

SBTs not yet at home with accommodation

As corporates rush to put air travel on self booking tools, it's only a matter of time until hotels appear regularly on bookers' screens. But accommodation analyst **Pierre Joseph** believes it'll take a while.



IN THE PAST FEW years there has been a real buzz about online self booking tools in the corporate travel sector. This push is being driven by a general global trend to travel bookings being made online, as well as a desire by both travel buyers and suppliers to improve on efficiencies in their travel purchase process and its associated cost savings. The majority of travel management companies (TMCs) in Australia and New Zealand now offer their clients a self booking tool (SBT) as part of their travel management services offering.

BTTB's 2004 business travel survey found that 23% of Australian respondents and 25% of New Zealand respondents now use SBTs as their primary method for booking travel.

Corporate travel managers are hoping to achieve several goals through the use of SBTs for travel purchasing: Namely, the streamlining of the travel booking process, the enforcement of the company travel policy and the assistance they provide in the areas of approval, data/reporting and expense management.

From the city...



Adoption trends for SBTs, particularly for air travel, will continue to rise in the foreseeable future as corporate clients seek new ways to improve their travel management systems and policies and to further decrease their overall travel spend.

Users of SBTs generally start with airline bookings and then progress to incorporate hotels and car rental as well. According to BTTB's 2004 survey, air travel for Australian respondents accounted for 68% of total travel spend (40% domestic and 28% international), while in New Zealand air travel accounted for 67% of total travel spend (39% domestic and 28% international). Implementing an SBT for air travel would therefore seem to be a logical first step as it accounts for such a large portion of the overall travel budget and is the area with the most potential for cost savings.

After air travel, the next biggest category of business travel expenditure is accommodation spend. BTTB's 2004 survey reports that accommodation accounts for 18% of total travel spend in Australia and 19% in New Zealand. It would, therefore, be natural for accommodation bookings via SBTs to be the next focus for corporate travel buyers.

They have seen a huge increase in online hotel bookings in the leisure sector in recent years, fuelled by the advent of distressed inventory retailers and the rise of online wholesalers (although it would be safe to assume that a significant portion of bookings through these online mediums are, in fact, related to business travel) and hence see the logical step for corporate travel to be booked using online SBTs also.

However, to procure air travel through online SBTs is a much simpler proposition than procuring accommodation bookings. This is partly due to the differences in the nature of air travel versus accommodation, and partly due to the increased complexity and technical challenges posed by booking accommodation via an SBT. Air travel nowadays is a highly commoditised product, with a relatively limited number of carriers and routes available for any given destination. Coupled with this is the fact that, by and large, all airlines have a common distribution channel for their fares and inventory through one of the four global distribution systems (GDS). The exception to this is the new breed of low-cost carriers which choose to distribute some or all of their fares and inventory solely through the Internet in order to eliminate the high transaction costs associated with distributing through the GDS.

Therefore, developers of SBTs for air travel have the relatively "simple" task of connecting to one of the GDSs (and possibly to a handful of direct connections for carriers which do not distribute via a GDS) in order to get access

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to all rates and inventory needed to fulfil a client's air travel policy requirements.

Alas, when transferring the SBT process to the world of accommodation bookings, things are not quite as straightforward. This is partly due to the fact that accommodation options for any given destination far outweigh flight and carrier options, and partly due to the fact that the distribution of hotel rates and inventory is not limited to the GDSs and a few direct hotel systems.

Imagine, if you will, a world where every single airplane had its own computerised reservation system which may or may not be connected to some form of central booking system which, in turn, had some limited connectivity to a GDS. In addition, imagine that each of these planes was its own distinct product with its own fare structure and that instead of being grouped into approximately 300 airline companies, they were grouped into several thousand airline companies and that many of these airplanes were completely independent and operated on a stand-alone basis entirely.

Trying now to design a SBT to connect to all the fares and inventory available on all the flights required when there is no common distribution method (or a manageable number of direct system connections) is now a much more complex task. You will find that the chaotic scenario described above is in fact the current state of affairs in the accommodation industry today.

The current crop of online accommodation SBTs, be they offered by a GDS or TMC for corporate travel or offered direct to consumers via a retail website, each have their own way of dealing with the technical challenges involved and each have their benefits and limitations. The two options for getting access to accommodation rates and inventory are to



either connect via a GDS platform or directly to a hotel's central reservation system (this is generally the path taken by corporate travel SBTs) or to collect your own stock of accommodation rates and inventory via an allotment system (this is generally the path taken by online distressed inventory, wholesale and retail SBTs).

However, you may also find hybrid SBTs which use a combination of both methods to access accommodation rates and inventory. Some of the drawbacks of current SBTs available include a limited number of properties and/or room rates available to book and not being able to access all available room inventory directly and hence still require human intervention for a number of scenarios.

The hotels themselves are not particularly enamoured by either method of SBT accessing their rates and inventory. The allotment system is difficult to manage and automate and also means they lose control over some of their available inventory, whereas distributing through a GDS incurs a high cost for the hotels. From a hotel's point of view, their ideal interface with any given SBT would be direct to their central reservation system (or property management system if not chain-affiliated) as this would give them the

greatest level of flexibility and control over their rates and inventory as well as being the most cost effective distribution method for them.

In a travel distribution and purchasing utopia, there would be a common and standardised global distribution platform for all accommodation rates and inventory that was cost effective and accessible to both chain affiliated and independent accommodation suppliers alike. The accommodation SBTs could then be configured to connect to this platform in order to make bookings. In fact, there are currently a few long-term projects in the pipeline in Australia looking to achieve such a platform on a national basis, the main objective being the establishment of a low-cost open e-commerce platform and data warehouse for the aggregation of Australia-wide accommodation rate, inventory and marketing content (from as wide as possible a range of accommodation suppliers) that a variety of travel suppliers and buyers will be able to interface with.

While online accommodation SBTs are definitely here to stay and are undoubtedly the way of the future, the hotel industry still has some way to go in streamlining its own reservations systems and distribution platforms in order to further improve efficiencies and availability of inventory on SBTs. Until such time, the continued demand from corporate travellers for online accommodation SBTs will hopefully drive progress and development in the distribution systems of accommodation globally so that buyers, suppliers and TMCs may benefit alike.

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