DYNAMIC PACKAGING
Regain Profitability

This property’s reservations function has a fairly long talk-time. Reservations normally take 15-20 minutes; however, the resulting reservations are multifaceted, combining room nights with activities and food and beverage. There is a very low cancellation rate for these reservations. These reservations have both their highest ADR and highest revenue per stay. Contrast this with Internet reservations booked either through the Web site or a third party. These external reservations predominantly profile as single dimension (room only) and the lowest rated inventory is the first (and sometimes only) inventory consumed. There is also an unusually higher cancellation rate.

The Internet is a growing booking channel but with potentially damaging profitability implications. The property needs the power of its reservation agent up selling and cross-selling room nights with other amenities combined with the accessibility of the Internet.

Is This Your Property?

This destination resort is not alone. The reservation paradox is a common theme I hear and not only from destination resorts but also from vacation management properties and full-service hotels. This discussion normally ranges from abandoning the Internet as a booking channel to expanding the Internet’s reservations capability. And this is where dynamic packaging comes into play.

Dynamic Packaging Gets Redefined

The term dynamic packaging is nothing new. The travel industry has long used this to define the ability to combine hotel, air and car. What is new (and evolving) is the use of this terminology within the hospitality industry.

The ability to build and sell packages has always been there and for many packages have been the bane of our existence. If hoteliers had their perfect world, packages would disappear completely. So there is tremendous irony that potentially combining these two “evils” (the Internet and packaging) could be the future.

Almost every reservation software or services provider is currently building first or second generation solutions to third party call center and Internet-based packaging. How they define dynamic packaging varies widely but in almost all cases it’s defined with two dimensions. First, it’s the ability to select not only a reservation rate but a room type, the room’s attributes (location, bedding, smoking/non-smoking, for instance) and stay specifics such as early checkin or late checkout. Secondly, it’s the ability to combine that room with activities, food and beverage and third party ticketing and other things.

Sound ominous? Your property reservationists and guest services staff have been doing this for years.

Dynamic Versus Property Level Packaging — So What’s Different?

In this first generation of dynamic packaging, the only true difference is the source of the reservation. The term “dynamic packaging” has been adopted to refer to package reservations booked via a third party source. So for this first generation, the fundamentals of building a package remain, for the most part, the same as you’ve known for years when you’ve built packages within your property management system.

Is Dynamic Packaging Right for You?

Going directly to the source, we asked the reservation software and services providers their perspectives on dynamic packaging. They believe this is the next significant change in reservations processing. This is their most widely requested “next generation” functionality. The input they are receiving from their clients is that this approach will increase stay revenue, increase reservations loyalty and provides the “wow” factor sought after by the Internet consumer. They also anticipate that dynamic packaging will, in time, be adopted not only by the destination resorts but by all full-service properties.

Approaches to Dynamic Packaging and Pricing

To date, there are three basic variations: bundled, the “Chinese Family Dinner” and a la carte.

Most widely adopted, and the easiest to immediately offer, is the bundled package. With this approach a single total package
Avoiding DPD (Dynamic Packaging Disasters)

This all sounds too good to be true – so what’s the down side? Delivery!

Whether you’re selling traditional hotel packaging (through your property reservations department) or dynamic packaging (via the Internet or a third party) the eternal rule holds true, don’t package what you can’t deliver. The best built package in the world will be a disaster if you don’t deliver on what you’ve sold.

So Which Approach Is Right for You?

Start simple. Almost all hotels begin with the traditional bundled package approach and limit what they bundle to hotel controlled activities and amenities. Each level of choice that you add into your packaging strategy will increase the level of complexity involved when it’s time to deliver on the package.

Stay synchronized. If at all possible, offer all packages through all channels. If you’re offering an Internet-only package, make sure your property reservationists are fully educated on the package. A high percentage of Internet dynamic packaging reservations result in informational calls to the property to clarify terms and answer questions.

Avoiding DPD (Dynamic Packaging Disasters)

Remember you’re looking for the “wow” factor. Package with inspiration. Go beyond the tired on-arrival fruit basket. If you’re building an anniversary package; think like a romantic. Offer the champagne and strawberries, a massage, bath robes, a whirlpool tub and bath oils.

Over communicate with both the guest about what to expect and the hotel departments on how and when to deliver. Solicit feedback from your guest on how well you packaged and delivered. Regularly talk with your departments on how difficult the packages are to fulfill.

Looking Toward the Future

While the reservation software and services providers have begun to address the ability to build and sell dynamic packages, there remains a technology gap in the ability to inventory package components (other than room) and to electronically deliver a multifaceted reservation. Many vendors deliver the dynamic package reservations through fax or e-mail thus requiring the hotels to manually enter the required component reservations into each of their independent systems. All acknowledge this process as cumbersome, time-consuming and prone to errors. Interfaces are a high priority but the problem will not be quickly resolved.

Third-party provider reservations are also on the horizon. This will give the hotel the ability to specify the provider of each package component and to have the component reservation routed directly to the third party. While delivery of the reservation will normally remain e-mail or fax, this will expedite the third-party reservation component fulfillment.

The variability inherent in dynamic packaging is placing tremendous pressure on the property management systems to evolve their packaging designs to keep pace. Within a short period of time, PMS vendors will be offering complimentary functionality.

The Internet based reservation is here to stay. Dynamic packaging is one way to reverse the “lowest price” Internet mentality and reverse the negative impact it has had on overall profitability. If you’ve not already begun research into dynamic packaging and how it can work for your property, now is the time that you should begin your education. And, above all, don’t begin without a plan that is well-focused on delivery.

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