



Dynamic Packaging and hotels

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Oliver Winzer
Amadeus Hospitality Business Group

Business Solutions

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Your technology partner

Amadeus at a glance – key figures

75 Amadeus Commercial Organisations
serving **217 markets**

Over **6,500 employees** worldwide

Servicing 67,000+ travel agencies and
10,000 airline sales offices

Year 2006: more than €2.6bn revenues

Amadeus at a glance - main locations



Madrid
Headquarters



Miami
Regional
Office



Erding
Data Centre



**Sophia
Antipolis**
Development



London
IT Services
Centre



Bangkok
Regional
Office



Sydney
IT Services
Centre



**Buenos
Aires**
Regional
Office

plus 75 ACO's

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Our Vision

To move Amadeus from its position as the leading provider of travel distribution technology services...

...to become the leading provider of IT solutions that enable success in the travel and tourism industries

But why Hospitality?

- ▶ The timing is right
 - ▶ Hotel Chains need to **upgrade** their technology systems
 - ▶ A **quantum leap** is desired in terms of **integration** of disparate systems and multiple, redundant silos of data
 - ▶ The **increasing complexity** in the supply-distribution chain needs rationalization
- ▶ Provide the tools and technology to enable “industrial strength”, chain-wide **Revenue Management**
- ▶ Key strategic move for Amadeus, consistent with our vision of transforming ourselves into the **leading provider of IT solutions that enable success in the Travel and Tourism industries**

Amadeus and Optims join forces

- ▶ **Optims founded over 25 years ago**
- ▶ **September 2003 Amadeus and Optims form strategic partnership**
- ▶ **February 2005 Amadeus completed 100% acquisition.**
- ▶ **Now Amadeus Hospitality Business Group**
 - ▶ **350+ staff**
 - ▶ **New range of products from the GDS to the PMS**
- ▶ **Joined forces to develop new solutions for hospitality and for distribution of hotel inventory – Hotel Distribution Platform (HDP)**

Agenda

- ▶ **The Hospitality industry**
- ▶ **Dynamic packaging and Hospitality**
- ▶ **How to exploit the opportunities**
 - ▶ **Filling rooms when times are lean**
 - ▶ **Dynamically package destination add-ons/activities (spa, golf, dining etc)**

The Hospitality Industry

Hospitality – an Industry in great shape

Table 5.2
Worldwide Hotel & Lodging Market Growth Fundamentals

Region	Forecast Economic Growth (GNP)			Forecast Hotel Revenue Growth		
	2006	2007	2008	2006	2007	2008
U.S.	3.3%	3.6%	3.1%	9.4%	7.4%	7.9%
Europe*	1.4%	2.2%	2.1%	3.0%	2.1%	2.0%
China	9.9%	9.7%	9.5%	9.6%	5.8%	3.5%
Japan	2.7%	2.8%	2.2%	3.9%	1.6%	1.8%
Australia	2.6%	2.9%	3.7%	7.1%	7.1%	6.3%

*Estimates for Eastern and Western Europe

Source: PricewaterhouseCoopers, Euromonitor Global Information Database, OECD and PhoCusWright Inc.

SOURCE: PhocusWright 2006

...but very different from airlines in a number of respects

- ▶ **Much more fragmented management**
 - ▶ Hotel chains and groups
 - ▶ Hotel Management companies
 - ▶ Hotel representation companies
- ▶ **Much more fragmented IT infrastructure**
- ▶ **This creates its own challenges for dynamic packaging, for example**

Dynamic packaging and Hospitality

Dynamic packaging: a definition

- ▶ **According to HEDNA:**
(Hotel Electronic Distribution Networking Association)
 - ▶ **Based on individual customer request**
 - ▶ **Able to combine multiple components in real-time**
 - ▶ **Provides a single, fully priced package within 15 second**

What does this mean in practice for Hotels?

- ▶ **Fill rooms when times are lean: distribute inventory through opaque channels**
- ▶ **Use concept and technology to dynamically package destination add-ons /activities (spa, golf, dining etc)**

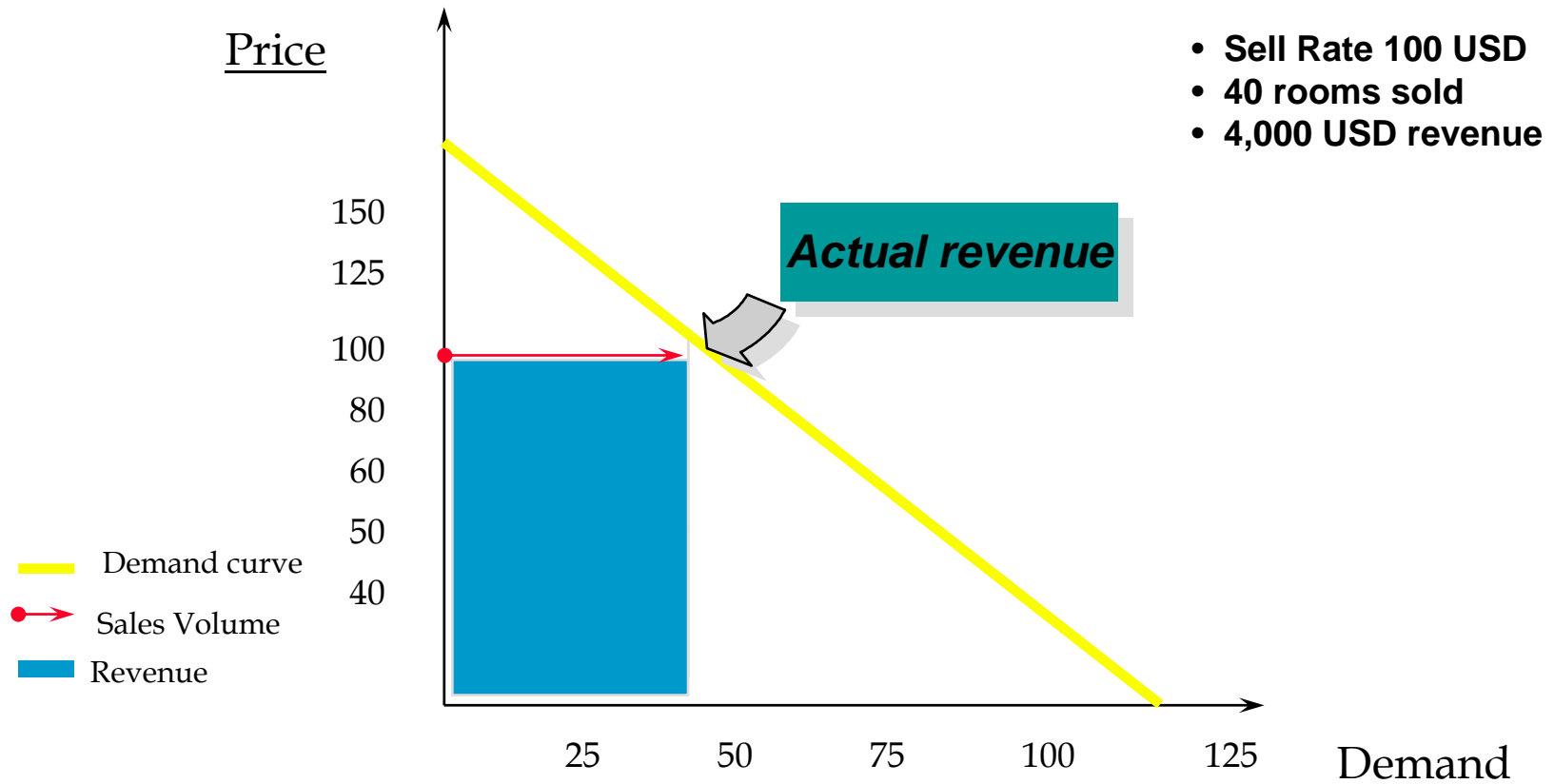
How to exploit the opportunities

Filling rooms when times are lean

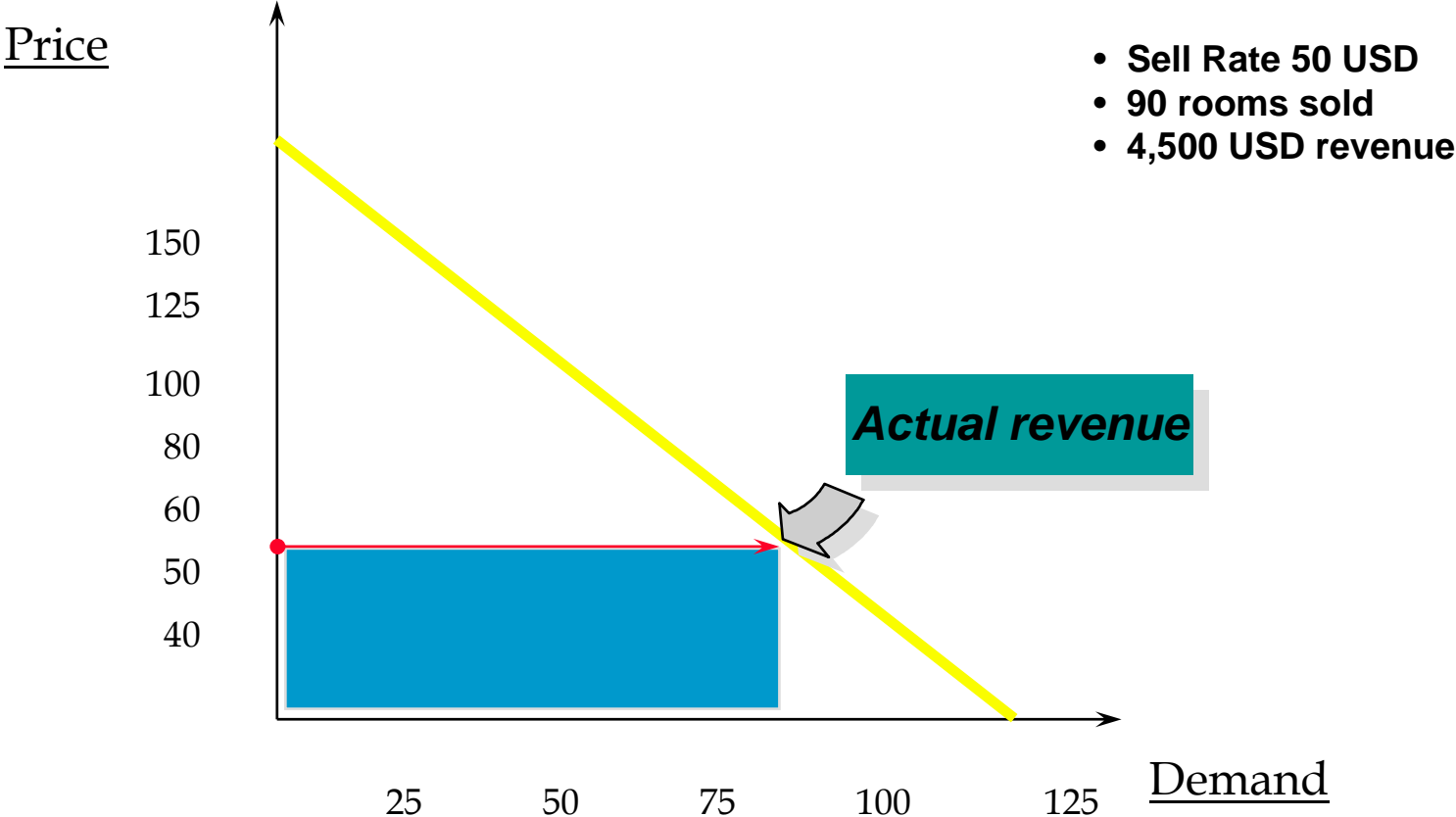
To fill rooms when times are lean

- ▶ **Sophisticated revenue management and demand forecasting is key**
- ▶ **Integrated with channel management**
- ▶ **Distribution through opaque channel (dynamically packaged)**
- ▶ **Dynamic PRICING**

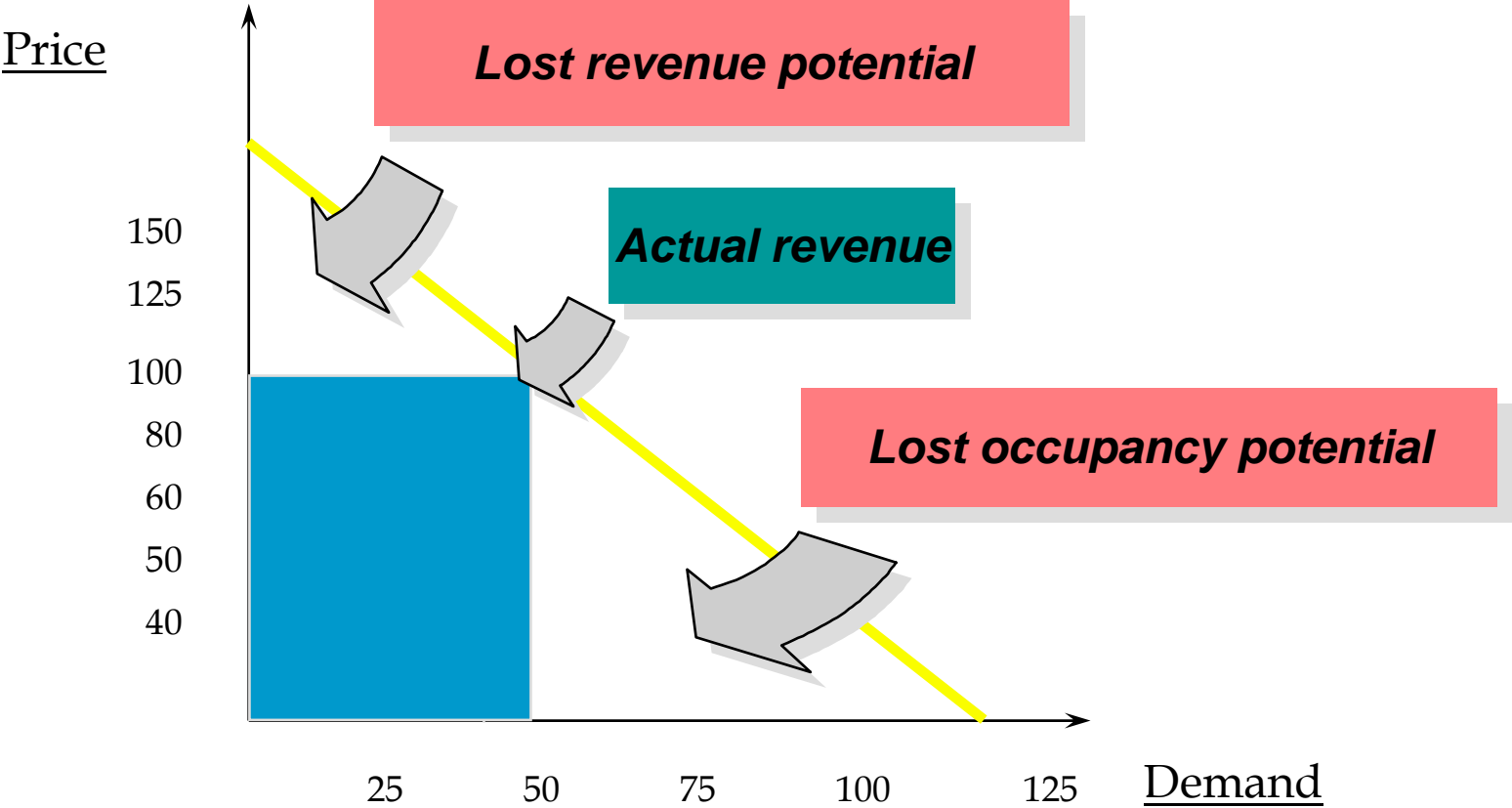
A static rate structure without Dynamic Pricing



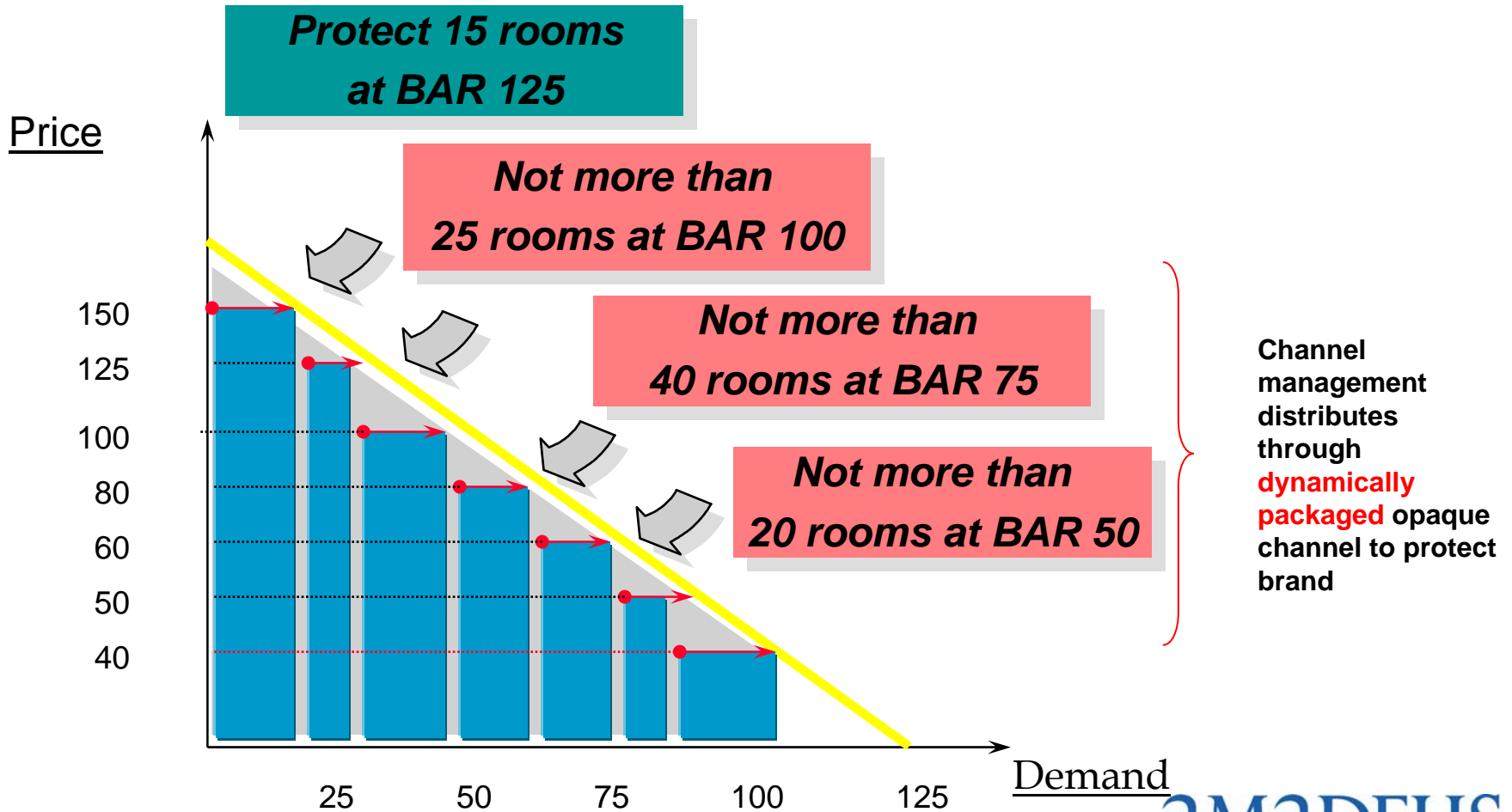
If I sell at 50 USD?



Static rates do not Optimise Revenues



Dynamic Pricing allows revenue optimisation.....if effectively controlled



Top 5 must Do's to raise profitability and exploit opaque channel

- 1. Create a Revenue Management Team**
 - ▶ Controls a structured business process, goal setting
- 2. Know yourself and your competitors**
 - ▶ Know your customers needs, differentiate your hotel, competitive performance comparisons, benchmarking and regular reviews
- 3. Set Prices strategically**
 - ▶ Structure rate offerings intelligently by channel, know your costs, evaluate business and price mix
- 4. Determine which guests are more profitable**
 - ▶ Assess segments value, what channels do they use, know your most profitable channels and segments, allocate sales resources to most profitable customers.
- 5. Forecast demand**
 - ▶ When you know future demand you can manage rates and stay controls, drive rate and duration with high forecasts

How to exploit the opportunities

Dynamically package destination add-ons /activities (spa, golf, dining etc)

Dynamically package destination add-ons /activities (spa, golf, dining etc)

- ▶ **Nearly 2/3 of online travel buyers are interested in buying tickets to events and attractions at the same time as buying online travel**
- ▶ **78% of online travel buyers prefer to purchase these add-ons on the same site as they buy their trip**

PhocusWright, December 2006 (US data)

Fixed and Flexible Packages

Packages can be sold in two ways:

- ▶ **Fixed packages**

- ▶ **The hotel pre-defines a set of products and services available in the package and the consumer pays a fixed price for the pre-defined package**

- ▶ **Flexible Package**

- ▶ **Allows the consumer to define their own packages by selecting the set of products or services from an available list and bundle them together**

Fixed packages

Pricing





- ▶ **The pricing for non-room products should be very flexible and able to accommodate various mechanisms and parameters**
 - ▶ **Amount - % of room price or flat amount**
 - ▶ **Period and frequency – per night, per stay, no. of times per stay (eg. every two days) or per reservation for multi-room bookings, etc.**
 - ▶ **Basis – per person or item booked**
 - ▶ **Date (season, day of week)**
 - ▶ **...**
- ▶ **The hotelier should be able to define the prices of each element of the package**
 - ▶ **Primarily for internal accounting purposes and should not be shown to the consumer**

Flexible Packages

Pricing

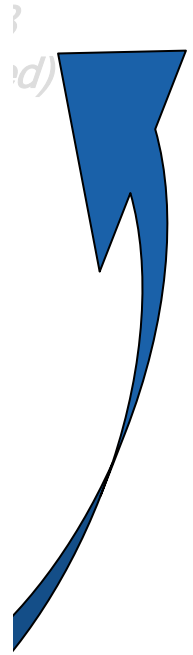
- ▶ **The general principles are the same as those for fixed packages in terms of defining the prices for each element**
- ▶ **However the consumer should be able to see the price of each package element they add to the customized package**
- ▶ **Discounting**
 - ▶ **Discounting rules are necessary for flexible packages**
 - ▶ **Discounts offered may be dependant on the room type booked, other elements reserved in the package, total cost of un-discounted package elements, etc**

Packages

Package Elements	Description	Selling price	FIXED Package
Room Type 1 Room Type 2		\$100 \$120	<input checked="" type="radio"/> RT1 <input type="radio"/> RT2
Breakfast		\$20	1 included
Spa		\$80	1 included
Show Ticket		\$60	Not included
		Discounting rules	None
		Total Revenue	\$200

Fixed price, or link to another rate plan, or RMS recommendation

Selected by the guest



Discounts and Promotions

Define discounts and promotions *the way they are marketed*

- ▶ **Promo structure, for example:**
 - ▶ ***“50% off the 3rd night”***
 - ▶ ***“\$20 off coupon if you stay more than 3 nights”***
 - ▶ ***“10% discount on each night after the first 2 nights”***
 - ▶ ***“Bonus night: Buy 6 nights and get the 7th night free”***
 - ▶ ***“Free daily breakfast if you stay at least 4 nights”***
 - ▶ ***“~~\$100~~ \$80 per night between October 1st and October 15th!”***
- ▶ **Promo Description [textual, multilingual, multimedia]**
- ▶ **Define rules for applying the promo: on which rate plans, channels, geography, lead time ...**

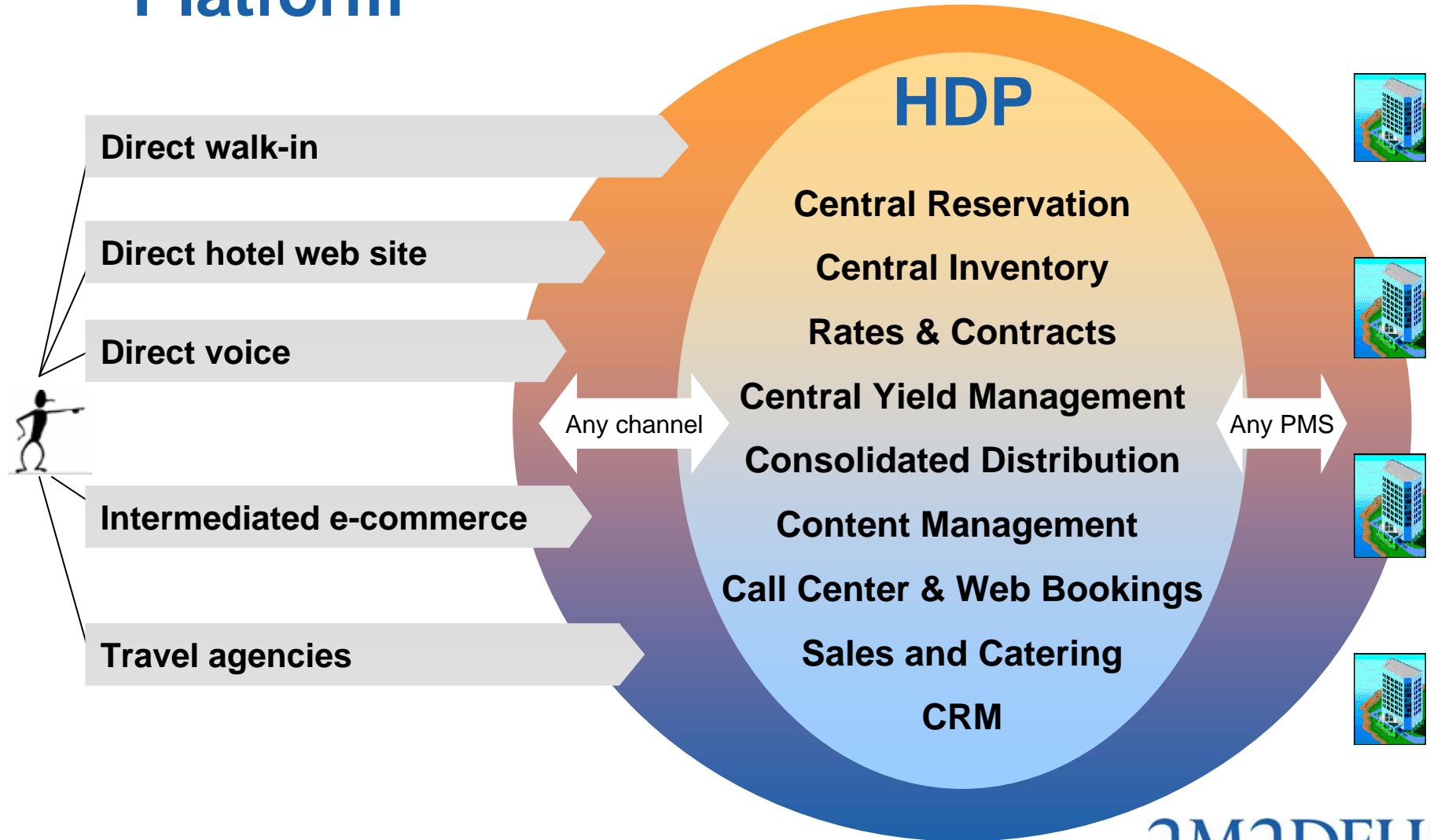
Common pitfalls of current systems

- ▶ **Reduced productivity due to the manual efforts required to make up for system and process inadequacies**
 - ▶ **System limitations artificially multiply the number of rate plans to manage**
 - ▶ **Systems not designed for Online distribution, so are unable to reflect new distribution business models**
 - ▶ **Business managers often cannot use the system directly – they must rely on technical managers to work around limitations**
- ▶ **Time-consuming maintenance of multiple systems (CRS, RFP mgmt tool, OLTAs extranets)**
- ▶ **Inefficient GUIs**
 - ▶ **Too many clicks required to complete a simple task, clumsy navigation, too many opportunities for errors in data entry**

What hotels must do to exploit dynamic packaging

- ▶ **INTEGRATION : the future**
- ▶ ***The GDS is the CRS is the RMS is the PMS***

The Amadeus Hotel Distribution Platform



HDP

Central Reservation

Central Inventory

Rates & Contracts

Central Yield Management

Consolidated Distribution

Content Management

Call Center & Web Bookings

Sales and Catering

CRM

Direct walk-in

Direct hotel web site

Direct voice

Intermediated e-commerce

Travel agencies

Any channel

Any PMS

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THANK YOU QUESTIONS?

Oliver Winzer
Amadeus Hospitality Business Group

Business Solutions

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