Hotel Room Rate and Availability Parity Across Electronic Distribution Channels

Subashini Selvaraj
University of Nevada, Las Vegas

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HOTEL ROOM RATE AND AVAILABILITY PARITY ACROSS ELECTRONIC DISTRIBUTION CHANNELS

by

Subashini Selvaraj

Master of Hospitality Administration
University of Nevada, Las Vegas
2011

A professional paper submitted in partial fulfillment of the requirements for the

Master of Hospitality Administration
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Abstract

Hotel room Rate and availability parity across electronic distribution channels

by

Subashini Selvaraj

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This is an exploratory research paper looking at the parity of hotel room rates and hotel room availability across electronic distribution channels. The fulfillment of the best rate guarantee of hotels was also analyzed. The study surveyed 40 hotels in Singapore, covering 4 hotel segments, luxury, upscale, midmarket and budget with data collected over 5 dates. The results were analyzed across segments and dates of collection and it was found that neither rate nor room availability parity existed across all the hotels surveyed. In addition, majority of the hotels were unable to fulfill the best rate guarantee. Reasons for why the disparities occurred are discussed and include technological incapability, problems with control of distribution channels and relationships between hotel operators and online intermediaries. Solutions for dealing with these challenges are provided and discussed.
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Chapter 1
Introduction

Before the development of the internet, Global Distribution Systems (GDS) and Central Reservation Systems (CRS) were the main channels of distribution utilized by hotels (Demirciftci, Cobanoglu, Beldona & Cummings, 2010; O’Connor & Frew, 2002). By the 1990’s, the internet had significantly altered the way in which hotel companies sold their rooms. By 2001, 64% of hotels reported that they provided their customers with real-time reservations via their websites. (Demirciftci et al., 2010). Today, the internet continues to be an important channel through which hoteliers can reach a vast customer base and grow their business (O’Connor, 2001). In an Australian study, it was found that travellers who shopped online spent twice as much as those who shopped offline (Murphy, Schegg & Qui, 2006) indicating the importance of an online presence to hoteliers.

Although online travel intermediaries have helped to drive sales of hotel rooms and assist hotels in gaining greater coverage on the internet, the strong bargaining power of these intermediaries meant that they were able to negotiate better room rates to be published on their sites (Myung, Li & Bai, 2009). This has undoubtedly been a source of conflict between hotels and intermediaries and has heightened the need for hoteliers to better manage their own pricing systems.

Chapter one of the paper begins by identifying the main purpose of the study then makes justifications for the study and its’ applications in the industry. It concludes with an examination of the constraints placed on the study.

Purpose
The purpose of this study is to find out if hotels in Singapore have achieved parity in terms of room rate and availability across their distribution channels. Ideally, the relationship between hotels and intermediaries should remain as it did in the early 1990’s, where
cooperation existed to smooth the progress of distribution to customers (O’Connor, 1991). However, over the years, the level of competition has heightened between the parties involved and has resulted in a disparity in terms of the price and availability of hotel rooms via the various distribution channels. Parity is difficult to achieve because intermediaries have become better at offering cheaper room rates than direct reservations made through the hotel CRS or website. (Gazzoli, Kim & Palakurthi, 2008). In addition to this, differences in technological capabilities mean that real time inventory and rates cannot be shared and immediately updated between various channels. Differences in distribution costs leading to operational issues could also give rise to disparities between channels (Choi, Mattila, Park & Kang, 2009). Differential pricing, a process whereby different segments of customers are charged differently for hotel rooms could also lead to disparity across distribution channels (Choi et al., 2009).

A number of issues could arise from a lack of parity, both in terms of rate and availability of hotel rooms. One such issue is the frustration and the perception of unfairness on the part of the customer when finding different prices offered for the same product across various distribution channels (Demirciftci et al., 2010) or rooms available via one distribution channel but not another. This may especially be the case when online intermediaries offer lower rates than those find on hotel websites, thereby tarnishing the image of the hotel as a fair player in the market. When the hotel can ensure rate integrity, customers feel more secure when booking directly through the hotel website and trust that the hotel has maintained its’ ‘best rate guarantee’. Despite parity being such a critical issue for hoteliers, few studies have been done in this area (Gazzoli et al., 2008).
Statement of Objective

The main objective of the study is to discover if and to what extent room rate parity and consistency in availability exist in Singapore hotels. The study attempts to answer the following:

1. Are hotel rates consistent across distribution channels?
2. Is hotel room availability consistent across distribution channels?
3. Have hotels achieved their ‘best rate guarantee’?
4. Do chain and independent hotels differ in terms of room availability and rate parity across distribution channels?

Justification

Both hoteliers and researchers have begun paying greater attention to the issue of disparity, in particular, its effect on customer perceptions (Choi et al., 2009). Customers may become confused by disparities across distribution channels and at times this may alienate them from the hotel (Choi et al., 2009). The primary goal of hotels at all times is to attract and retain their customers, regardless of the channel through which they make bookings.

In a study conducted by Christodoulidou, Brewer, Feinstein and Bai (2006), it was found that the most important focus of hotel managers is to better understand how to manage various distribution channels and work with third party intermediaries. The study also found that uncontrolled distribution channels and rate parity were listed as two of the top 10 challenges faced by hoteliers. The most important revenue management goal for hoteliers has been identified as creating a ‘single image of inventory’ (Christodoulidou et al., 2006). This means that identical rates and availability must be reflected across all distribution channels.

The importance of understanding parity, the issues involved in achieving it and finding better ways in which to achieve it is clear. The results of the study could have important implications for all parties involved. Room rate and availability parity studies have not been
conducted across hotels of different segments in Singapore and based on the findings, hoteliers may be able to better understand how their product is being sold and find more effective strategies to implement parity across their distribution channels. The study also has important implications for local researchers who wish to study the Singapore or Asian hotel market and may serve as a good base from which future research can be conducted.

**Constraints**

The study will be based only on hotels in Singapore and not in the Asian region as this would be beyond the scope of the study. The study is intended to be very focused on the Singapore hotel industry in order for the results to be truly useful to hoteliers in Singapore.

Data will be collected on five different days, the earliest being one month ahead of the reservation date. Due to time constraints, data cannot be collected earlier than this, although this may be helpful in understanding how the rates change over longer periods of time. In addition, it is imperative that the terms and conditions of booking are consistent across all channels to ensure that the results that are being compared across distribution channels are not biased by terms and conditions that may affect the rates and availability. The final constraint on the study is that on each date of data collection, data must be collected within a timeframe of five hours. This is done with the aim of minimizing any major changes that could occur in terms of room inventory or rate manipulations across the various distribution channels and maximize the integrity of the data collected.
Chapter 2
Literature Review

Introduction

Distribution channels have evolved greatly over the decades. The booking process began with the simplicity of direct hotel reservations by telephone and has now come to involve a multitude of online and offline travel agents, intermediaries and hotel booking engines. This has undoubtedly left researchers and the travel industry with a myriad of questions on how these developments will affect hotel companies, intermediaries and consumers. Despite the various points of view that exist, the consensus is that effective channel management and the achievement of price and availability parity across distribution channels is a key issue that must be addressed.

The Evolution of Distribution Channels

Traditional Models.

Distribution channels are defined as ‘mechanisms that provide sufficient information to the right people at the right time and in the right place to allow a purchase decision to be made (O’Connor & Frew, 2002). Distribution channels are primarily used for three reasons; the first is to ensure that accurate information is available to customers at any given time, the second is to make the booking process easier for the customer (O’Connor & Frew, 2002) and the third is to increase the points of sale in order to facilitate the purchase of products (Gilbert, Beveridge, Lee-Kelley, 2005).

Traditional methods of distribution involved direct contact with the hotel via telephone, mail and facsimile. Hotels also began to develop CRS and began partnering with travel agents who were able to reach out to a larger market as well as to advise customers and pass information between hotels and customers (Gilbert et al., 2005). Unfortunately hoteliers found that these methods of distribution involved a great deal of time and cost and customers
often experienced delays and challenges when making bookings (O’Connor, 2001).

It was in the 1950’s that the airline industry first introduced the concept of electronic distribution (O’Connor & Frew, 2002). Hotels companies followed suit soon after by developing their own systems and syncing them with GDS. In fact, before the development of the internet, GDS and CRS were the main channels of distribution utilized by hotels (Demirciftci, Cobanoglu, Beldona & Cummings, 2010). Although the development of these systems increased efficiency, the development costs involved were high and only larger chain hotels had the financial capability to install and operate such systems (O’Connor, 2001). In addition to this, hotel companies began to find that electronic distribution channels were expensive; commissions and other costs related to reservations showed an increase of 117 % within a span of four years in the United States (O’Connor & Frew, 2002). Hotel operators had to find new and most cost effective ways to distribute their products. The arrival of the internet was the solution.

**The advent of the Internet.**

By the 1990’s, the internet had significantly altered the way in which hotel companies sold their rooms. In a 2001 survey of the top 50 hotel companies, it was found that more than 90 % had developed a company website (O’Connor, 2001; O’Connor & Frew, 2002). In the same year, 64 % of hotels reported that they provided their customers with real-time reservations via their websites (Demirciftci et al., 2010). Distribution via the internet had a number of advantages; distributions costs and commissions were removed (O’Connor, 2001), hotels could have direct access to potential customers and barriers to entering the World Wide Web were low or almost non-existant (O’Connor, 2001). By utilizing the internet, hotels made an estimated saving of US $1.3 billion from 2000 to 2003 (O’Connor & Frew, 2002).

Today, the internet continues to be an important channel through which hoteliers can
reach a vast customer base and grow their business (O’Connor, 2001). Real-time information technology allows customers to complete bookings quickly and at a low cost compared to the traditional booking methods (O’Connor, 2002).

**Online Intermediaries.**

In the mid 1990’s online travel intermediaries (Travelocity, Expedia etc.) began partnering with hotels to offer hotel rooms to customers. These intermediaries acted as direct link between several different suppliers and customers (Gazzoli, Kim & Palakurthi, 2008) thereby providing hotels with access to a wider and more diverse market than before.

Online intermediaries have the advantage of being able to provide consumers with choice. A customer can input their requirements into the system and compare options easily. Hotel companies have tried to compete on the same level by offering car and flight bookings together with hotel rooms; however they are still not able to offer the same level of choice as online intermediaries (Gillbert et al, 2005). Although a study conducted in Western Europe found that only 36% of online sales were made through intermediaries, these intermediaries have begun to determine prices outside of the hotel’s control, charging additional fees and eventually causing hotels to lose profits (Murphy, Schegg & Qiu, 2006).

**Channel conflict**

The relationship between hotels and third party channels can be highly beneficial to hotels that employ a multi-channel strategy because such a strategy enables hotels to penetrate new markets and have less dependence on a single channel (Gillbert et al., 2005). If a hotel company is able to successfully manage its’ distribution channels, it should ideally find that its brand is developed and its customer loyalty is stronger, while a company that fails to do so risks losing its customers to the intermediaries (Murphy et al., 2006).

The various operators of distribution channels began by cooperating with each other to provide hotel products to customers. However, over time, the level of competition between
these channels has also heightened. Each distributor is attempting to bypass third parties
along the distribution process and connect directly with the customer (O’Connor & Frew,
2002). While intermediaries consider themselves as partners to hotels by helping them to fill
rooms, hotels hold the view that third parties negatively influence their pricing decisions and
their brand image (Myung, Li & Bai, 2009). O’Connor (2001) has referred to this
combination of cooperation and competition as “coopetition”

Hotels often make use of intermediaries to offload unsold rooms at the last minute.
However this may prove to be a risky practice as customers quickly become aware that last
minute rooms are available at lower prices and wait to book rooms closer to their travel date
(Murphy et al., 2006). There may be some hotel companies that dislike intermediaries due to
the erosion of profits that they cause and as such have established the best rate guarantee on
their own websites in order to get consumers away from intermediaries and encourage them
to booking with the hotel directly (Murphy et al., 2006). Four Seasons has decided to
completely forgo the idea of booking via third parties while Hilton, Marriott and Starwood
are attempting to decrease the dependence on intermediaries with the promise of the best rate
guarantee (Murphy et al., 2006).

Power and Conflict.

A number of researchers e.g. El-Ansary & Stern (1972), Frazier (1983), Gaski (1978)
and Luch & Ross (1985) have suggested that power and conflict are closely related when we
consider channel conflict (Myung et al., 2009). Channel members rely on each other thereby
increasing their dependency on each other. In turn, each member becomes more specialized
in its tasks and attempts to exert power over the others causing conflict (Myung et al., 2009).

Thus, it is this interdependency between channels that is the core of channel conflict. One of
the reasons why conflict may arise between channels is that channel members compete over
similar domains and when one channel member competes with another over the same
segment of customers, channel conflict cannot be avoided (Myung et al., 2009). Understanding how and why conflict arises may be useful in understanding why competition increases between these channels causing disparity.

**The Issue of Disparity**

In the past, hotel revenue managers would consider factors such as competition, variable cost and customer demand to make pricing decision, but as booking channels began to grow and customers changed their methods of booking, pricing issues became more complicated (Christodoulidou, Brewer, Feinstein & Bai, 2006). With the numerous channels available, customers are able to shop around for the best price and in the process become exposed to the various booking channels available and can compare alternatives. In the process of searching, customers may come upon disparities in terms of the rates and availability of hotel rooms.

**Definitions**

Rate parity occurs when the same rate structure is set across all distribution channels (Gazzoli et al., 2007). Conversely, rate disparity occurs when different distribution channels publish different rates. Parity in terms of room availability can be defined in very much the same way; when all distribution channels indicate the same room availability, parity can be said to exist. It is important for hotels to effectively distribute their products because their inventories are perishable (O’Connor & Frew, 2002). Effective distribution involves ensuring parity across distribution channels. Christodoulidou et al. (2006) indicated how important parity was to hoteliers by identifying the main goal of hoteliers as the need to find the ‘Holy Grail’ of rates; this ‘Holy Grail’ referred to ensuring the same rate and availability across all distribution channels.

**The causes of disparity**

It is important for us to understand why this disparity occurs before solutions can be
proposed to eliminate it. Technological capabilities could be one such reason. In a study by Christodoulidou et al. (2006), the researchers pointed out that it may be due to ‘ineffective technology systems’ that rates are not accurately updated and reflected in all distribution channels. The study also found that the control of distribution channels and the control of inventory were challenges faced by hoteliers possibly adding to the issue of disparity.

Another reason for this disparity could be the strong bargaining power of intermediaries enabling them to negotiate better room rates to be published on their sites (Myung et al., 2009). Demirciftci et al. (2010) supports this reason for disparity by saying that online intermediaries were able to combine strong branding with good negotiation capabilities thereby gaining better contracts. Once a hotel has sold an allocated block of rooms to an e-wholesaler, it loses control over the pricing of those rooms (Myung et al., 2009). These wholesalers in turn offer lower prices to customers causing a disparity between rates offered by the hotels and themselves.

**Achieving Parity**

In order to determine if parity has been achieved across distribution channels, we would first have to define the term achievement as used in the context of this study. In terms of room availability, if a room was indicated as being available via one channel, it had to be available via all others as well to indicate room availability parity and this was fairly simple to determine. Room rate parity however was somewhat more difficult to define. The extent to which the rate can be allowed to vary while still maintaining parity will depend greatly on the sample of hotels being studied and the place in which they are located. In addition, a variation that may indicate disparity in one hotel may not for another. Another important consideration when studying parity in terms of rates and room availability are the terms and conditions involved in booking the room. Customers often fail to notice the terms and conditions (Law et al., 2010) thereby incurring additional fees. It is imperative that the terms and conditions
remain consistent when attempting to ascertain parity.

**Implications of disparity**

**Effects on the customer.**

Pricing fairness is an important issue when we consider the effect of disparity on the customer. Customers constantly look out for information that lessens the gap between their expectations and travel experience (O’Connor & Frew, 2002). Since customers engage in complex behaviours when shopping in an environment with numerous channels, it is vital to reduce and if possible eradicate inconsistencies between channels in order to avoid confusion for the customer (Choi, Mattila, Park & Kang, 2009). As price dispersion occurs via the various distribution channels, customers feel a greater need to keep searching for better prices (Murphy et al., 2006; Thomson & Thomson & Failmezger, 2005) adding to their confusion and frustration. Demirciftci et al. (2010) pointed out that when potential guests were offered different rates from different channels, they felt that they had been cheated and had lost control. The achievement of rate parity indicates rate integrity, which in turn gives the customer greater confidence when making bookings (Gazzoli et al., 2007).

**Effects on the operator.**

Dynamic pricing practices may make sense to distributors, but from the customers’ point of view inconsistent rates may cause a perception of unfair pricing and may lead the customer to behave in ways that negatively affect the seller (Murphy et al., 2006).

Another interesting dimension of disparity is that price differences between various channels have caused meta-search engines to develop, whereby the best room rates can be found across various channels. According to the economics of information theory, consumers “acquire information until the point where the marginal cost of acquiring additional information equals or exceeds the marginal benefit” (Murphy et. al, 2006). As such, when shopping online, customers may choose to stop searching for options at some point, simply
purchasing an option that may be more costly (Murphy et al., 2006). Meta search engines have helped to simplify this process and have become a competitor in the online shopping market. These search engines have had the effect of decreasing customer reliance on operators and breaking the direct link between operators and customers. The effect of this is that customer loyalty to a hotel company is eroded and it becomes clear then that for a hotel operator to have a direct relationship with its customers, rate parity must be achieved (Christodoulidou et al., 2006).

**Studies of parity across distribution channels**

Majority of the studies conducted in this area have examined room rate parity across distribution channels. The first of these studies was conducted by O’Connor in 2003 where the pricing of 45 leading hotel brands was studied across hotel websites, CRS and intermediary websites. It was found that only one out of three brands showed no disparity across distribution channels. Budget and mid-market hotels sold rooms for cheaper via their own websites compared to intermediaries or CRS.

A study was conducted in Hong Kong by Tso and Law in 2005 (Murphy et al., 2006). In this study, 45 hotel prices were compared across seven distribution channels. When comparisons were made across the channels, it was discovered that hotels of any star rating had lower prices online compared to prices offered by direct call to the hotel and checking the hotel website. For hotels in the three star categories, the hotel’s website was the most expensive channel, while for four star hotels; hotel websites were the second most costly channel. It was also found that the local travel agency included in the study offered the lowest prices regardless of the category of hotel.

Murphy et al. (2006) studied consistent pricing across Swiss hotel channels, considering channels such as email, web based request forms and direct call to the hotel.
Extreme price differences were noted in the study. For instance a customer could find rates via one channel that were almost double those via another.

In yet another study conducted by Thompson and Failmezger (2005), it was discovered that the online travel intermediary Travelocity regularly offered the lowest rate while the intermediary, Expedia showed rooms as unavailable when they were in fact available through direct call to the hotel.

Lim and Hall (2007) conducted a study of pricing consistency across distribution channels in Southwest UK. Their findings were contrary to others in that no comparable differences were found across the channels. However, it was found that the hotels’ star rating significantly influenced pricing strategies and the distribution channels used. The various studies have indicated that there are numerous disparities across distribution channels and that the pricing strategies of operators differ greatly across various segments.

Conclusion

Distribution strategies have evolved greatly over the years and will continue to do so. The importance of understanding how distribution strategies are implemented and the effects that disparity has on customers, operators and intermediaries cannot be underscored. As consumers continue to become more internet savvy and intermediaries continue to grow in strength, operators must also take the necessary steps to better manage and control their distribution channels. The studies discussed above have clearly shown that there is much to be understood about channel management and achieving parity across distribution channels.
Chapter 3
Introduction

The following section outlines the methodology, study results, conclusions and recommendations and limitations of the research. The results section attempts to answer the research questions and establish if the findings of this study are in line with those of the literature reviewed. A number of conclusions and recommendations have been made in the literature as well and this section will attempt to ascertain if those recommendations are applicable to the context of Singapore. Managerial implications are important and will be discussed from the viewpoint of hotel as well as third party operators.

Methodology

Sample selection.

The study was based on four hotel segments, namely luxury, upscale, midmarket and budget, a system of classification that is used commonly used to describe and divide hotels in the industry. For each segment, 15 properties were selected and numbered. An online research randomizer was then used to randomly select 10 properties from each segment. Both chain and independent hotels were included in each segment in order to provide an additional basis for comparison. However, in the luxury and upscale segments, the number of independent hotels was far less than chain hotels because the number of independent hotels in these segments is very limited in the Singapore hotel industry. Most of the hotels in Singapore list themselves as five-star luxury or upscale and in the absence of an independent rating system, hotels were categorized as luxury, upscale, midmarket or budget according to the rate available via their websites on the first date of data collection. Table 1 shows details of the sample.
Table 1:

*Sample of hotels*

<table>
<thead>
<tr>
<th>Segment</th>
<th>Hotel</th>
<th>Affiliation</th>
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<tr>
<td>Luxury</td>
<td>Capella Chain</td>
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<td></td>
<td>Raffles Chain</td>
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<td>Ritz Chain</td>
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<td>Fullerton Chain</td>
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<td>Fairmont Chain</td>
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<td>Hilton Chain</td>
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<td>Shangri-La Chain</td>
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<td></td>
<td>Naumi Independent</td>
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<td>Upscale</td>
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<td>The Regent Chain</td>
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<td>Swissotel Chain</td>
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<td>Orchard Hotel Chain</td>
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<td>Quincy Independent</td>
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<td>Midmarket</td>
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<td>Carlton Chain</td>
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<td>Gallery Hotel Independent</td>
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<td>Rendezvous Independent</td>
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<td>Furama Chain</td>
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<td>Scarlett Independent</td>
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<tr>
<td></td>
<td>HarbourVille Hotel Independent</td>
<td></td>
</tr>
</tbody>
</table>
Selection of distribution channels

Five distribution channels were selected, one direct channel being the hotel website and the other four indirect channels being online intermediaries, namely, Travelocity, Expedia, Booking.com and Agoda. Travelocity and Expedia are commonly used channels in research related to distribution channels. Booking.com and Agoda were chosen because the former is a part of Priceline, another leading worldwide online reservations agent and the latter is Asia's leading online hotel booking engine.

Data collection.

The check-in date was determined as April 18, 2011. It was selected because there were no major city events or public holidays around that date. This was taken into account in order to ensure that there would be no issue with blackout dates or rooms being unavailable early on in the date collection process. Five data collection dates were determined; one month, three weeks, two weeks and one week before the booking date with the last data collection date being on the check-in date itself. This was done because rates are known to fluctuate depending on the date of booking and fluctuations may be greater if a hotel practices dynamic pricing. For each date of data collection, there were a total of 200 property-channel combinations, making a total of 1000 combinations over the five dates of data collection.

For each date of data collection, a time span of five hours was allocated to check all the rates over each channel. This was done in order to ensure minimal changes to the booking conditions across each channel. During the process of data collection, only best available rates were collected and fenced rates were avoided. Fenced rates are defined as rates with restrictions such as no cancellations and refunds, minimum stay requirements or the requirement of full-prepayment (Gazzoli, Kim & Palakurthi, 2006). If a particular channel only provided fenced rates, the rate was indicated as not available. In certain cases, only advance booking rates were available, these too were indicated as not available. The same
room category was also maintained across all the channels and in the event that the category was not available, the data was recorded as not available. This was done to ensure that the terms and conditions were equal across all the data collected.

Results

Rate parity.

As mentioned in the methodology section, rooms and rates were not always available via every channel. Hotels with unavailable rooms or room rates were excluded from analysis. Of the remaining property-channel combinations, the number of hotels with consistent rates across every channel was recorded. Variance was defined as the difference between the hotel website rate and each online intermediary rate. For instance, if a hotel rate was $595 and the rate given by Expedia was $545, the rate variation of $50 was recorded. This was repeated for every channel. For a hotel to have achieved consistency across all channels, every channel had to a rate variance between zero and four dollars. If any one channel showed a rate variance of five dollars or more, the hotel was considered as being rate inconsistent. This was in line with a study conducted by Gazzoli et al. (2006) where a rate variation of more than four dollars was considered inconsistent.

Rate parity by date.

The results were analyzed across the five data collection dates. Results of this analysis are shown in Table 2. The number of hotels with consistent rates was the lowest three weeks before the reservation date and highest one month and one week before the reservation date. Two weeks before and on the 18th April, the number of hotels with consistent rates was equal.

Rate parity by segment.

The results were also analyzed across the four hotel segments. See Table 3. The luxury segment showed the highest number of hotels with rate parity, followed by the budget segment. Overall, the midmarket segment performed the poorest in terms of rate parity.
Table 2

Rate parity by date

<table>
<thead>
<tr>
<th>Date</th>
<th>No of hotels with rates available across all channels</th>
<th>No of hotels with rate consistent across all channels</th>
<th>% of hotels with rate consistent across all channels</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 month</td>
<td>30</td>
<td>7</td>
<td>23</td>
</tr>
<tr>
<td>3 weeks</td>
<td>28</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>2 weeks</td>
<td>29</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>1 week</td>
<td>27</td>
<td>7</td>
<td>26</td>
</tr>
<tr>
<td>18th April</td>
<td>17</td>
<td>4</td>
<td>24</td>
</tr>
</tbody>
</table>

Table 3

Rate parity by segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>No of hotels with rates available across all channels</th>
<th>No of hotels with rate consistent across all channels</th>
<th>% of hotels with rate consistent across all channels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxury</td>
<td>43</td>
<td>9</td>
<td>21</td>
</tr>
<tr>
<td>Upscale</td>
<td>43</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>Midmarket</td>
<td>20</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Budget</td>
<td>25</td>
<td>7</td>
<td>28</td>
</tr>
</tbody>
</table>

Rate parity by date and segment.

Overall, hotels in the luxury segment performed the best, while the midmarket segment performed the worst. One month before the check-in date, the luxury segment had the highest number of hotels with rate parity, but this Figure decreased over the next four dates of collection. Three weeks prior to the check-in date, the midmarket segment had no hotels that showed rate consistency across the channels.

Rate parity by date and segment.
**Rate parity: Independent versus Chain hotels.**

Independent and chain hotels were compared across segments. See Figure 2. In the luxury and upscale segments, only chain hotels showed consistent rates, while in the midmarket segment, 34% more independent hotels showed rate parity as compared to chain hotels. In the budget segment, 43% more chain hotels had consistent rates than independent hotels. A comparison was also made across date of data collection. Figure 3 illustrates the findings. Over all the dates, chain hotels had the greater number of hotels than showed parity. Week one was the only time when none of the independent hotels showed parity. The greatest difference was noted in week one, with 100% of the hotels showing consistency being chain hotels, followed by one month, where there was a difference of 72% between chain and independent hotels.
Luxury Upscale Midmarket Budget
No of chain hotels with consistent rates across all channels
No of independent hotels with consistent rates across all channels

Figure 2: Independent versus chain hotels by segment

Figure 3: Independent versus chain hotels by date
Room availability parity.

For a hotel to be considered consistent in terms of availability, if one channel showed the room as being unavailable, all other channels had to show the room as being unavailable as well. The total number of hotels analyzed in this section represents the number of hotels that showed rooms being unavailable by at least one channel.

Room availability parity by segment.

In order to answer the question, “is hotel room availability consistent across distribution channels”, room availability was first analyzed across the four hotel segments with total data from all five data collection dates. Overall results indicated that hotels across all segments performed poorly. See Table 4.

Table 4

<table>
<thead>
<tr>
<th>Parity of hotel room availability by segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>Luxury</td>
</tr>
<tr>
<td>Upscale</td>
</tr>
<tr>
<td>Midmarket</td>
</tr>
<tr>
<td>Budget</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

The luxury and upscale segments performed the worst with 100% of hotels in both segments showing inconsistency in terms of room availability. For instance, two weeks prior to the reservation date, a luxury hotel showed rooms as available via its hotel website, Booking.com and Agoda, but not available via Expedia and Travelocity. Although only three hotels in the luxury segment and four hotels in the upscale segment showed room as being unavailable, none of these hotels showed consistency across all five channels. The midmarket and budget segments showed greater consistency than luxury and upscale hotels at 12 and 13
respectively. However, majority of the hotels in these segments also showed inconsistency. The overall finding across all segments and data collection dates was that 89% of hotels showed inconsistency in terms of room availability.

**Room availability parity by date.**

The consistency of room availability was also analyzed across the five dates of data collection. Overall, the inconsistency increased over time, with only three hotels showing inconsistency one month ahead of the check-in date and 16 hotels showing inconsistency on the day of check-in. However, data collected on the date of check-in also had the highest number of hotels that showed consistent room availability. One week before the check-in date, 100% of the hotels showed inconsistency. Overall parity of room availability by both time and segment was 11%. Table 5 shows the results.

Table 5

<table>
<thead>
<tr>
<th>Time</th>
<th>Total number of hotels with rooms unavailable via at least one channel</th>
<th>No of hotels with inconsistent room availability</th>
<th>% of inconsistency</th>
<th>No of hotels with consistent room availability</th>
<th>% of consistency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 month</td>
<td>3</td>
<td>3</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3 weeks</td>
<td>8</td>
<td>7</td>
<td>88</td>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td>2 weeks</td>
<td>10</td>
<td>10</td>
<td>100</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>1 week</td>
<td>12</td>
<td>12</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>On day</td>
<td>21</td>
<td>16</td>
<td>76</td>
<td>5</td>
<td>24</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>48</td>
<td>89</td>
<td>6</td>
<td>11</td>
</tr>
</tbody>
</table>

**Room availability parity by segment and date.**

An additional analysis was conducted comparing the parity of hotel room availability by date and segment. The results are illustrated in the graph below. Figure 4 shows the
number of hotels that had consistent room availability across the four segments and five dates of data collection.

One month and two weeks before the check-in date, none of the segments had hotels that showed room availability consistency across all channels. Three weeks prior to check-in, the midmarket segment had one hotel that showed consistency, while the other segments had none. Data collected on the date of check-in showed the highest number of hotels with consistent room availability, but only in the midmarket and budget segments. Overall, the luxury and upscale segments performed the most poorly and the midmarket and budget segments performed on par.

**Availability by channel and segment.**

The frequency with which a room is shown as unavailable by each channel but available via another is also important. If a customer is unable to book via one channel, but can do so via another, this represents a loss of sales for the former. Table 6 shows the number of hotels with rooms listed as unavailable across all five dates of date collection.
Table 6

Number of rooms unavailable by segment and channel

<table>
<thead>
<tr>
<th>Segment</th>
<th>Hotel Website</th>
<th>Booking.com</th>
<th>Agoda</th>
<th>Expedia</th>
<th>Travelocity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxury</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Upscale</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Midmarket</td>
<td>10</td>
<td>5</td>
<td>8</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Budget</td>
<td>5</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>18</td>
<td>12</td>
<td>19</td>
<td>19</td>
<td>27</td>
</tr>
</tbody>
</table>

Note: N = 200

Overall, Travelocity listed a hotel as being unavailable the most number of times, 27 out of 200 times, a percentage of 13. Booking.com proved to be the most effective way to find an available room, showing an unavailability of only 6%. The hotel website, Agoda, and Expedia were almost equal at 9% and 9.5% respectively.

In the luxury segment, the lowest unavailability was given by booking.com which did not list any of the luxury hotels as unavailable. Booking.com performed the best again in the upscale segment with only two hotels being shown as unavailable while Travelocity once again showed the highest number of unavailable rooms. In the midmarket segment, the hotel websites showed rooms as being unavailable the most number of times, followed by Agoda and Expedia. In the budget segment, Travelocity once showed the highest number of unavailable rooms; almost double that of Agoda and Expedia. The hotel website and booking.com were the most effective channels for finding an available room in the budget segment.

Availability by channel and date.

The number of times a channel showed a room as unavailable was analyzed across the five dates of data collection. See Table 7. The total number of rooms shown as unavailable was highest on the day of check-in and lowest one month before the check-in. It was also
found that some hotels that showed rooms as available one month before showed rooms as available one week before or on the day of check-in. Travelocity once again had the highest number of rooms unavailable over all the dates.

Table 7

<table>
<thead>
<tr>
<th>Date</th>
<th>Hotel Website</th>
<th>Booking.com</th>
<th>Agoda</th>
<th>Expedia</th>
<th>Travelocity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 month</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>3 weeks</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>2 weeks</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>1 week</td>
<td>9</td>
<td>1</td>
<td>4</td>
<td>6</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>On day</td>
<td>7</td>
<td>9</td>
<td>7</td>
<td>8</td>
<td>6</td>
<td>37</td>
</tr>
</tbody>
</table>

**Independent versus Chain hotels.**

The consistency of room availability was also analyzed across independent and chain hotels. See Table 8. In the luxury segment, all three hotels that showed inconsistency were chain hotels. This was also the case in the upscale segment, where all four hotels that showed room availability inconsistency were chain hotels. In the midmarket segment, 21 hotels showed disparity, majority of them (81%) were independent hotels. The budget segment yielded similar results, with 65% of hotels showing inconsistency being independent.

Table 8

<table>
<thead>
<tr>
<th>Segment</th>
<th>No of hotels with inconsistent room availability</th>
<th>No of chain hotels with inconsistent room availability</th>
<th>% of chain hotels</th>
<th>No of independent hotels with inconsistent room availability</th>
<th>% of independent hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxury</td>
<td>3</td>
<td>3</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Upscale</td>
<td>4</td>
<td>4</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Midmarket</td>
<td>21</td>
<td>4</td>
<td>19</td>
<td>17</td>
<td>81</td>
</tr>
<tr>
<td>Budget</td>
<td>20</td>
<td>7</td>
<td>35</td>
<td>13</td>
<td>65</td>
</tr>
</tbody>
</table>
The disparity of room availability across independent and chain hotels was also analyzed by date of data collection. The greatest difference between independent and chain hotels was noted one week before the check-in date, when independent hotels that showed disparity of room availability exceeded chain hotels by 50%. On the date of check-in, both chain and independent hotels showed an equal amount of disparity, each at 50% the total number of hotels. Table 9 illustrate the results.

**Best rate guarantee.**

Most hotels guarantee that their website provides the best rate available via electronic channels of distribution. This is referred to as the best rate guarantee. In order to answer the question “have hotels achieved the best rate guarantee”, hotels in each segment were analyzed and those that showed rooms or rates as unavailable via the hotel website were excluded. Hotels that showed rooms or rates as unavailable via all channels were also excluded.

Table 9

<table>
<thead>
<tr>
<th>Date</th>
<th>No of hotels with inconsistent room availability</th>
<th>No of chain hotels with inconsistent room availability</th>
<th>% of chain hotels</th>
<th>No of independent hotels with inconsistent room availability</th>
<th>% of independent hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 month</td>
<td>3</td>
<td>1</td>
<td>33</td>
<td>2</td>
<td>67</td>
</tr>
<tr>
<td>3 weeks</td>
<td>7</td>
<td>2</td>
<td>29</td>
<td>5</td>
<td>71</td>
</tr>
<tr>
<td>2 weeks</td>
<td>10</td>
<td>4</td>
<td>40</td>
<td>6</td>
<td>60</td>
</tr>
<tr>
<td>1 week</td>
<td>12</td>
<td>3</td>
<td>25</td>
<td>9</td>
<td>75</td>
</tr>
<tr>
<td>On day</td>
<td>16</td>
<td>8</td>
<td>50</td>
<td>8</td>
<td>50</td>
</tr>
</tbody>
</table>

The remaining hotels were further analyzed to determine how many had achieved the best rate guarantee via their websites. For a hotel to have fulfilled the best rate guarantee, it had to have offered either the same rate or the best rate via its website compared to all the other four channels studied.
**Best rate guarantee fulfillment by segment.**

Room rates were analyzed first by segment to determine which segment fulfilled the best rate guarantee to the greatest extent. See Table 10. The budget segment had the highest percentage of hotels that fulfilled the best rate guarantee. The midmarket segment performed the poorest in this area with only 35% of hotels fulfilling the best rate guarantee. The total percentage of hotels that fulfilled the best rate guarantee was 46%, less than half of the sample.

Table 10

<table>
<thead>
<tr>
<th>Segment</th>
<th>Total no of hotels with rates available via hotel website</th>
<th>No of hotels with best rate</th>
<th>% of hotels with best rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxury</td>
<td>48</td>
<td>21</td>
<td>44</td>
</tr>
<tr>
<td>Upscale</td>
<td>48</td>
<td>24</td>
<td>50</td>
</tr>
<tr>
<td>Midmarket</td>
<td>37</td>
<td>13</td>
<td>35</td>
</tr>
<tr>
<td>Budget</td>
<td>44</td>
<td>23</td>
<td>52</td>
</tr>
<tr>
<td>Total</td>
<td>177</td>
<td>81</td>
<td>46</td>
</tr>
</tbody>
</table>

**Best rate guarantee fulfillment by date.**

The best rate guarantee was also analyzed by date of data collection. It was found that one month and one week ahead of the check-in date, the percentage of hotels that fulfilled the best rate guarantee was the highest at 53% and 52% respectively. Two weeks prior to the reservation date, the least number of hotels fulfilled the best rate guarantee at 31%. Overall, less than half of the sample offered the best rate via their websites in comparison to other channels of distribution. See Table 11.

**Best rate guarantee fulfillment by date and segment.**

A comparison was made between the four segments and the five data collection dates. Figure 5 illustrates the results. One month prior to the check in date, the midmarket segment
performed the poorest, while the hotels in the other three segments performed on par, with 60% of them providing the best rate. The midmarket segment also had the lowest percentage of hotels offering the best rate in the third and second week but had the highest percentage on the date of check-in. In the third week and second week, the budget segment far outperformed the other segments, but had the lowest percentage on the date of check-in. No discernable pattern was found amongst the segments and none of the segments showed consistency in terms of offering the best rate over the first month of data collection.

Table 11

*Best rate guarantee by date*

<table>
<thead>
<tr>
<th>Date</th>
<th>Total no of hotels with rates available via hotel website</th>
<th>No of hotels with best rate</th>
<th>% of hotels with best rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 month</td>
<td>40</td>
<td>21</td>
<td>53</td>
</tr>
<tr>
<td>3 weeks</td>
<td>39</td>
<td>19</td>
<td>49</td>
</tr>
<tr>
<td>2 weeks</td>
<td>39</td>
<td>12</td>
<td>31</td>
</tr>
<tr>
<td>1 week</td>
<td>31</td>
<td>16</td>
<td>52</td>
</tr>
<tr>
<td>On day</td>
<td>28</td>
<td>13</td>
<td>46</td>
</tr>
<tr>
<td>Total</td>
<td>149</td>
<td>68</td>
<td>46</td>
</tr>
</tbody>
</table>

Figure 5: Best rate guarantee by date and segment
**Best rate guarantee fulfillment: Independent versus chain hotels.**

Independent hotels were compared to chain hotels to understand which type of hotel was better able to fulfil the best rate guarantee. The first comparison was made over segment. See Figure 6. Chain hotels performed better overall, having a higher percentage of hotels that offered the best rate in the luxury, upscale and budget segments. Only in the midmarket segment, did independent hotels perform better than chain hotels but only by a small margin of 8%.

Figure 6: Independent versus chain hotels by segment

Figure 7: Independent versus chain hotels based on booking time
The second comparison was made over time. Figure 7 illustrates the results. Over all dates of data collection, chain hotels had a higher percentage of hotels offering the best rate compared to independent hotels. The greatest difference was noted one week prior to the check-in date with a difference of 88%.

**Rate Variances**

In this part of the analysis, each date of data collection was analyzed and the hotel with the greatest variation between the hotel website and each of the channels was selected. This information is represented in Table 12. Over every date, it was a luxury chain hotel that showed the largest variation in rate between the hotel website and the other channels.

The largest variances were noted in week one and on the date of check-in. The hotel with the highest variance showed a difference of $200 between the hotel website and the other channels, with the former offering the lower rate. See Table 12. Figures with a negative sign represent a situation where the rate offered via the hotel website was higher than that of the other channels.

Table 12

*Hotel with largest rate variance by date and channel*

<table>
<thead>
<tr>
<th>Date</th>
<th>Hotel website</th>
<th>Booking.com</th>
<th>Variation</th>
<th>Agoda Variation</th>
<th>Expedia Variation</th>
<th>Travelocity Variation</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 month</td>
<td>450</td>
<td>629</td>
<td>179</td>
<td>640</td>
<td>190</td>
<td>544</td>
<td>94</td>
</tr>
<tr>
<td>3 weeks</td>
<td>690</td>
<td>621</td>
<td>-69</td>
<td>590</td>
<td>-100</td>
<td>531</td>
<td>-159</td>
</tr>
<tr>
<td>2 weeks</td>
<td>530</td>
<td>382</td>
<td>-148</td>
<td>386</td>
<td>-144</td>
<td>353</td>
<td>-177</td>
</tr>
<tr>
<td>1 week</td>
<td>790</td>
<td>690</td>
<td>-100</td>
<td>590</td>
<td>-200</td>
<td>590</td>
<td>-200</td>
</tr>
<tr>
<td>On day</td>
<td>690</td>
<td>590</td>
<td>-100</td>
<td>490</td>
<td>-200</td>
<td>640</td>
<td>-50</td>
</tr>
</tbody>
</table>

*Average rate variances.*

In the following section, the average of the third party rates were taken and compared against hotel website rates. The average of these variances was then taken over each segment
for each date of data collection. See Table 13. Negative Figures represent a situation where the hotel website rate was higher than the third party average rate. The greatest variance was noted in the luxury segment one week before the check-in date, with the overall hotel website rate being higher than the third party average rate.

Table 13

*Average rate variance by time and segment*

<table>
<thead>
<tr>
<th>Segment</th>
<th>1 month</th>
<th>3 weeks</th>
<th>2 weeks</th>
<th>1 week</th>
<th>On day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxury</td>
<td>21</td>
<td>-2</td>
<td>-2</td>
<td>-42</td>
<td>-17</td>
</tr>
<tr>
<td>Upscale</td>
<td>-2</td>
<td>4</td>
<td>5</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Midmarket</td>
<td>0</td>
<td>21</td>
<td>-10</td>
<td>-28</td>
<td>0</td>
</tr>
<tr>
<td>Budget</td>
<td>-23</td>
<td>-11</td>
<td>-6</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>

**Discussion**

The study investigated three main areas; rate parity, room availability parity and fulfillment of the best rate guarantee. It is clear that customers dislike unfair pricing. (Murphy, Schegg & Qiu, 2006). Having to pay a higher rate for the same room with the same booking conditions via one channel and a lower rate via another, can prove to a frustrating experience. Since the goal of the hotel or third party operator is to gain as many bookings as possible via their own channel, parity of rate and room availability is a crucial factor. With rate parity, customers avoid the process of searching all over the internet for a lower price. (Christodoulidou, Brewer, Feinstein & Bai, 2006). In order to achieve this, the idea of the best rate guarantee was developed by hotels in the hope that customers would choose to book via the hotel website and be ensured that the rate would be the best available on the internet. Recently, third-party intermediaries have also begun to offer the best rate guarantee via their websites.
However, as the study found, only 46% of hotels fulfilled the best rate guarantee on their websites, majority of these being upscale hotels. Poor technological systems are often cited as a reason for the inability to maintain the best rate guarantee (Christodoulidou et al., 2006). This could explain why chain hotels were found to be better at maintaining the best rate guarantee compared to independent hotels. Chain hotels are often part of large hotel companies that have more advanced booking interfaces and the resources to support and update real-time information. In addition, chain hotels often have international standards that must be adhered to and ensuring that the best rate guarantee is offered could constitute one such standard.

Technology is a crucial issue in maintaining parity. Technological interfaces are expensive and require constant updates and monitoring. In addition, for parity to exist, online intermediaries must be able to retrieve rates and room availability directly from the hotel’s property management systems (Gazzoli et al., 2008). Other systems may cause hotels to lose control of their inventory, thereby creating disparity across their distribution channels. Another consideration is real time connectivity, whereby rates could change from the time of reservation to the time of payment (Christodoulidou et al., 2006). Technology must be able to support all these processes, something that smaller and independent midmarket and budget hotels may not be able to achieve.

In terms of rate parity, the overall conclusion is that rate parity does not exist fully across hotels in Singapore and there is no consistent rate behaviour over time or over segments. In terms of room availability parity, luxury and upscale hotels performed the worst, with 100% of hotels in both segments showing inconsistent availability across the channels. This is opposite to these two segments performance in terms of rate parity and begs the question as to why their technological interfaces could support consistent rates but not consistent room availability across their distribution channels.
While luxury and upscale hotels may have the technological resources to develop more advanced online interfaces, other factors that contribute to rate parity must also be considered. In a focus group study conducted by Christodoulidou et al. (2006) the top 10 challenges related to distribution channels were identified, and issues such as control of inventory, control of rate and control of distribution channels were some of the main issues faced by operators in addition to technological interfacing between the hotel and other channels.

Allotments are also an issue to be considered when room availability is analyzed. Hotels and intermediaries have contractual agreements that allot a certain number of rooms to third parties. When rooms at a hotel are sold out, other channels may still have rooms (Myung, Li & Bai, 2009). When a customer is shopping for rooms online, this disparity will be encountered. Hotels are not able to take rooms back from third parties if their own allotment is sold out. This could explain why room availability was also inconsistent in the study.

One of the greatest implications of the study for customers is that there is no one channel that offers the best rate and availability at all times. Therefore, in order to find the best rate, price conscious customers would have to shop around. If a room is unavailable via one channel, customers should search other channels, because as the study has shown, consistency in room availability is also low and they may well find the room available via another channel. Having said this, the results could provide customers with a guideline on when and through which means to book. For instance, for a customer booking a luxury hotel, doing so one month in advance may require less search time since rate parity was the highest at this time for hotels in the luxury segment.

An important implication for hotel and third party operators could be the development of meta-search engines. Such search engines are already in existence and have the advantage
of being able to compile rates across various channels for easy comparison, saving the
customer the time needed to search across various engines. Although hotel websites rates are
not included in these search engines and customers would still have to visit the hotel website
directly for rates, customers may forego searching the hotel websites altogether if they can
find an available room at a good rate via the meta-search engines. Another important
consideration of meta-search engines is the rate transparency it provides to customers.
Customers can find a variety of rates in one place and make easy comparisons, something
that hotel and channel operators do not provide.

The results of this study indicate that parity exists to a small extent across channels,
thus channels in Singapore compete almost entirely on price. Thompson and Failmezger
(2005) point out that by achieving rate parity, customers can base their purchase decisions on
factors other than price. Hotels or third party operators can then compete based on value-
added factors instead of price. Some hotels may choose to practice differential pricing,
whereby different rates are offered via different channels to different segments of the market.
When customers are not able to understand why these differences exist, they may be
discouraged from booking a room though that particular hotel, causing a loss of sales for the
hotels despite the channel through which the booking is made.

One of the main considerations for hotels is that as internet bookings increase, the
importance of intermediaries grows, allowing them to bargain for better commissions, lower
rates and more favourable contracts from hotels. (Gazzoli et al. 2008). This could serve as a
good explanation for our findings and the disparities that were noted. Hotel companies that
lose control of their distribution channels lose control of how their rates and room availability
are presented. They lose the power to control these intermediaries which were essentially
developed to supplement hotel room sales and not replace them. In addition, these
intermediaries could choose to present the hotel in any way they choose, which may be

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contrary to the brand image that the hotel is attempting to portray. Third party intermediaries on the other hand do not have to concern themselves too much by brand image and are more interested in providing the best rate for the customer.

During the data collection process, it was noted that while some hotel rooms were offered across distribution channels under the same terms and conditions, a number of times rates were offered under different conditions. For instance, some channels would offer only advance booking rates which did not allow cancellations, while the hotel website would offer advance booking rates as well as best available rates. In some cases, special rates were offered that included value-added benefits that did not match the rates offered via other channels. In order for a customer to make a fair comparison, the terms and conditions of each rate would have to be checked and compared across channels. Customers may find this process tedious and confusing or may not even be aware that such differences exist. When they encounter problems, they may choose to give up booking or may express unhappiness towards the hotel. Thus, it is clear that there is a lack of control across distribution channels, where every channel is able to offer rates with terms and conditions that are different.

Recommendations

The first measure that hotels need to take is to conduct a review of their rates and room availability across their distribution channels. Best rate guarantee across channels is another key area for hotel operators to look into. Understanding how customers see their rates via the different channels at any given time will provide them with a clear picture of how their rates are represented. This would also provide them with the opportunity to check how they are being presented to their customers and if this presentation is in line with their brand image. Hotels should not face a situation where they present themselves as a luxury five-star hotel but an intermediary presents them as a four-star hotel for instance. Third party operators could conduct similar surveys in order to understand their pricing strategies vis-à-vis their
competitors.

Transparency is an important consideration for hotels. By sharing information with their customers, uncertainty will be reduced. Making it clear why certain rates on the website differ from those via other channels could be one possible measure. Customer service is an important part of this measure. If a customer faces uncertainty due to lack of transparency, they may contact the hotel directly to ask for clarifications. When staff is trained to handle such situations and explanation the rationale behind the differences, customers will become less confused. In certain cases, hotels provide special internet rates that may not be available by directly contacting the hotel reservations department. However, customers who are not aware of this at the time of booking may have a negative reaction to the hotel if they find out that there was the possibility to book a room for less online.

Technology is one of the greatest tools at the disposal of hotels. The concept of a single image inventory, while not easy to implement, is an important investment for hotel operators (Demirciftci, Cobanoglu, Beldona & Cummings, 2010). This system ensures that distribution channels retrieve information regarding rates and inventory directly from the hotel’s central reservations system. By doing so, channels update their rates and inventory at the same time as the hotel, reducing disparity. This in turn will increase customers trust in the hotel and reduce their need to search other channels. Once this is achieved, hotels can make use of their direct relationship with the customer to gain greater loyalty.

One possible measure that hotel companies could undertake to encourage customers to book through hotel websites is to ensure that loyalty points are only awarded to customers who book via the hotel website. (Christodoulidou et al., 2006). Customers may be more inclined to do so if rewards are involved. However without hotel operators ensuring rate parity or offering the best rate via their websites, customers may still prefer to book via other channels that have a lower rate and forego the loyalty points. Another issue is that by denying
them loyalty points when booking through third party channels, the perception of unfairness may be reinforced.

If a hotel company feels confident that it has a large enough presence to attract business through their own website, they may consider not using third parties at all. The Four Seasons hotel chain is an example of this. Rates of Four Seasons hotels are not available via external distribution channels and online customers have to book via the hotel website. However, by doing so, the hotel company must be willing to lose the potential business that third parties have access to.

Effective channel management is a goal that hotel operators should try to achieve (Myung et al., 2009). Hotels have to consider their allotments to third parties carefully and try to minimize situations where the hotel has no rooms but third parties do. Another important measure is considering contractual obligations with third parties carefully. By keeping their control of channels, hotels can have better control of the rates that are displayed on these channels. The relationship between hotels and other channel operators is important to achieving parity and communication is a key aspect of maintaining a transparent relationship which can be translated to customers.

**Limitations**

According to the Singapore Tourism Board, there are a total of 250 hotels in Singapore. More hotels could have been included in order to make the sample more generalizable, however due to time constraints and only one researcher checking rates, this was not feasible. Independent hotels were included in the sample; however the luxury and upscale segments had only one independent hotel each due to the lack of luxury and upscale independent hotels in Singapore. Rates had to have the same terms and conditions in order to be recorded and in many cases, channels had rates with terms and conditions that were different from other channels. These rates had to be recorded as not available and were left out of the analysis. In
addition, closer to the check-in date, a larger number of rooms became unavailable and therefore there were fewer rates to analyse.

The study was initially meant to include direct call to hotel reservations as one of the distribution channels, but due to the large amount of time needed to call the hotels, this channel was left out. In addition, hotel lines were often busy and calls had to be made again, increasing the time required to collect data. Data had to be collected within a certain time span to ensure that the conditions across channels were consistent, but due to the number of hotels and channels, an average of four hours was required to collect all the data, two hours more than the initial expected time.

Difficulties related to technology were also encountered during the process of data collection. Some channels were unable to load rates at certain times and hotels that were available via a certain channel on one date of data collection were not available on another date. Thus, these rates had to be recorded as not available.

Conclusion

This study has shown that parity of rate and room availability still needs a great deal of attention and improvement. Customer loyalty and satisfaction are closely related to their perception of fair pricing. Disparity can cause customers to become alienated from the hotel and not being able to fulfil a best rate guarantee could cause customers to turn to third party channels for their room bookings. The use of the internet for hotel bookings will continue to increase making online intermediaries increasingly important as well. The important question that hotels have to ask themselves is how they will maintain their direct relationship with their customers while ensuring that third parties are there to support and grow their business.
References


