hotel-branched Websites and focus of online intermediaries on the merchant and opaque models have created a major shift away from utilising the GDS for hotel bookings. For example, Hotels.com sold 4.2 million hotel room nights in 2001 without using the GDS. In 2002, Expedia.com reported more than 70 per cent of hotel room sold without the GDS. TravelClick reported that room nights booked via the GDS in the first half of 2002 have decreased by 6.9 per cent (Starkov, 2003).

3.8.5 Online Hotel Reservation

Customers are becoming increasingly comfortable booking tourism products over the Web, with recent research demonstrating that customers are more willing to purchase hotel rooms online than any other product (Dryden, 1997). The majority of international hotel chains have established company Websites which the customer can obtain hotel information and book online (Intel, 2001b). In a survey of the top 50 hotel companies carried out in 1999, over 90 per cent of the hotel chains examined had a chain Website, with nearly 80 per cent of these providing reservation facilities to allow the customer to book directly (O'Connor and Horan, 1999).

According to research from Chen and Schwartz (2006), booking directly to the hoteliers were the most common way of U.S. leisure travellers to purchase lodging.

Table 3.9: Comparing Direct and Indirect Hotel Booking

Over the phone from the supplier	34%
On the supplier's Website	24%
Through an agency/intermediary Website	13%
In person from the supplier	9%
Total of direct booking	80%
Through an offline travel agent	8%
Through a consolidator site	4%
Through a portal site	2%
Other	6%
Total of indirect booking	20%

Source: The Importance of Information Asymmetry in Customers' Booking Decisions: A Cautionary Tale from the Internet (Chen and Schwartz, 2006)

In the online world, hotel branded sites already attract 54 per cent of the \$6.3 billion in online bookings made in 2006, according to Greenberg (2006) estimated the

remaining 46 per cent goes to online travel agents. Moreover, the online agencies are projected to maintain a steady online market share in this year, 2006.

Table 3.10: Market Share between Hotels Owned Websites and Online Agents

	2002	2003	2004	2005	2006
Supplier Branded Websites	56%	55%	54%	54%	54%
Online Agency Share	44%	45%	46%	46%	46%

Source: Report – Online Travel Booking Continues to Grow (Leisure, Travel, Transportation) (Greenberg, 2006)

- **Growth of Online Hotel Booking**

Because of the several advantages of the Internet, many hoteliers did indeed change to take the benefits. An increasing number of lodging customers make reservations directly with hotels by bypassing traditional distribution channels. Hoteliers have been successful with selling directly to the customers. Hilton Hotels, one of the biggest international chain hotels, claimed that they earned over \$1 million in their first three months of launching online booking. Marriott, too, reported more than \$1 million in Internet bookings in its first few months after introducing this capability (Golden, 1994).

The hotel online booking was high on the list of preferred online travel services in the U.S. market, second only to airline tickets, according to Travel Industry Association of American (TIA) (2004).

Table 3.11: Purchase Habits by Travel Category

Travel Category	Percentage
Airline Tickets	84%
Overnight Lodging	78%
Rental Cars	59%
Tickets for Museum, Sports Events, etc.	33%
Amusement Park Tickets	18%
Travel Package	17%
Cruise	8%

Source: Travel Industry Association of America (TIA), 2004

As discussed earlier, hotel reservations are expected to grow faster over the next few years. It predicts that online hotel bookings to surge from \$5 billion in 2001 to \$14.8 billion in 2007 (Greenspan, 2003). PhoCusWright estimated that in 2007 at least 17 per cent of hotel bookings will come from online and by 2008 the Internet will contribute over 20 per cent of all hotel bookings (Starkov, 2003; Wood, 2003). Hotel & Lodging Commerce expected that by 2007 one in four hotel sales will be made online (Tennant, 2003).

According to the PhoCusWright and Jupiter Media Metrix, the Internet generated \$2.1 billion in hotel bookings in 2000, nearly double the figure in 1999 and four times as many as that in 1998 (Watkins, 2000). Adams (2002a) expected the online booking of hotel rooms will grow to \$15.5 billion in 2007 from \$3.8 billion in 2000. However, most of this growth will go to third-party travel Websites rather than the hotelier's Websites (Rich, 2002b).

- **The Incentive to Purchase a Hotel Room Online**

The current economic downturn and the effect of 9/11 have made consumers particularly price sensitive (Richards, 2006). Customers have expected that Internet prices will be lower than those available in the 'bricks and mortar' world.

Price incentive is the reason for travellers to buy travel products online. The survey found that online travellers who rely solely on the Internet for travel purchases cite cost savings as the determining factor. Thus, the perception that online travel agents offer the best price is an overwhelming advantage for these retailers. More than half (54 per cent) of online travellers say price is the most important factor in buying travel through this channel, followed by reliability (20 per cent), ease-of-use (16 per cent), and customer service (9 per cent) (Pastore, 2000).

Similarly, U.S. leisure travellers who book hotels online say that their assurance of getting the lowest possible price from a Website will encourage them to continue booking hotel reservations online (Wilson, 2007).

Correspondingly, a leading online hotel reservation network, confirms that price drives buying decisions for booking rooms online. More than four out of five, 83 per cent, of participants considered price extremely important in booking hotel rooms online (Kim and Kim, 2004). Moreover, Yesawich, Pepperdine, Brown & Russell found in a 2000 study that almost six out of ten leisure travellers now actively seek the 'lowest possible price' for travel services (Yesawich, Pepperdine, Brown & Russell, 2000).

- **Consumer Behaviour in Online Hotel Purchasing**

Unlike in the physical world, where a potential customer would have to telephone or visit several suppliers, comparison shopping on the Web can generally be accomplished relatively quickly (Adams, 2002b).

There was a survey conducted in February 2005 found that 29 per cent of U.S. online consumers' research and purchase travel on the Internet; 29 per cent research leisure travel online but ultimately purchase offline; and 42 per cent are not yet using the Internet for travel shopping (Meyerson and Scarborough, 2007).

With respect to search behaviour, online travel shoppers said that they almost always check more than one site before purchasing a hotel room, 10 per cent of hotel bookers visit one site, while 43 per cent visit two or three and 22 per cent visit four or more

(O'Connor, 2003). Similarly, Jupiter Consumer Survey in 2002 revealed that 77 per cent of consumers who research and/or purchase their travel online visit more than one Website to compare prices (Greenspan, 2002).

According to internal research by InterContinental, more than 50 per cent of customers who booked an InterContinental room through a site operated by Hotels.com checked the prices on one of InterContinental' branded sites first. More than two-thirds of those customers said they would have booked with an InterContinental site if a comparable rate had been available (Rich, 2002a).

3.9 Problems Analysis

ABC hotel is a family-business run since it has been served customers for more than 20 years. However the senior top management has ignored to improve in new technologies, new competent staffs, and new policies, these factors led to the high loss in sales of ABC hotel until now.

The primary concern of the problems regarding high loss in sales can be described in three categories as shown following:

- 1) Overbooking;
- 2) High rate of cancellation; and
- 3) Lack of communication between the management level and its employee.

3.9.1 Overbooking Problem

As the information given above, ABC hotel is a family-business run with its own traditional management. The hotel has recently employed the new database programme called "Fidelio", replacing the old-fashioned "paper-base" method to improve its information archiving of the reservation in the effective manner. However, supplying in new technology is quite pricey, such as, software, hardware, and training programme.

Since the new database software has been implemented, most of employees are still not well-equipped with it. This may lead to an inefficient utilisation of working

procedures in reservation system. Sometimes errors and/or missing data might be occurred due to influenced circumstances; and the hotel's employees did not have experiences to deal with those errors. Also, ABC hotel did not have overbooking policy to handle the problems. These stated issues often lead to the hotel's notorious problems like high-rate of overbooking.

In order to tackle the overbooking problem, the training programme in new technology like database for employees is should be conducted to solve their awkwardness, as well as, the management level needs to enact the overbooking policy for ABC hotel in order to prevent the loss from these situations.

Table 3.12: An Example of Overall Rooms Analysis

Day	MON	TUE	WED	THU	FRI	SAT	SUN
Date	2/1/06	3/1/06	4/1/06	5/1/06	6/1/06	7/1/06	8/1/06
Rooms on the Books	331	247	126	211	200	290	422
Due to Arrive	123	121	67	107	134	183	282
Gtd. Reservations	2	0	6	12	1	3	15
Est. No-Shows	6	6	3	5	7	9	14
Est. Early Departures	10	11	9	8	8	6	9
Est. Stayovers	4	4	4	2	3	4	5
Due to Depart	206	203	212	38	117	78	148
Revised on Books	317	234	111	188	188	276	389
Variance	14	13	15	23	12	14	33
#Rooms to Fill	103	186	309	232	232	144	31
Overbooking #	434	433	435	443	432	434	453

* The ABC hotel has 420 rooms (considered on superior and deluxe guestrooms only)

Courtesy of: Reservation Department of the ABC Hotel, 2006

3.9.2 High Rate of Cancellation

High rate of cancellation is one of the other concerned issues of ABC hotel since most of cancellations of the hotel rooms occurred in last minute. To be straight forward, like no other hotels, ABC hotel had not applied the cancellation policy yet. Therefore, the significant loss in figures was highly concerned. With the purpose of minimising vacant rooms and protecting room situation from last minute cancellation, inevitably, the cancellation policy is proposed to be applied immediately. This policy can indirectly enforce customers for not cancelling their reservation without any prior notice unless the cancellation was due to the Act of God, political influence, or waived by hotel management. For more information of cancellation policy, see in chapter 4.

The Table below shows the comparison of cancellation rate and total reservation before applying the cancellation policy.

Table 3.13: The Comparison of Cancellation Rate and Total Reservation

Month	Total Reservation	Total Cancellation	Total Cancellation (%)
Jul'05	5,516	595	12.1
Aug'05	5,847	636	12.2
Sep'05	7,590	831	12.3
Oct'05	7,908	872	12.4
Nov'05	9,140	1,227	15.5
Dec'05	10,352	1,542	17.5
Jan'06	10,109	1,585	18.6
Feb'06	8,884	1,139	14.7
Mar'06	7,817	1,008	14.8
Apr'06	8,478	1,099	14.9
May'06	6,475	694	12.0
Jun'06	6,010	649	12.1

Courtesy of: Sales and Marketing Department of the ABC Hotel, 2006

3.9.3 Lack of Communication between the Management Levels and its Employee

The issue of lack of communication between the management level and its employee can be interpreted in two different manners, which are shown below:

- 1) Lack of training – there was no training for employees in new software, computer programmes, and other related service for customers. Accordingly, most of staffs were lack of knowledge of operating the new technologies as well as provided poor services to hotel guests. Only limited numbers of authorised staffs were well-trained for the previous mention.
- 2) No job description – within the reservation department of ABC hotel, it had not been clear for certain job descriptions for each position. This led to the confusion of employees which did not know their own responsibilities and/or authorities.

Therefore, the management has to provide training programmes in various fields which will conclude knowledge and skills training in: mission statement, job descriptions, task lists, standards of procedures, basic custom, office decorum, handling guests, computer programmes, and some needed in that position.

The Table below illustrates the complaint feedback from the hotel customers for the hotel services during the period of before training programmes were applied (July 2005-June 2006).

Table 3.14: Evaluation Feedback from the Experienced Customers

Factor	Positive Feedback		Neutral Feedback		Negative Feedback	
	Frequency	Percentage (%)	Frequency	Percentage (%)	Frequency	Percentage (%)
Convenience	130	26	185	37	185	37
Creditability	170	34	225	45	105	21
Cost Advantage	310	62	115	23	75	15
Immediate Response	95	19	215	43	190	38
Information Availability	105	21	160	32	235	47
Overall Satisfaction	85	17	305	61	110	22

*Collected from 500 Experienced Customers

Courtesy of: Reservation Department of the ABC Hotel, 2006

3.10 Summary of the Chapter

The primary and secondary data such as interviews and surveys is collected for this study. As early seen in SWOT analysis above, although the ABC hotel has its strength, for example, good location and variety of choice in hotel's rooms, its sale productivity is quite low. Hotel's major concerns are overbooking, high rate cancellation and lack of communication between the management level and employees. Nowadays, it can be said that, though there has been a high competition in hotel industry such as many new booming hotels and convincing promotion packages, one of many indicators to distinguish each hotel for one another is services. As a result, in order to survive in this business and higher ABC hotel's productivity, the hotel must have the effective management and seek the alternative way to compete with the other hotels by improving service mind to customers as well as improving its policies and investing in human resources and new technologies.

At the present, Internet has played an important role in human's daily life in addition to human basic need. It is, assumingly, the most convenient and fastest tool that makes human's life easier. Therefore, the ABC hotel decides to develop a new interesting hotel's Website available for its customers to access with the intention to assist hotel's advertisement. Although online travel market share is now less than offline travel market, there has potentially been a rapid growth rate in online travel market share which create more convenience and cheaper cost. Moreover, the role of CRS has become more significant and gradually weakened the traditional system (GDSs).