

SHOULD YOUR PMS PROVIDE CONNECTIVITY TO THE Electronic Distribution Channels?



By Mark Ozawa

Should hoteliers turn to these PMS providers for a distribution solution or do the legacy companies continue to hold important advantages?

With more distribution options than ever the complexity of managing the various channels increases monthly. As a result, the importance of finding the right way to connect to the global distribution systems (GDS) and other channels are growing in importance. For hoteliers, the traditional ways of connecting were limited to building one's own reservation system or using a system provided by a company that built a system for others. However, recently some of the companies that historically focused on property management systems (PMS) are venturing into this field.

MICROS and Hotel Information Systems are two property management system companies that believe a PMS-based solution is the best solution for many hotel companies. Both now include GDS connectivity as components of their respective enterprise solutions, OPERA Enterprise by MICROS and the epitome Enterprise by Hotel Information Systems.

Single Database Solutions Bring Benefits

According to both suppliers the most significant benefit is the efficiency managing the various distribution channels, which results in more reservations and better profits for their hotel clients. Each offers an integrated system that is based on a single database and unified system architecture.

West Coast Hotels' CIO David Barbieri said that maximizing the results achieved from the electronic distribution is the most important benefit West Coast has seen from migrating to the OPERA Enterprise solution. Barbieri said, "Certainly, from our perspective, the opportunity to create a single image inventory doesn't exist unless you are buying it in a single system. When you have two different systems, each has its own profiles and its own architecture. Which is the master? With a PMS-based solution, a revenue strategy deployed in the PMS will immediately apply to the reservations side of the application. It's the only way to achieve last-minute availability."

MICROS' Director for Central Systems in its Hotel Division Francois Dunoyer said that MICROS realizes hotels are faced with pressures to fine-tune marketing efforts and rate structures in order to remain competitive. To meet those pressures MICROS' fully integrated OPERA Enterprise solution allows hotel companies to rapidly implement and modify sophisticated rate strategies which offer rate integrity across all channels, call centers and hotels.

Hotel Information Systems has created a similar solution. Alan Young, chief marketing officer for Hotel Information Systems, said, "If you are looking at two different systems it is difficult to implement a single set of selling rules and it is hard to appear transparent to the consumer in all channels. Making two different systems work seamlessly has always been a challenge."

In today's competitive environment, hotels must have a software tool that allows for quick adjustments and implements a dynamic strategy. Young said a fully integrated solution allows Hotel Information Systems' clients to be more proactive in how they market to guests.

In addition to improved efficiency and the results that arise from a better overall distribution and channel management environment, the PMS companies state that their solutions will also lower costs. While hotels still pay GDS fees and other channel costs these systems have lower overall costs, including the benefits realized due to lower system fees, lower management costs and reduced interface license and interface maintenance expenses as everything is integrated into one system.

The PMS solutions may also offer significant benefits for client tracking and client relations. Since all reservations reside in a single database, the

PMS suppliers say the property or hotel company is able to view complete details for all reservations. This greatly facilitates data mining and use of customer relationship management (CRM) applications and allows the company to more effectively market to their guests.

Best Distribution Solution Requires More Than New Technology

On the other hand, the distribution providers feel they still offer tremendous advantages over a PMS-based system. They believe the best solution for hotels is much more complicated than simply creating technology that connects to all possible distribution providers.

Bob Boles, chief operating officer for Pegasus Solutions, said, "The question is more about overall distribution, not just GDS connectivity. The PMS solutions we have seen are not equipped to deal with the distribution environment that occurs today within the hotel segment." Boles said the most challenging aspect of today's electronic environment comes from the incredible look-to-book ratios caused by various Internet sites. This ratio refers to the number of times a particular Internet site requests rate and availability from the hotel's inventory provider compared to the number of actual reservations booked. According to Boles, this ratio is around 1,400 to 1 and increasing. "The PMS engines are not built to handle that rate of lookups. We don't see look-to-books going anywhere but up, and the meta search engines will exacerbate the problem even more," Boles said.

The legacy companies also highlight expertise and support which they provide to their customers based on years of experience in the connectivity business. Companies such as InnLink and GenaRes assist hotels with negotiated rates and consortia rates, and can either host a company's chain code or let a hotel use their chain code. Legacy companies also have great flexibility in distributing products such as derived rates and net rates, and many offer their own direct connections to major third party sites. Many partner with distribution services companies such as InnPoints, Sceptre and Vantis that offer a suite of additional services to help properties maximize what they obtain from electronic channels.

Vice President of Sales for GenaRes Liz Thompson said partnering with a GDS company provides flexibility. "Not all hotel companies want to standardize on a single PMS platform. Having the right GDS partner gives you flexibility to use multiple PMSs and still have a standardized distribution solution. This is especially useful for companies that are acquiring properties and

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don't want to be forced into replacing the PMS in order to connect to the various distribution channels," Thompson said.

Scott Brodows, chief operating officer at SynXis, said, "The cost savings may be overstated. A large percentage of what is paid to the reservation providers is being passed through to the GDS and switch companies. Unlike the GDS companies, the PMS companies do not offer a 'generic' chain code service which independent hotels and smaller companies use to list themselves in the GDS. Acquiring and maintaining your own chain code can be cost prohibitive and impractical for most independents and small to medium sized hotel groups."

Hotels Need to Stay Focused on the Greatest Objectives

Hotels need to stay focused on how best to achieve the greater goal: maximize the production they derive from the various electronic channels, not just reduce costs. Legacy suppliers have very complex systems that deliver high levels of functionality. This produces results and benefits. Paul McGrath, senior director of product management for reservation management at Pegasus, said Pegasus clients realize that costs are not limited to the cost of the technology. He said, "There is a cost if one can't manage discrete channels effectively due to limitations from their provider."

Other PMS companies believe the best solution comes from a strong relationship between a first-class PMS and a GDS possessing strong capabilities. These suppliers have chosen to actively partner with the better GDS connectivity suppliers. At PAR Springer-Miller Systems partnerships are the optimal way to help clients with the challenge of integrating rates and content. Aside from the largest chains, PAR Springer-Miller Systems believes hotel companies and independents struggle to manage the distribution channels and the GDS connectivity

companies. CEO John Springer-Miller said, "Many don't have the ability to deal with the GDSs and ADSs on their own. It is not a technical issue – they need someone to help them with aggregation of rates, inventory and content. Companies like TRUST and SynXis provide that." At PAR Springer-Miller Systems the full inventory management capabilities are included in the PMS combined with interfaces to the distribution partners.

Northwind has a fully integrated GDS interface with SynXis which uses the Maestro yield and inventory controls. Northwind's approach is that the customer should decide the connectivity method that works best – whether they connect through a GDS partner or directly to the channels via a switch. As a result, Northwind's intention is to further develop direct links to various distribution partners.

President Jacob Dehan said Northwind is heading toward an enhanced single view of a hotel's inventory and one point of control. Dehan said, "Guests will see the same inventory, images, rates, etc. whether they are looking at the hotel's Web site, third-party Internet site or calling the hotel."

One point is clear: many of these suppliers, whether initially focused on the GDS or PMS, see the management of inventory, from point of booking to check out, to be merely steps on a single continuum. They believe customers want to have one supplier and one system handle that continuum. It seems likely that more PMS companies will add connectivity capabilities and that some GDS companies will add PMS functionality. Each integrated solution offers different capabilities and hotel companies need to ensure they carefully match their needs to appropriate suppliers. To do so, hoteliers must first define their vision for their marketing and distribution objectives, carefully evaluate the capabilities of each provider, analyze all of the costs for each aspect of their distribution environment and select the solution that best meets these needs.

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