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Evolution of methods in hotel management and their consequences on hotels.
A study on how hotels can increase their revenue as well as direct bookings.

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Introduction

The following thesis will explore how the management in hotels changed throughout the years and the impact these changes have on the overall organization of the business. The thesis will also analyse the way hotels operate after having implemented new procedures as well as the development of existing ones in order to increase revenue. Particular attention is going to be given to the revenues deriving from commission free distribution channels such as the hotel website. These direct bookings are a main goal for hotels and revenue management techniques play a major role in achieving this goal. Nonetheless, there are many debates and opposing opinions on how hotels can achieve this goal. This is due to the fact that the success of different techniques also depend on the market the hotel operates in as well as the hotel itself. In order to analyse and convey the best way to optimize the quality and quantity of direct bookings, the thesis will explore the techniques, which I personally experimented and implemented, on the Hotel Giolli in Rome as well as methods in existing literature.

The thesis will firstly explain the essentials on RM procedures and how the hotel business organisations changed in accordance to this new role. Furthermore, the innovations which now characterise a hotel business and how they influence the organisation will be explained. In addition, the Hotel Giolli, Rome; in which I have had hands on experience, will be used as a case study where the structure of the workforce and specific examples of how the hotel operates to achieve it goals will be explored and explained.

1.The issue: adapting to an always more dynamic market and RM's potential

1.1 What is Revenue Management

"Revenue management is the business practice of selling the right inventory to the right customer for the right price at the right time" (Sunmee Choi, 2002). As we will see more in depth in the following chapters, the tourism market, along with the hotel industry have changed drastically in almost every aspect. This factor itself, does not present a restriction with regards to a hotels growth in revenues, which is one of the main objectives of such a company. On the contrary this mutation gives many opportunities for hotel businesses to make their brand reputation more popular, increase their occupancy and grow overall as a firm. The main issue is rather, that most small and medium size hotels do not develop step by step, mirroring the market changes. This is particularly true in Italy where most small to medium hotel businesses are family owned or have been opened by entrepreneurs which are less interested in maximising profits as opposed to the market value of the building. Hotel businesses are becoming ever more sophisticated compared to decades ago where the management was very simple, this is why *"many of Italy's hotel owners and managers desire (1) a greater awareness of the forces driving today's hospitality industry and (2) training in the proper skills to manage an increasingly sophisticated and competitive business" (Cornell, Hotel and restaurant administration quarterly, Sandro Formica and Ken McClearly page 72).* Surely, the aspect which is hardest to learn, is the one of managing sales (revenue management). Having personally attended training courses, webinars and traditional seminars I have come across the fact that most hoteliers in Italy are concerned the most on how to decrease costs to the minimum giving less attention to the right pricing policy to adopt. Obviously variable costs and fixed costs have to be monitored with attention for the overall performance of the hotel but when an adequate pricing policy is ignored, subsequently the potential of the firm is going to be limited. This is not the only 'old school' motion that slows down the growth of hotels in Italy; where the issue of having a slow reacting management lacking to keep up with the fast paced market leads to a series of other problems. Another example can be seen when managers say that they prefer having a lower occupancy and higher prices in order to increase the quality of service offered. What happens in such cases according to Franco

Grasso (one of the most famous revenue managers and hotel consultant in Italy) is that revenues are decreased drastically and the service is not increased in its quality. In Grasso's book *"Revenue management alberghiero"* in the first chapter (page 4) he describes a situation which he experienced in a hotel, where during the breakfast most of the staff were talking amongst themselves and not fully concentrating on the customers who had some difficulties in catching their attention. This is mainly due to the absence of a fast paced staff, which inevitably decreases the quality of service if not closely monitored by managers or owners. Once again, managers should adopt the appropriate revenue management techniques, increase their occupancy and revenue and also gain from a better performing staff. What acts as a barricade for hotel managers in adopting revenue management techniques, other than simple laziness of starting a process they never adopted in the past, is the perception that RM means selling at a low price and giving a negative connotation to the hotel; meaning that in some manager's mind a low price means low quality for the client. However, as I mentioned previously, this perception does not exist anymore amongst travellers since it is more the time of booking that determines the price. More simply the issue lies in the fact that in order to try and fix the hotel's balance sheet managers or owners tend to set high prices when there is no need to expose such tariffs. To further explain the issue, when attending a seminar at Hotel Capanelle in 2012 in Rome, Franco Grasso held a talk in which he explained the main concepts of his book. A hotel director also attending his talk, sceptical of Grasso's suggestions showed his concerns, which were typical of most hoteliers, which are not adopting RM techniques. Such concerns went along the lines of, " how can we sell at such low prices, how it is it possible to break-even? If all hotels adopt these strategies it will be a war and the winner is the one who has the lowest price". Other experts define Revenue Management not as changing the structure of pricing or other sales practices but rther as making the mostly intelligent decisions when it comes to sales (Talluri, 2003).

Removing the psychological barriers mentioned previously, according to revenue managers and modern hoteliers which have seen positive results in the application of RM, is the hardest and most important step in order to project most Italian hotels closer to the market in which they operate in. The true objective and meaning of

revenue management practices is to get the tighr price "not so high that you put off potential buyers and not so low that you lose out on potential profits" (Talluri, 2006).

1.2 Origins of RM

In the 1970s the deregulation of airline companies brought to the liberalization of tariffs, as a consequence the practice of yield management was introduced for the first time. Yield management is the process of determining the most correct tariff possible (the closest one to the market) taking into consideration different variables. Variables include, what occupancy was reached in the past year (at the same point in time), what is the starting price and what is the number of seats or rooms above which prices are altered. The real difference, however, was represented by the fact that the tariff did not relate anymore to a certain class of service but to a class of booking. This means that the price is dynamic, changing in relation to the channel the booking came from and depending on how earlier it was booked from the arrival date in hotel or departure date in the case of airline companies. To be precise, yield management, existed before the 70s in hotel firms where there were 2 or 3 seasons with their respective prices; for example having a high, medium and low season with three different prices for each room typology and having tariffs for groups and other tariffs for corporate travellers. However prices in such cases are still considered to be static and not dynamic like they are in most cases today. Revenue management includes the same techniques of evaluation of yield management. However, it is a more precise approach since it does not help to elaborate the correct price only relying on algorithmic calculation based on pre-set parameters but also includes the human interpretation on the given values. For example a yield management software could suggest the managers of a hotel to increase prices by detecting that for a given date several bookings have arrived taking into account how many days before the check-in date they arrived. It is not excluded that such an event could be casual and that it does not reflect reality, and for this exact reason the human interpretation is more than essential. Meteorology is probably amongst the most significant variables that software don't take into account, but that revenue managers do in order to set the most appropriate price. Doing *nesting* (protecting) rooms for the business market who has a convention for the highest season even though you can sell those rooms

at higher prices refusing them to those who have a convention is clearly an example of revenue management and not yield management. A yield management software would automatically suggest the selling of the rooms at the higher price possible but only a revenue manager can interpret the situation and realize that refusing the rooms in convention could mean losing business market which is continuous throughout the year and helps a lot in the low season. Furthermore the corporate customers usually are loyal to the hotel since the come often and refusing such a valuable customer for an occasional client from the leisure market which pays a lot is not very wise. To better understand the importance of the human interpretation on data we can take in consideration the beatification of John Paul II which occurred in Rome on the 1st of May where there is very high demand in the city. In this case the decision of setting high prices with restrictions as non-refundable rates just after the news of the event has given an advantage only to those hotels which reached 100% straight away or those hotels which just had a few rooms left. Certainly those hotels, which left rooms available at those restrictive conditions in the following periods, did not go as well sales wise. Nowadays in the business organisation of hotels the role of a revenue manager is always more necessary in bigger realities like hotel chains. Under the general manager not only there is the sales manager who focuses more on the commercialization of the hotel and the ratification of contracts but also a revenue manager who analysis the demand and the market trends every day in order to set the right prices. In many smaller hotel businesses, unfortunately, the importance of including a revenue manager in the organization is not yet agreed upon. It is clear that it would be a high cost to hire one person exclusively for that role but the real problem is that those revenue management tasks are not assigned to any of the current employees of the hotel. Small to medium hotels with not many employees but which adopt revenue management usually make the sales manager cover the task.

1.3 RM parameters

There are six parameters that are defined as the vital parameters of RM (Grasso 2006). These parameters are also defined as key ones by Fabio Badolato who is another famous Revenue Manager and hotel consultant amongst hoteliers in Rome.

These are the average length of stay (LOS), average daily rate (ADR), average occupancy rate, intermediate/direct booking, ratio of receivables to non-receivables and brand reputation. The more the average length of stay is, the less variable costs the hotel will have. If the average LOS is for example 3 days, then the hotel will subsequently pay the amenities needed for the whole stay only once. Thus an increasing annual LOS is a positive event, however it must be evaluated for each different season in order to be better interpreted. If, for example, in the medium season the hotel has an average LOS of 3 days when setting a price for a date it is vital for the revenue manager to take into consideration that the prices of the previous and next day will have a strong impact on the booking choice. In practice; a hotel has 40% occupancy on day 1 of the month, 90% on day 2 and 50% on day 3; setting very high prices for day 2 due to the high demand will certainly penalize demand for the other two days with low occupancy considering that the hotel has an average LOS of 3 days for that season.

As every management book teaches us, in order to have the best cash flow possible, it is fundamental for a hotel business to have a good balance of receivable and non-receivables. An important information for the hotel, in order to know if the ratio is good or not, is the average time the hotel takes to receive the money from the TO (tour operator) or TA (travel agency). If a hotel has had a turnover of 3.500.000 euro on the 1st of April 2014 for the last year (from April 2013 to April 2014) and of these 500.000 euro are still receivables, then in order to find a value that we can interpret more precisely, we must carry out the following simple calculation: 500.000 / 3.500.000 x 365 = 52 this means that on average the hotel waited 52 days (at the current date) to receive the payments. If the next day 100.000 euro are received by bank transfer then the new calculation to that date will be 400.000 / 3.600.000 x 365 = 40 days. Obviously when this value is too high it functions as an alarm bell to the manager suggesting them either to solicit outstanding payments which should have been paid earlier or that the contracted payment terms are too long. Whether the payment type is direct at a hotel or goes through receivables is strongly linked to whether or not the booking came through a TO. Most often the client prepays reservation to travel agencies which then keep their commission and transfer the rest of the amount to the tour operators which do the same and eventually transfer the net amount to the hotel. Tour operators are those which are often labelled as responsible for delays in payment and a slow cash flow. Especially during the 2008 financial

crisis many tour operators (the ones which survived) delayed their payments incredibly at times reaching 6 months after the invoice was sent. At this point it is crucial for a director to manage this revenue by firstly asking himself the question: "do I really need this TO considering the delays, is there a great volume of sales with this distributing channel or can I avoid such long terms of payment by terminating the contract and allocating more rooms to better tour operators?". The importance of the brand reputation will be discussed further in the thesis, nonetheless It needs mentioning here as it is of great importance for the RM to have the desired effect. The better the brand reputation is, the grater and the more reactive the effects of RM (if applied correctly) will be. It is clear that if a hotel has very low ranking on most social networks but on the other hand applies good RM techniques, sales will not increase nonetheless. The average daily rate and average occupancy rate can be misleading if read and interpreted alone. Both values should be read together by multiplying the ADR by the average occupancy. The result is the Revpar (revenue per available room) and is a better metric since it spreads out the revenue of the sold rooms also to the rooms which have not been sold and therefore have an average of 0 revenue.

1.4 RM pricing decision and concepts

It is important to mention here that it is improbable for a hotel to achieve a recurring occupancy of 100% and to have no margin to further maximise profits, due to the difficulty of always selecting the right price in accordance to the markets requests. The pricing decisions and concepts that I will now explain refer to the best available rate (B.A.R) or to the flexible rate referring to those rates which fluctuate and are present on all OTA's as well as the hotel's website. Clearly the manager has to know what are the hotel bottom and rack rates. The bottom rate will be slightly above the variable costs of the room while the rack rate is the highest rate at which the hotel sold at least 2 rooms.

1.4.1 Initial price

'The first important step is the one of getting the correct initial price' (Pino Lasalandra, 2009 interview). The initial price or the first one visible to customers for a

given date, has to be the lowest one for every successive day until that date has been reached. This will avoid going up and down with prices due to the fact that if the initial price is too high people won't book and this will lead the manager to decrease prices having lost potential buyers as opposed to having a low initial price. An issue which arises here is also that customers who bought the room at the initial higher rate will not be pleased when seeing the new lower price for a smaller booking window (time span from booking to check-in date). On the other hand it is true, that frequently managers adopt last minute offers to compensate for the unsold rooms. In these cases price can be set lower than the initial price and even though it signals a mistake by the manager in setting the previous prices, it is a necessary action.

1.4.1.1 Initial price equal to COSTPAR?

COSTPAR is simply the sum of the variable costs of each room added to the fixed costs divided by the number of rooms (fixed unitary cost). Lets consider an example with a hotel A and hotel B. Hotel A has variable cost of 10 euro and fixed costs of 40 euro hence a COSTPAR of 50 euro. Hotel B has lower costs, variable costs of 4 euro and fixed costs of 25 euro thus with a COSTPAR of 29 euro.

HOTEL	Variable costs	Unitary fixed costs	COSTPAR	Initial Price
A	10	40	50	55
B	4	25	29	34

Fig. 1.1 Source: self-elaborated

The initial price which will be available to the market of 55 euro (couple of euros above COSTPAR) of hotel A places it in a competitive disadvantages not only because hotel B is selling at 34 euro but also because various important commercial actions like selling to large groups at lower prices and implementing last minute offers will be avoided hence restricting the occupancy rate potential. Variable costs are the only costs which should be considered when setting the initial price of a room.

1.4.1.2 Initial price equal to REVPAR?

As mentioned already, REVPAR is calculated by multiplying the occupancy rate by the average daily rate. What happens if today a manager wants to set a price which is equal to the REVPAR of the same day of last year? Here it is important to mention that when looking at past data of the performance of the hotel, special events or group bookings which are likely not to occur again are not to be considered in the analysis. For example, if I want to set a price for Saturday 2nd of August 2014 I look at the occupancy and ADR of last year for the same date but not comparing 2nd of August 2013 with 2nd of August 2014 but rather Saturday with Saturday and excluding from the occupancy level all the rooms which came due to extraordinary event which is not going to repeat itself. So, lets say for instance, that last year the first Saturday of August the hotel had a REVPAR of 180 euro resulting from various bookings maybe ranging from prices of 150 euro to 210 euro. Starting this year with an initial price of 180 euro won't help the hotel achieve the same results since the initial price is way higher than the initial price of last year. By starting at 180 euro the hotel will receive fewer bookings hence it will have a lower occupancy rate and lower REVPAR.

1.4.2 Concept and method

It is very important to decrease the distribution costs, managers need to maximize contributions to gross profit (sales minus distribution costs) rather than the sole revenue obtained from a room sale. (Sunmee Choi, 2002). Having the initial tariff as the lowest possible for that booking date permits the hotel to commercialize the business through the online distribution. This is because OTA's have specific algorithms, which promote (visibility wise) hotels with a good reputation, good amount of availability and also good competitive price. So this extra visibility derived from setting low initial prices acts as a boost of visibility for the hotel making it more likely to sell those low prices rooms straight away in order to start increasing the price gradually. When hotels start with initial prices which are too high what happens is that those that book those prices, and consequently notice a price decrease (implemented by the manager for not having reached appropriate occupancy rates),

cancel their bookings and re-book again at the lower prices. This negatively affects hotel business and for this reason cancellation rates have to be monitored also, as well as the pricing strategy. The normal logic is that bookings are received at a fast pace at the beginning with low prices and slowly decrease in frequency. The client is more elastic/sensitive to price many days prior to arrival than those who decide to book a few days before their check-in.

Other than the market trend which helps the revenue manager in suggesting the correct price another important analysis is the one of the revenue trend. This is because if a hotel start applying revenue management techniques just now it must apply different prices (lower) than if it started doing revenue management many years before. Evidently revenue management helps increase the occupancy, which, with time leads to an increase in the average daily rate as the hotel gets "stronger". The most appropriate method that can be used to implement good revenue management technique is called the *pick-up*. The pick-up is essentially a table which reports when a booking is received and for what date. It tells the manager what the occupancy for future dates is and when those bookings were received. This forms patterns, which suggests how long one should stay with the same price, when to increase and how to increase. When I started adopting this tool in the year 2011 under the guidance of hotel Giolli's previous director we saw that we were optimizing sales in comparison with the previous years. As a matter of fact, the last minute bookings, or the bookings made on a day for that same day had an average daily rate, which was much higher than the one of the previous year of the same period.

1.5 RM and online brand reputation

1.5.1. Tripadvisor

Tripadvisor is a website which provides suggestions on where to stay and reviews on sites, restaurants and hotels. It was founded in the year 2000 and since then its users kept increasing incredibly, now "*it is the world's largest travel site with nearly 280 million unique monthly visitors" (Wikipedia).*
This travel site definitely shaped the business organization of hotels. Especially in bigger realities the presence of a public relation manager was always more present.

Not only for the caring of the customer during his stay but also to take care and reply to online reviews after the stay. Group Valadier is a chain made of 4 hotels in Rome (as well as restaurants, gyms etc.) it is a very successful group which has diversified hotels from low budget ones (hotel Caprice) to high end luxury hotels like hotel Valadier. During the MITT (Moscow International Tourism & Travel Exhibition) in the year 2011 the director Mr. Claudio Iversa was telling me how due to the always more increasing importance of customer care they were hiring public relation managers in the hotels which would monitor the satisfaction of the clients throughout their stay. It is important to mention here that I am not stating that customer care has not always been important in every business let alone in the field of hospitality. Nonetheless it is clear that nowadays a negative review which is published online has a incredibly greater effect than a client in the1990s feeling unsatisfied from his stay and For this reason hotels which can afford it take up the costs of hiring another employee in the organisation which minimizes complaints and dissatisfaction hence resulting in a better brand image and consequently higher profits. It is important that the PR employee is perfectly coordinated with all the other employees of the organization like the ones working in the gym, wellness centre or concierge etc. Communication is fundamental in order for the PR to detect any problems and make sure the client does not exaggerate the issues upsetting him\her.

This innovative way of comparing hotels and evaluating the opinion of different customers who already lived that experience, revolutionised, in a way, hotels customer relationship management (CRM). Even though a hotel may be perfect under every point of view with excellent service, brand new rooms, perfect location etc. it is certain that a customer will not be satisfied. Examples would include losing a client's voucher or accidentally cancelling the booking. It is very improbable that a hotel business never receives a complaint after years and years of service. Having said this, Tripadvisor made all the cases aware to the rest of the world as well as the other cases in which the hotel has not been professional in providing the right service which the client paid for. Due to the growth of Tripadvisor and its acquiring of more unique visitors, hotel managers realised the even greater importance of following the clients throughout their stay. A review which might seem of little importance highlighting a negative issue in a hotel can lead to a loss of revenue in the future. Before Tripadvisor, a dissatisfaction did cause a potential loss in future sales either by the client itself not wanting to come back or due to the negative word of mouth

which is passed on. Now the effect of a bad review is much greater, nonetheless this is the same for positive reviews. Initially hotels were very frustrated at the idea of Tripadvisor not allowing them to explain themselves to a customers negative review . For this reason when they thought that a client was exaggerating on some negative comments, directors and owners went furious knowing that so many users could read a not so true review without knowing what the hotel had to say in regards to the issue. Consequently, Tripadvisor made it possible for hotels to reply to reviews (firstly on 1 reply per day was permitted while now it has no limits). These last changes surely made hotel members more friendly with Tripadvisor. What also changed was that before this travel website was only founded by advertisements while later on it started generating revenues by the pay per clicks to OTA's which advertised the price they had with that particular hotel (see figure 1.2).
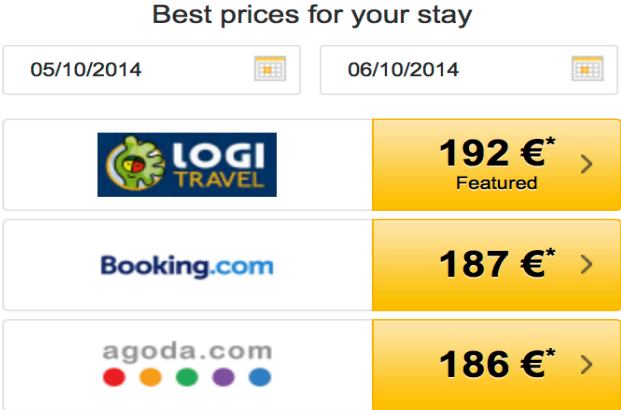
Figure 1.2 Source: www.tripadvisor.co.uk

To make it fair to hotels that prefer direct bookings to their private website, Tripadvisor introduced "*Tripconnect*"; the possibility for hotels to pay the clicks for the direct link to their website (see figure 1.3). The price of the click is set according to the rank of the hotel, so how many people visualize it (number of impressions) and the position of the link: $1^{st}, 2^{nd}$ or 3rd position.
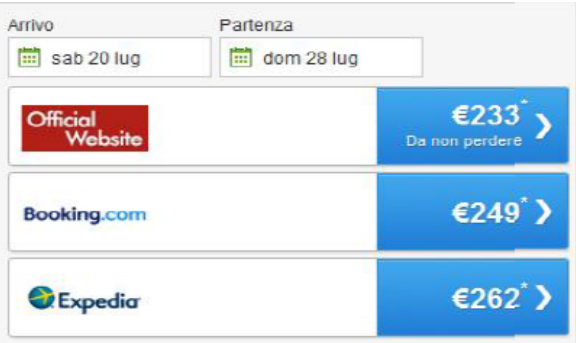

Figure 1.3 Source: Tripadvisor.co.uk

Recognizing the urge for hotels to increase their direct bookings with an always more present Booking.com and Expedia (main OTA's), Tripadvisor also gave the opportunity for hotels to display their direct contacts on their Tripadvisor profile (see figure 1.4). As you can see from figure 1.4, telephone number, link to the hotel's website, hotel's email and the possibility of advertising offers were the option given to hotels if they accepted to sign the contract regarding these services.
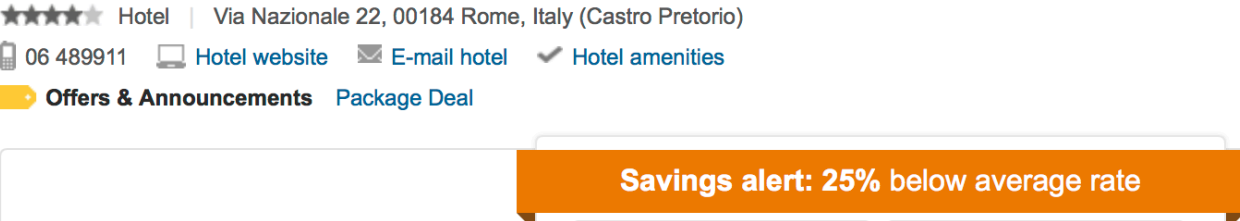

Figure 1.4 Source: Tripadvisor.it

By adding these functions, was Tripadvisor actually helping hotels increase their revenues and direct bookings? Initially when Tripadvisor had low annual fees to adhere to the contract and also had low pay per click rates, then probably the answer would have been yes – Tripadvisor was helping hotels increase their revenues and direct bookings. However, further on when prices increased drastically, this meant that Tripadvisor was no longer helping hotels.

This is because the annual fee and pay per click became so high that if a booking came thanks to a user clicking on the "official website" link, that booking had a cost or commission that although lower than most commissions of other distribution channels - it was not commission free, hence not a direct booking. Another question that hotel directors started asking themselves was, "if a client has the intention to book on my official website or if he/she is usually accustomed in booking directly, why should I give him the chance to make me pay the click on that booking and more importantly why do I have to pay such a high annual fee?". For this reason Hotel Giolli, Hotel Valadier, Hotel Zone, Hotel Caprice, Hotel Diplomatic as well as many other hotels terminated their collaboration with Tripadvisor. The fees that are paid to Tripadvisor are very different as they depend on the hotel ranking (hence visibility) and the pay per click depend by the location the potential guest is in.

Social Network		Prezzo per click
tripadvisor	Scandinavia, Nederland, UK	1.07 €
	Spagna, Latin America, Italia Portogallo, Brasile	0.73 €
	Resto del mondo	0.87€
trivago	Danimarca, Finlandia, Svezia Norvegia	0.75€
	Singapore, Irlanda, Inghilterra, USA, Australia, Canada, Hong Kong, Francia, Austria, Belgio, Svizzera, Germania, Nuova Zelanda, Olanda	0.65€
	Italia, Spagna	0.52€
	Argentina, Bulgaria, Brasile, Repubblica Ceca, Colombia, Cile, Grecia, Ungheria, Giappone, Korea, Messico, Polonia, Russia, Serbia, Slovenia, Turchia, Cina, India, Romania, Portogallo	0.45|

Figure 1.5 Source: Tripadvisor.com

In figure 1.5, we can see the pay per clicks that the hotel paid (Hotel Giolli in this case) for each country. On average the cost is below one euro but we also have to consider the annual fee of around 4 thousand euro per year considering a hotel with about 50 rooms with a good to medium rank. In the early years of Tripadvisor the annual fee for the same hotel were only 900 euros. Trivago is a similar travel website to Tripadvisor but it is more focused in comparing different hotel prices other than giving customer's opinions.

In order to increases revenues as well as direct booking it is of vital importance that a hotel has a good brand reputation especially on such a well-known travel website like Tripadvisor or Trivago.

Giolli Hotel: Statistiche Visite Mensili Uniche alla vs Pagina, da Gen 2011 a Dic 2013
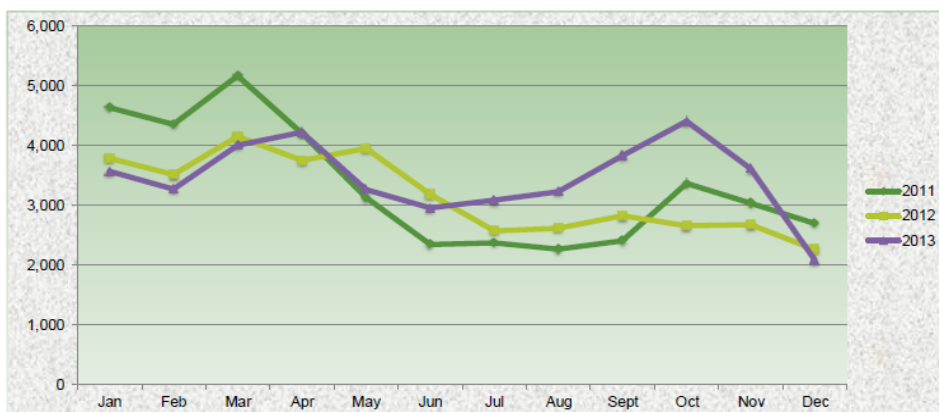
Anno	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total	%	
2011	4,637	4,356	5,171	4,203	3,130	2,348	2,376	2,264	2,410	3,367	3,037	2,696	39,995		
2012	3,785	3,513	4,152	3,752	3,952	3,182	2,573	2,620	2,822	2,658	2,677	2,259	37,945	-5%	vs 2011
2013	3,566	3,276	4,009	4,224	3,266	2,955	3,088	3,229	3,832	4,407	3,614	2,082	41,548	+9%	vs 2012

Figure 1.6 Source: Hotel Giolli Tripadvisor's account

In figure 1.6 we can see how many unique visitors have seen Hotel Giolli's profile, situated in Rome. From the graph we can see thousands of visitors each month each of which is a potential client. It is evident that the better the reputation the more people will look at the hotel profile simply because it's higher ranked and it will be present in the first pages of Tripadvisor whereas a hotel with many negative reviews will have less visibility. So, once the hotel has a positive good-will and adopts the appropriate RM pricing strategy it has the two fundamental ingredients for generating higher revenues. For this reason it is important not to forget that nowadays all customer which are signalled by receptionist as the most satisfied customers of the day must be asked to leave their judgment (which would be positive) on Tripadvisor. Furthermore all reviews *must* be answered by the management of public relations team not only because it increases the ranking of the hotel (Tripadvisor's algorithm takes this factor into account) but also because it gives a better impression to all the viewers making them know the reason the hotel gives for eventual negative experiences.

Tripadvisor is definitely a really positive tool for all those hotels which do have the potential to satisfy the client, it is an additional online "window" which has to be monitored as it also gives useful feedbackto directors on how to improve the hotel. Software like Review Pro, having identified the importance of review websites like Tripadvisor, and offer the possibility of replying to all reviews from a single platform. It also creates reports for the management that summarises which are the main complaints and any trends that may occur. Considering that the cheapest software to do so costs 500 euros annually it is not very necessary for managers to spend such a budget on this since every hotel manager must know what are the defects of his hotel simply by experience or by looking at the evaluations on Tripadvisor for each category (location, service, rooms, value).

1.5.2. Web agencies: SEO, Google Adwords & Google analytics

With the increased technicality of the tasks being carried out by a hotel business, a valid collaboration with web agencies has become essential for hotels. When a task performed within a hotel (or any other business) is not a source of competitive advantage, outsourcing is required, as most business schools teach us. Web agencies are typical for a hotel's outsourcing since the tasks they carry out are so technical that a hotel manager would have to hire a whole team in order to preform

these tasks. Web agencies essentially design websites for hotel and carry out search engine optimization (SEO) procedures in order for the hotel to be as visible as possible online. They can also manage online campaigns for hotels but there are so many other techniques they use in order for a hotel to be fully indexed online.

Google Analytics is certainly one of the most useful and innovative tools for marketers in order to segment the market, target the right individuals and hence have the appropriate positioning. Marketing is all about identifying, anticipating and satisfying customer needs profitably and setting up a Google analytics account in order to monitor what's going on the hotel's official website is a perfect way to do so. The best revenues for a hotel are the direct sales and the website of the hotel is what generates these sales hence setting up a Google analytics account is the first thing that has to be done once the website is completed. This tool has many functions thus the only way to succeed in using it would be by following an appropriate course or by having many years of experience. I will nowdescribe just the main functions that Analytics performs in order to increase revenues and direct bookings for a hotel.
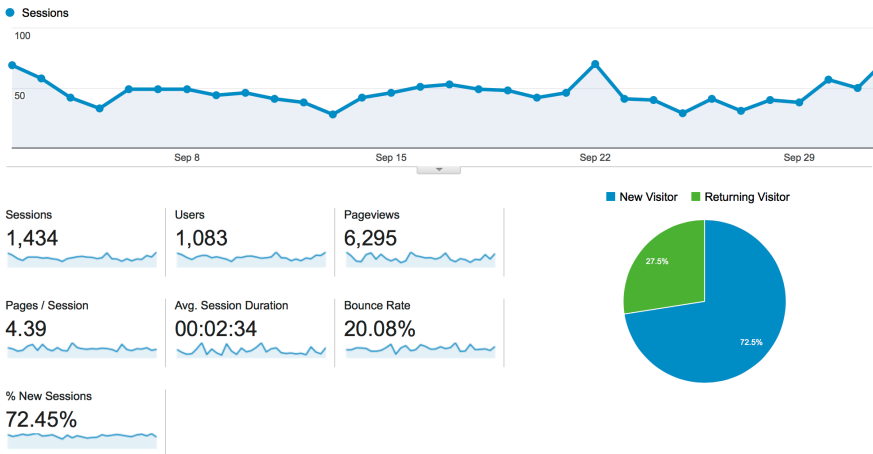

Figure 1.7 Source: Hotel Giolli's accounts

Figure 1.7 shows the Google Analytics general dashboard. Here there are several indices which summarise the overall performance of a website for a chosen day or period. A session is how many times the website has been open but it is not so important as the unique users since a single user may have entered twice and it always has a count of 1 in the "users" index. The bounce rates indicates how many users enter the website and exit straight away, a poor designed website or one which has heavy files (very big images) will have really high bounce rates.The average session duration indicates to the webmaster or manager how long the user, on

average, stays on the website. For really low values like 1 minute or less, the users is likely to be discouraged from the purchase simply by the look of the website and not by the tariffs since the time is not enough for the user to visualize the different prices. If the average session duration is longer it clearly indicates a greater interest in the hotel so the conversion rates will have to be considered. Conversions are expressed in percentage and indicate how many people every 100 people finalize the booking. If conversions are low and the average session duration is high it is very likely that the prices are often too high or that there is low availability (maybe because rooms have been sold through another channel). It is important for a manager to understand what each value means and what can be done on the website to improve such values since the is the most important channel of distribution for the hotel and if it is not, sales wise it should be.

Country / Territory	Sessions	% Sessions
1. 🇮🇹 Italy	701	48.88%
2. 🇫🇷 France	98	6.83%
3. 🇪🇸 Spain	79	5.51%
4. 🇦🇷 Argentina	57	3.97%
5. 🇧🇷 Brazil	57	3.97%
6. 🇧🇪 Belgium	47	3.28%
7. 🇺🇸 United States	42	2.93%
8. 🇬🇧 United Kingdom	41	2.86%
9. 🇮🇱 Israel	38	2.65%
10. 🇩🇪 Germany	36	2.51%

Figure 1.8 Source: Hotel Giolli's accounts

Figure 1.8 shows how many sessions come from each country or, in other words, what nationality are my website viewers from.

This data illustrating the demographics is essential for a marketer in order to develop the right marketing campaign for the right market. From the figure 1.8 we can deduce that Italians are the population which visit the website the most hence we know that online advertisement can be targeted to that market. Another interesting fact that this figure makes us aware of is that the French have a high visit rate even though the website in question (www.hotelgiolli.it) does not have a French translation. This suggests that it is appropriate for us to implement the French language since there are many users which visit the website from that country and many of them might not understand the other available languages and thus may not book. So this indicates

an area which has the potential to increase bookings and hotel revenue on the long term.

The website viewers are further segmented according to the city they are in. Google analytics is definitely helpful for a market to know his potential customers. It can further segment the users according to their gender (fig. 1.9), age (fig. 1.10) and interests (fig. 1.11). This also contributes for having a more successful online marketing campaign by helping the marketer target the potential buyers more accurately.
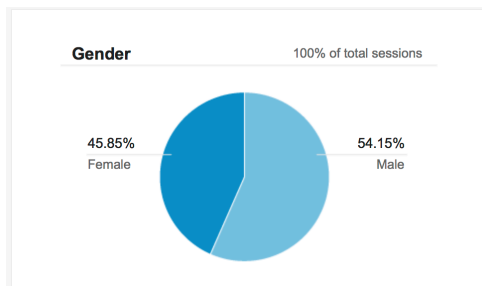

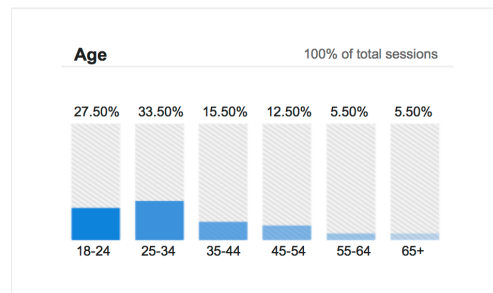Figure   1.9 Source: Hotel Giolli's accounts

Figure 1.10 Source: Hotel Giolli's accounts
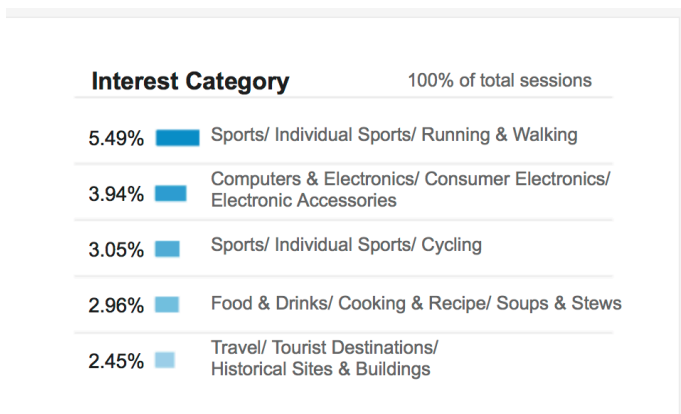
Figure 1.11 Source: Hotel Giolli's accounts

The idea behind Google Analytics is to collect data over the years and the more data is collected the more efficient advertising will be thus the better the ROI (return on investment). Looking at figures 1.9, 1.10 and 1.11 a marketer with a low budget will most likely target his campaigns only on males aged from 25 to 34 and which are sport lovers. By doing so the marketer will address the offer to those who are most likely to visit the website and hence to book. In figure 1.12 we can see with accuracy where the user has accessed our website (form which country) as well as from which kind of search (Google search or link). In addition we can see at which point during

the user's duration on the website he exits, giving clear evidence on possible pages of the website that discourage from the purchase and hence have to be modified.
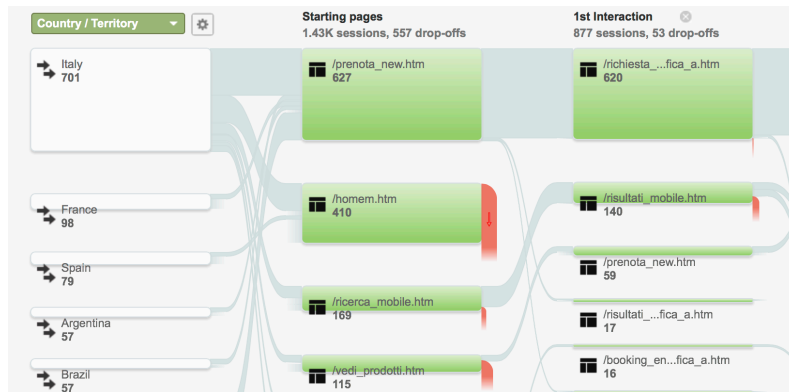

Figure 1.12 Source: Hotel Giolli's accounts

Once an appropriate marketing campaign is designed and hence an appealing offer is created the next step is to launch a Google Adwords campaign. Google Adowrds is another platform invented by Google which permits the user to create online ads targeted to those people we know might be interested in purchasing thanks to Google Analytics. Inside the Adwords website the marketer has to choose the offer he want to implement (for example book for February and get 10% discount) then he has to write an appealing elevator pitch sentence which will attract clients. Once this is done the market segment has to be chosen which, as already mentioned, is identifiable via Analytics. Finally the words that the user must search in Google so that the ads pop-up have to be defined as

well as a budget the marketer is willing to pay for each click on the ad. The higher the price the marketer is willing to pay for each click on his add, the more relevant and of quality the click will be;meaning that there's a greaterchance that the user will be interested in the content of the ad.

	Parola chiave	Gruppo di annunci	Stato ❓ ↓	CPC max ❓	Clic ❓	Impr. ❓	CTR ❓	CPC medio ❓	Costo ❓
●	hotel roma centro	Hotel Giolli Roma	🗩 Campagna terminata	1,51 €	0	0	0,00%	0,00 €	0,00 €
●	albergo roma centro	Hotel Giolli Roma	🗩 Campagna terminata	1,51 €	0	0	0,00%	0,00 €	0,00 €
●	hotels roma centro	Hotel Giolli Roma	🗩 Campagna terminata	1,51 €	0	0	0,00%	0,00 €	0,00 €
●	hotel roma centro storico	Hotel Giolli Roma	🗩 Campagna terminata	1,51 €	0	0	0,00%	0,00 €	0,00 €
●	hotel roma via nazionale	Hotel Giolli Roma	🗩 Campagna terminata	1,51 €	0	0	0,00%	0,00 €	0,00 €

Figure 1.13 Source: Hotel Giolli's accounts

The figure 1.13 presents us with the interface that permits hotel managers or marketers to choose the key words that they will pay in order for users to visualize their ads when those words are typed in a Google search. On the first column we see the chosen key word, the second and third column show to which ad the keywords refers to and if the campaign is active or not respectively. The next one indicates what is the maximum cost per click (CPC) that the directors are willing to pay. The fifth column counts the number of clicks on the ad while the one to its right the total impressions. The impressions indicate how many people viewed the offer/ad on Google (typically this happens on the right hand side of the page or at very first positions after having typed a Google search) The click through rate (CTR) is probably one of the most important indices since it is the ratio of click to impressions. For example a CTR of 4% means that every 100 people who see the offer only 4 click on it. This gives strong suggestions on whether the ad's title, description or photos are convincing enough or not.

In order to have an effective campaign the key words shown in figure 1.13 are not appropriate at all. As soon as hoteliers were given the chance to use such a powerful tool as Google Adwords the main intuition was for them to choose words such as "hotel rome centre" or "hotel rome". However these words are amongst the less effective for a hotel situated in Rome. This is because a hotel will never spend a budget so big on Adwords such as Expedia or Booking.com which spend millions of euros every year on general key words such as the ones mentioned above. In 2011 online travel agencies were the third source of income for Google AdWords with $2.4 billion invested. The portals were:

1. Booking.com, $40.4 million
2. Expedia, $28.9 million
3. Kayak, $28.7 million
4. Marriott, $20.9 million
5. Priceline (which owns Booking.com), $19.6 million.

Only the largest Hotel chains such as the Marriott which owns many hotels around the world with very high revenues can compete with these investments. Iftherefore, we use such general keywords for a hotel business it will receive very few impressions. What has to be done to optimize the PPC campaign is to focus it on the

brand of the firm. By always including the word "Giolli", for example, the offer will be visible before an OTS's ad. Geographically based keywords such as "hotel in Rome" are more expensive, most of the times they cost above 1 euro or 1.50 euro for each click. So if we bring everything on a scale of 100 we note that out of 100 clicks the cost ranges from 100 to 150 euro and considering a conversion rate of 4% and a 15% commission by Booking.com on average it is unlikely for it to payback the investment. On the other hand if the advertising is done at a brand level the cost drops to about 0.30 euro per click and even though for such key words the visits are less the cost is reduced for the ads and the visits are more targeted. As a matter of fact, making a specific search on a hotel rather than a general one increases the conversions rate hence turnovers and profits. Having said this if both the OTA's as well as the hotel implements the above procedure or method, the hotel ad will always appear before any OTA's ad. This is because even though OTA's are a main source of income for Google, it is a legal right for the hotel owner to have his offer with the name of his business before anyone else.

Using the Google trend explorer I analysed the trend of users in the past years when choosing a hotel. It is clear from figures 1.14 and 1.15 that users are always more projected in visiting a travel website they know first rather than generalizing the words typed to find out which travel website to use. These trend are logical since when the main players such as Booking.com and Tripadvisor were not yet defined people just typed a general search. As time passed users developed their loyalty towards their travel portal thus knowing what to consult on Google. This underlines the importance of having a good online brand reputation.

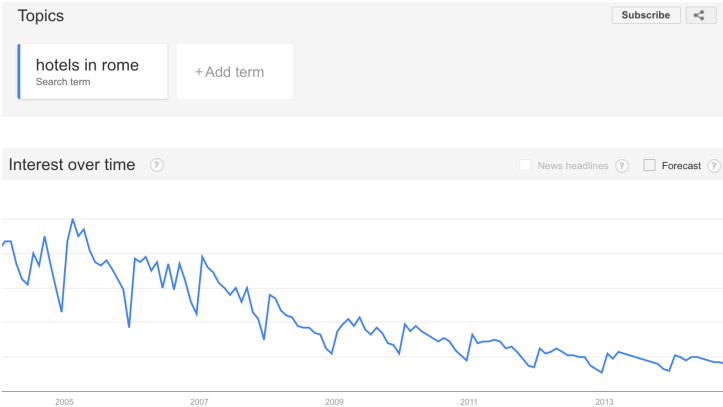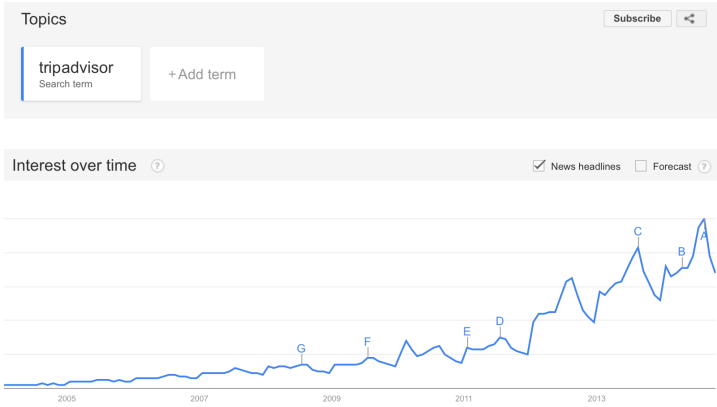Figure 1.14 Source: Google trends   Figure 1.15 Source: Google trends

2. Brief background on the market & online sales

2.1 Tourism in Rome

Table 2.1: Top city Destinations 2006, Source: http://blog.euromonitor.com/2007/10/top-150-city-destinations-london-leads-the-way.html

Top City Destinations 2006

City	Ranking	'000 tourist arrivals
London	1	15,640
Bangkok	2	10,350
Paris	3	9,700
Singapore	4	9,502
Hong Kong	5	8,139
New York City	6	6,219
Dubai	7	6,120
Rome	**8**	**6,033**
Rome (year 2010)	*14*	*5,620*

Rome has always been amongst the most visited cities in the world due to its beauties and monuments never it has attracted so many people due to its organization and modernity. As we can see from table 2.1 Rome was ranked the 8th most visited city in the world in the year 2006 and dropped down to the 14th city in the year 2010 (World Tourism Organisation, European Cities Tourism, National Statistics, National Tourist Boards, Local Tourism & Convention Bureaux). This is not only due to other emerging cities which are gaining importance in the view of travellers but also due to a fact that the city of Rome is not optimizing its potential. Due to several economical, political and social reasons the city of Rome is not investing in modernity and in the overall organization of the city resulting in a decrease in tourist arrivals. This unpleasant fact is evident by every Roman citizen, including myself, who has seen other cities like Berlin or London that even though not having as much history, culture and art are able to attract more visitors due to their modernity and advanced functionality in regards to transport, beaurocracy and overall organization thus attracting way more investment and, as a consequence, business and leisure travellers.

2.2 More direct bookings: some important variables

Figure 2.2: Online booking steps
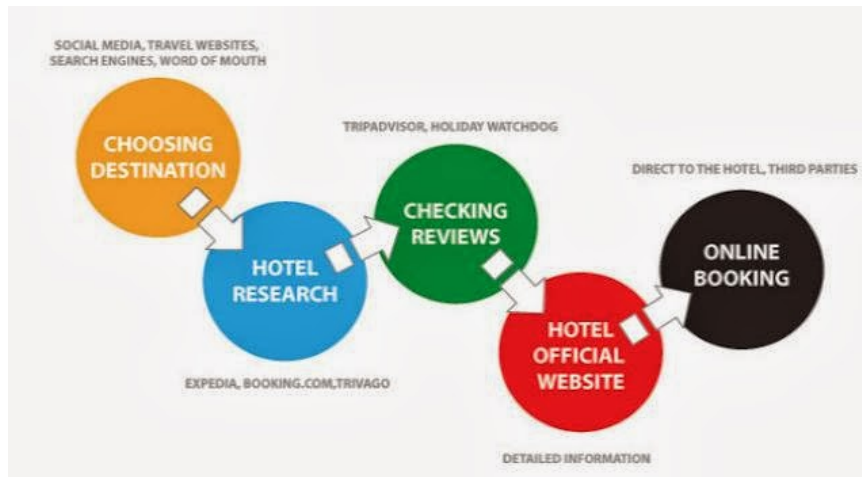
Every hotelier, nowadays, can now distinguish the various bookings steps that are illustrated in figure 2.2. It is simple to identify them as also hoteliers themselves usually perform the same procedures when booking an hotel. The first step is the one of selecting a destination, which inspires us either because it has been suggested by a friend/parent or because we have seen pictures or read articles about that specific location. The second step is the one researching an hotel which usually occurs on the main OTA's such as Booking.com or Expedia. Other common travel portals such as Trivago are main players in helping the user compare prices and choose the right hotel. Reviews are then checked on travel sites such as Tripadvisor before the user visits the official website where hopefully the booking occurs.

As explained above, achieving more and more direct booking is one of the main challenges hoteliers encounter every day. It is now known that the key to achieve this is having a good brand reputation, intuitive and up to date website and good prices. However if this is done it does not mean that the potential is maximised and that is what hoteliers want; get the most out of the proper website. Below the thesis will convey some of the necessary things to adopt in other to maximise direct booking and hence avoid the payment of commissions to Booking.com and Expedia for each booking.

Even though Expedia and Booking.com are not the exact place where the hotelier would like to receive bookings from it is of vital importance that the hotel's profile on that travel site is perfect. Hoteliers must not look at their hotel profile on Expedia and think that what they see generates booking only for that channel as that profile is a window for your hotel and it depends by other variables if the booking will occur there or not. Firstly the main image has to be eye-catching.Posing this simple question, when looking at a long list of hotels on an OTA what is it you see exactly, or

better what is it that attracts your attention? The image. There are many hotels which have images which could be of better quality, they have to be professional and of high resolution. Only once the attention of the potential buyer has been caught by the image, then will the user shift the glance to the price. Generally on OTA users set filter for their search such as location, price and reputation thus after the search is launched with those filters any hotel could be possibly booked meaning that the image play a great role.
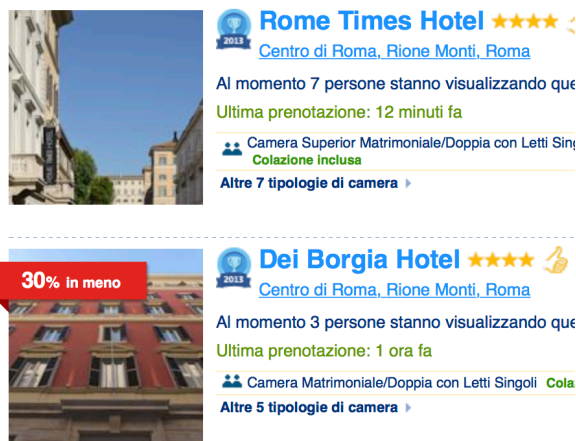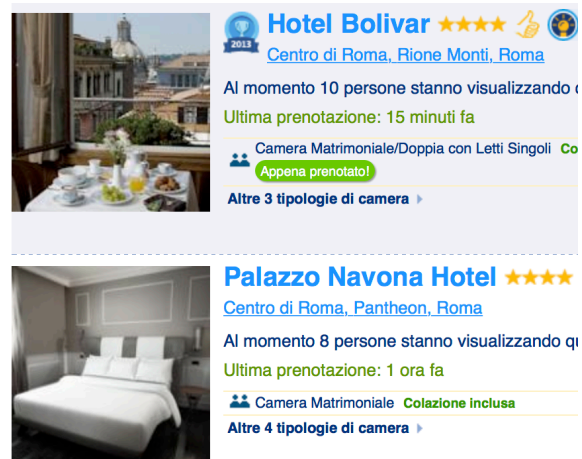

Figure 2.3: Booking.com

Figure 2.4: Booking.com

Let's take a look at figure 2.3. Rome Times Hotel and Dei Borgia Hotel are, I can say from personal experience, , two extraordinary hotels which have opened in the past years. They are brand new and simply beautiful. However when a potential buyer looks at these two main images of these hotels inside a long list of other hotels and main images, the glance of the user is surely not attracted. In both cases the image is cut and does not really show much. These pictures just don't give justice to the hotel and it is important for the management to review their profiles online and not just to set them up and leave them there as they are. Figure 2.4 however, represents a a clear example of two eye catching main images, which will attract the attention of the potential buyer. Let's not forget that users can select a minimum reputation or score as a filter when searching a hotel thus it is important not to look just at Tripadvisor. The strategy I am implementing on hotel Giolli is the one of prioritising clients from OTA's such as Booking.com and Expedia with respect to others which come from TO. Meaning that I prefer to give a better room to a client coming from Booking.com than another client coming form a Tour Operator. This is not only

because usually the client who come from the OTA pays more (thus expecting more) while the TO has lower fixed tariffs but mainly because when the client from the OTA leaves the hotel he receives a post stay email by the OTA asking to review the stay. TO guests, are likely yo write on Tripadvisor, Zoover or other review websites whilst the client from the OTA has the opportunity to write not only on these latter but also on the OTA he booked from (e.g Booking.com & Expedia). Furthermore you can only leave a review on an OTA if you booked from an OTA making this reviews more reliable and trustworthy. From a business organization point of view the receptionist have to allocate the rooms in the best way possible and the managers have to monitor these allocations. Whenever the receptionist feels like allocating rooms differently it is fundamental for him to communicate with the manager in order for him to help with the situation and hence try and optimize the room allocation as it is a vital step when receiving a booking.

Once the manager knows the hotel profile on an OTA is excellent and the reputation is also good due to prioritising those clients it is more likely that the user will click on that hotel on the OTA. This does not mean that he will book on that OTA but the attention and the consideration of the user is caught, which, in very competitive markets such as Rome it is a great thing. Expedia's studies on the travellers path to purchase show that, on average, a user visits 38 travel websites before purchase (http://info.advertising.expedia.com/path-to-purchase). This means that every travel site and OTA is not just a direct source of customers but also an indirect one since a user can see the hotel's profile on Booking.com and then choose to purchase directly from the website. OTA's and travel sites are the way a hotelier can advertise it's preferred commission free channel since it is almost inevitable that a user books directly if he never heard of the hotel: he must have seen it online elsewhere before.The official website needs to be impeccable, up to date and eye-catching in order to receive direct bookings. In this step of optimizing direct booking the hotel managers have to coordinate perfectly with the webmaster/web agency. Nowadays, as already mentioned, the IT department, web agencies or webmasters are present in the business organization structure and as such they have to be coordinated by marketers who should know perfectly how to market the hotel. Clearly the overall design, layout and template of the website has to be user friendly without many sections inside other sections (like a matryoshka) with difficulties in getting back to the previous one. Texts should be brief and to the point. This text trend has changed

since before long and detailed descriptions were common in hotel websites with many adjectives while now simplicity is preferred by users. The user must know what he wants to know and see, by the images provided, he wants to see with ease and as soon as possible without the need of reading big chunks to find particular information he wants to know.

In addition special offers and the booking calendar have to be visible on the first page as soon as the user enters the website. The website has to be professional and has to transmit trust. When it comes to money and to paying for things on the internet and not face to face, the users must feel safe to transmit the transaction. When passing from the website to the booking engine (when the user select the dates and launches the search he is passing from the URL of the website to the URL of the booking engine provided by a specific company e.g. Vertical Booking) the user has to feel like he is in the same website to avoid alienation. This is why URL of booking engine are often customizable as well as the booking engine itself. The image figure 2.5 show two logo's of security standards present at the time of payment which a good booking engine should have in order to transmit trust to the user.

Figure 2.5: Hotel Giolli website

3. Hotel Giolli - from the late 70s to the present date.
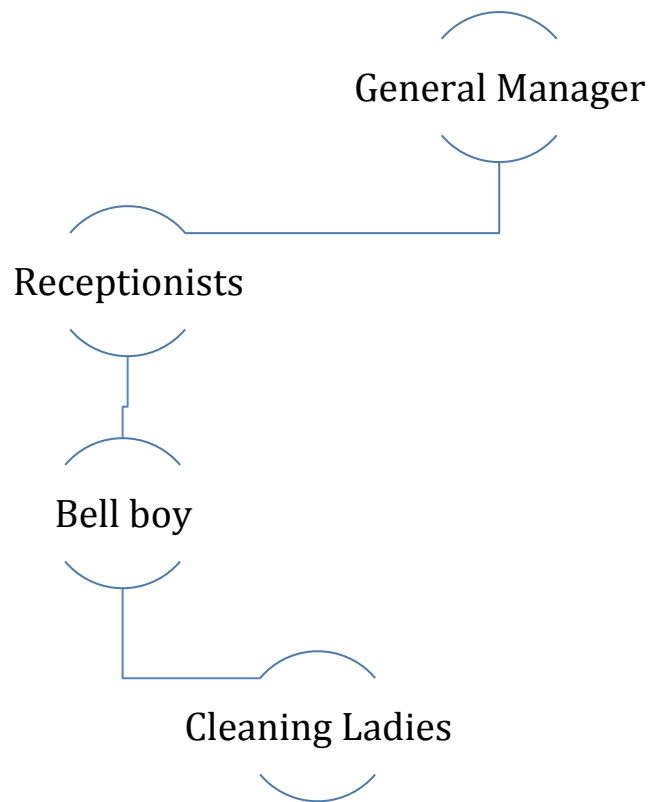
3.1. How the management was in the 70s

Figure 3.1: Hotel Giolli's management in the 70's

The above image shows the business organization structure the very first days of activity where the general manager monitored the whole activity and the receptionist performed most tasks such as keeping in contact with travel agencies other than the ordinary work at reception. This was also possible since there were few travel agencies and most customers were direct ('walk-in') and also due to the fact that the prices were seasonal and not dynamic, few offers and overall the work load was less and a lot simpler.

Throughout the years, procedure and methods within an hotel organization have changed into quicker and more precise ways. In addition there was the ordinary bell boy and three cleaning ladies which were employed directly by the hotel.

In the past, everything was on paper without the use of software. This meant that every procedure not only took more time to accomplish but was also more imprecise. The real problem was when at the end of each week, month or year the management had to create reports indicating several information to the hotel such as

what is the average booking window for each channel. The collection and the gathering of data took so much time that nearly all small to medium hotels did not perform them (Claudio Iversa, 2011).

Hotel Giolli is a three star superior hotel situated in the historical centre of Rome. The hotel was founded in the 1970s and since then it has continuously adapted according to the market it operates in order to continue its activity.

Back in the 1970s the whole organisation was very different in regards to the structure. The hotel had a chief executive officer who is the owner, which controlled over the accountant and the sales manager's performance. The account manager has the role of checking if the invoices have the correct prices before sending them to the tour operators, he emitted credit notes in case the amount invoices was higher. The account manager generally controls the receivables and payables of the hotel. He is the one responsible if the cash flow of the hotel is not going well since he has to solicit any expired invoices that the tour operator has to pay. When paying the suppliers (invoice payables) he has to make sure that the balance of payables to receivables is adequate before. If not he should try and delay the payment of the payables in order to avoid liquidity problems to the hotel.

General Manager

Accounting Manager

Sales Manager
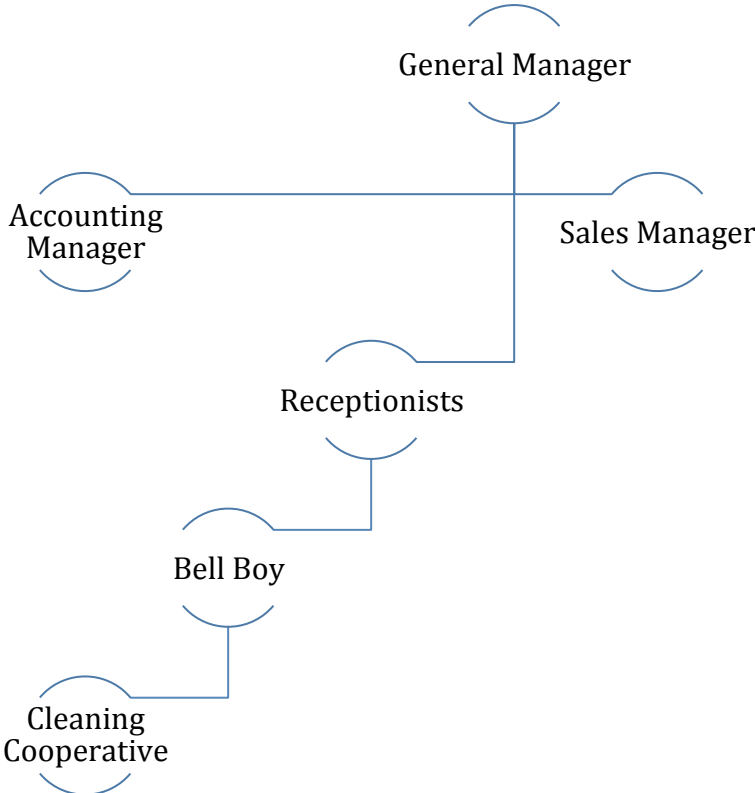
Receptionists

Bell Boy

Cleaning Cooperative

Figure 3.2: Hotel Giolli's management 1990

The sales manager has to be highly coordinated with the account manager. This is very important since the sales manager is the one who chooses the distribution channels and makes the contracts with tour operators. If, for example, a distribution channel (which could only be a tour operator in the 1970s) was a bad debtor since he paid invoices way to late and the sales volume is not that high, it is fundamental for the two managers to communicate so that the sales manager knows how to change the contract for the future year maybe allocating less rooms in allotment. Both the sales and the account manager had to coordinate and communicate on a daily basis with the four receptionists the hotel Giolli had. This was simply because the two managers were the 'gurus' of the hotel and knew exactly how the tasks had to be performed. A lack of coordination or communication with the receptionist meant that these latter would be alienated and would perform their tasks incorrectly.

The four receptionists certainly have to have the most frequent communication amongst the whole organisation. This is because they have the most dynamic role out of every employee and also because there are four of them performing the same tasks. When one of them ends this shift the other receptionist who is starting his work has to know with precision any kind of problem or request regarding a guest as well as anything else that happened during the day that should be known. This refers also to the smallest details, if for instance a specific client staying at the hotel is particularly grumpy or demanding the receptionist who is coming next has to know in order to approach him in the best way possible way, taking into consideration that client's expectations. Only by doing things such as these can the hotel excel in customer service.

The bell boy of the hotel is under the receptionists coordination and had to perform every task that the receptionist considers important at that moment. He also had to fix any damages that were referred to him by the cleaning ladies since they were the ones which saw every room almost every day. Since the 1970s the hotel Giolli had always a cleaning cooperative due to the convenience it brings. As soon as the Giolli opened for the very first year it had four cleaning ladies that were employed directly by the hotel. However the owner started to see all the disadvantages this brought and outsourced the job to a cooperative. The disadvantages were if one of them was sick or on maternity the hotel had to bear the costs and had to find a substitute and also that the hotel had to pay more tax contributions. When one of these cleaning ladies started becoming pregnant on a frequent basis, the owner

decided to make the change and work with the cooperative. By doing so the work is optimized and if a cleaning lady is not performing the job well the cooperative can easily make a substitution.

3.2. The management now
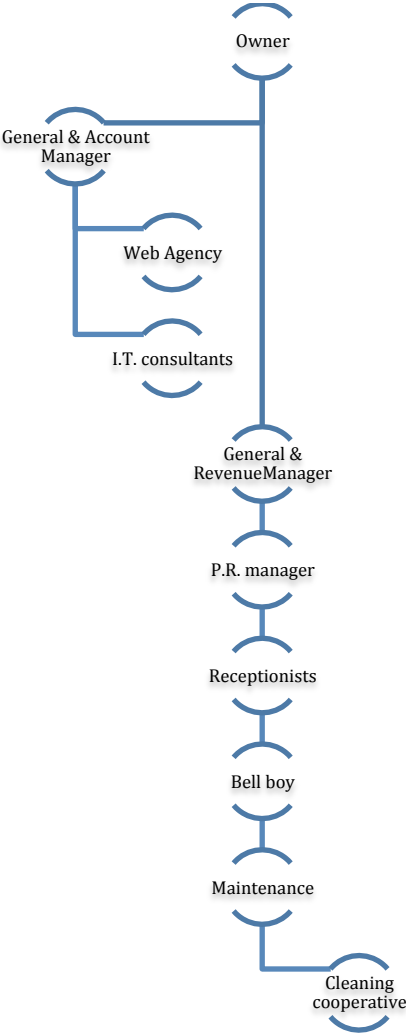
Figure 3.3: Hotel Giolli's management today

Nowadays, Hotel Giolli's business organisation structure appears to be quite different and slightly more articulated. At the top we always have the owner who verifies the overall performance of the company. The main tasks that he performs are the ones of coordinated the architects when the hotel renews its rooms or expands, keeping in touch with the business bank directors for eventual financing requests and the always eventual communication with lawyers. His role is less operative in the

business in comparison to the 1970s and we can define him as an 'eye' constantly checking on the hotel's performance.

Under his advice and teachings are my sister and I. We both manage the overall operations of the hotel, checking that every procedure is done the way it should and implementing or replacing methods when a new technology is available. More specifically my sister Francesca updates the prices and checks the daily production while I manage the receivables and payables. The red boxes in figure 3.3 are external from the company, they are two activities, which are fundamental for the hotel and that not only are outsourced but also are almost never inside the hotel. Since I am passionate of technology and of finding easier ways of operating I am in frequent contact with these two firms. The web agency design our website and carries on with marketing activities such as newsletters. It has to keep in contact with me in order to know what kind of offers to advertise as well as when and with which budget. The name of the web agency is Evolvs and is very common amongst hotels since it is highly specialised in marketing only for the hotel industry. The I.T consultant, is the other company which I coordinate myself with, however not so often.

The name of the company is Technet and is a computer shop in the outskirts of Rome. The provide us with all the necessary hardware such as computers, keyboards, Wi-Fi antennas, routers etc. In addition they are our consultants when it comes to making a contract with telephone companies such as Telecom. Their expertise is necessary to advise me whether a telephone or internet contract is worth signing. They also provide assistance to the hotel when the staff faces difficulties with any kind of computer operations. In that case the staff reports the difficulty or issue to me and if I can't solve the problem I call Technet and thanks to Teamviewer (a program that allows them to remotely connect to the hotels computers) they resolve the problem. There also call centres for assistance regarding the hotels PMS, booking engine and channel manager which is not displayed in the images above since they are called less frequently (mostly when setting up both the channel manager and booking engine). In any case if they are called for assistance either the receptionists or general managers communicate with them.

The PR (public relation) manager has recently joined the business organisation and has the vital role of getting feedback from the client during his stay. He is present in the breakfast hall every morning and welcomes the guest inside. Moreover he is

present at every check-out in order to wish the guest a nice trip and make sure this latter leaves the hotel as happy as possible. The PR manager has to communicate not only with the guests but also with the receptionists. This is because the PR manager is not in the hotel the whole day and the receptionist have to leave the client's feedback to him when a guest reported something at reception and he was not there. The overall impressions of the day have to then be communicated to the general managers which will have to detect any kind of trend and if negative resolve it while if positive enhance it. The receptionists also communicate directly with the management for anything else that happens during the day. The cleaning cooperative, nowadays, does not report any damages or insolvencies to the bell boy anymore. Since the hotel grew in size, from 10 rooms in the 1970s to 62 in 2014, two maintenance employees are necessary due to the load of work. Everything has to be reported to them, from the broken light bulb to the more serious things. If they are not able to fix the problem because maybe they do not have the competence to do so then they have to report this to reception who, will contact external parties such as plumbers or electricians, which will come as soon as possible to make everything work. All the communications of the above co-ordinations occurs verbally and is saved on the hotel's PMS in order to keep a record of everything. If the maintenance has to replace a door handle he records it in the software in order for the management to see, at the end of the year, if certain things break too often. In that case the supplier might be changed.

In terms of revenue management, hotel Giolli, after having applied the specific methods in order to optimize it has seen increases in its sales.

The first essential step in order for the Giolli to pursue its objective was to ensure the correct data entry into the PMS. In order to set up a valid revenue management strategy hence to decide when to put a price for how long and on which distribution channels a forecast has to be done. "Accurate forecasts are crucial to good revenue management" (Larry R. Weatherford, 2003).Revenue management forecasting methods can be of three different types: historical, advanced or combined models. Historical considers the total final number of rooms sold on a particular night, the advanced model include the build-up of bookings received throughout time for that particular night and the combined model is a mixture of both (Larry R. Weatherford, 2003). Forecasting is essential to try and understand what the demand will be in a determined time period. For this reason one a booking is received at reception it has

to be inserted properly inside the PMS. This means that not only the check-in/out date, name and channel have to be inserted but other important data that distinguish that booking form other bookings. This is an important step in order to forecast because we can look at past data (looking at past data helps with forecasting). "Improved forecast accuracy can lead to better staffing, purchasing and budgeting decisions. (Larry R. Weatherford, 2003). When setting up the PMS I could chose how many mandatory fields and what type of fields I could create for each receptionist to fill out at the time of booking. It came across that the more we segmented bookings by different criteria the more time would then be spent in order to analyse that data. It is thus important to segment bookings only by criteria that could help the Giolli hotel to then implement appropriate strategies. For example at the very beginning of applying RM at hotel Giolli there were 4 mandatory fields in order to insert a booking in the system (apart from the obvious ones such as check-in/out date, name and channel). These fields were to classify whether the booking concerned individual travellers or group, if these latter came for business of leisure, what kind of rate they booked and how they reached the city (train, car etc.). After several months I noticed that this last field was not really necessary for us to analyse. Whether the customers came by plane or car is certainly an interesting statistic but there is more time involved for the collection and interpretation of this data that the actual benefits it can bring. Each hotel has its specific case, bigger hotel chains are organized differently, have more employees and could retain the collection of such data useful for marketing activities. The mandatory fields were reduced to 3 and day after day I had to check whether the receptionist actually classified the bookings correctly. A 'POCC' approach is of fundamental importance meaning that any decision has to be programmed, organized, coordinated and controlled. Without controlling each night that all the booking received during the day were correctly inserted in the system, any kind of analysis could result wrong being based on incorrect data. This control phase continued for several months so that the receptionist knew they were being checked and also for them to learn exactly how the task had to be done. Only after one year, correct data entry the Giolli could implement correct revenue management techniques since reliable data had been collected for every month of the previous year helping to forecast future prices. The Giolli hotel after analysing the data present in the PMS noticed that for the lowest season the ADR was quite high and the occupancy was low resulting into a low REVPAR. For the months of January and

February 2014 the average daily rate was of 80 euro and the average occupancy level was 50%. This resulted on a REVPAR of 40 (80x0.50). This last Juanary 2015 the Giolli performed better due to the fact that the ADR has been lowered to 72 euro. For this month the occupancy level reached 64% resulting on a REVPAR of 46 euro and the forecast of February 2015 is also better than last years result. The increased occupancy will also result in a better commercialisation of hotel Giolli in the high season, which will come next. The figure below (fig. 3.4) is the contract the Giolli hotel stipulated with a tour operator called Travco and it shows an example of how the hotel reached this increased REVPAR in the low season. The area on the contract outlined by the red rectangle shows that hotel Giolli agreed to a 25% discount for stays of minimum 3 nights only in the lowest seasons. This clearly decreased the ADR but increased sales drastically from that specific tour operator increasing revenues and the REVPAR. Considering that the average stay is of 2 nights at the Giolli hotel, this offered incentivized customers booking from that channel to stay 3 nights or more in order to take advantage of the offer. This factor helped the hotel improve the occupancy during those months and hence the REVPAR.

When analysing data from the PMS it is important to know that the hotel sells rates/tariffs and not rooms, this is the correct mind set a revenue manager has to have. In order to do so production has to be analysed per rate type and this can be done only if the receptionist associates the correct rate type to each booking. There are several other techniques that hotel Giolli analysed in order to boost sales. Another example is that having available data to analyse, the hotel came across the fact that several distribution channels have a lower booking window than other but a much higher ADR. Knowing this, the next year, the hotel Giolli has kept a certain number of rooms reserved for that channels which books later but at better prices. This avoids selling those rooms earlier in time to other distribution channels, which have a lower ADR.

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ukinbound

Hotel GIOLLI NAZIONALE 3** + | City ROMS

Hotel Reservation email address INFO@ HOTELGIOLLI.IT

BUFFET

All rates are per ROOM per night and inclusive of local taxes and service inc. [X] continental breakfast OR [ ] hot buffet breakfast

Rate Period	Alloc	Release	Cur	Twin/Double	Triple	Quad	Single
1/11/2014 – 31/3/2015;	2	2	€	70	99	/	60
1/4/2015 – 30/6/2015 ⟩ ⟹ 3/8/2015 – 31/10/2015, 30-31 DEC. 2014	2	4	€	140	174	/	100
1/4/2015 – 1/8/2015	2	3	€	75	99	/	65

Rack rates inc. CB

[PAY 50% OF HALF TWIN ROOM]
[X] Children under the age of 12 years stay free in own bed on same meal basis when sharing a room with 2 full rate paying passengers
  Maximum 1 child/ren per room Twin / Double room with extra bed for child can be booked from Allocation / Freesale
[X] Cot provided free of charge for children under 2 years (ON REQUEST ONLY)
[ ] 1 (one) night free in every 6 (six) nights stay   [ ] All Sunday night stays will be at 50% of the contract rate
[X] Bookings of minimum 3 (three) nights stay and longer subject to 25 % discount of whole stay FOR DECEMBER, JANUARY, FEBRUARY (EXCL. NEW YEARS' EVE)

FAIR DATES/REMARKS
- CANCELLATION POLICY: 24 HOURS
- NO SHOW + LATE CANCELLATION + EARLY DEPARTURE: 1 NIGHT CHARGE
- TRIPLE ROOM ON REQUEST ONLY

We accept the contract as set out above and the terms and conditions overleaf.
Signed on behalf of Travco LLP.
Signature: [signature]
Name: LORENZO VENTICELLI
Position: HOTEL DEPT. MGG. SUPRV.
Date: 2/10/2014

Signed on behalf of hotel.
Signature: [signature]
Name: ANDREA LASALANDRA
Position: Manager
Date: 2/10/14

Figure 3.4 Source: hotel Giolli

Data from the PMS is exported into Excel files in order to adjust it in the best way preferred. By exporting the data in Excel it can be rearranged and displayed in better ways and visual alerts can be made when certain values exceed a limit.

3.2.1 Software Innovation

Technology is always more present in every business organization and in big hotel chains the structure of the organization includes an IT department which is coordinated with the sales department. This latter modifies or makes contracts with

travel agencies, TO's or OTA's and the IT department makes sure that these changes are implemented in every software the hotel has. For example adding a room typology to the channel manager after the sales department has chosen to sell that typology to other channels as well. In larger chains the IT department also develops fully customized softwares for the hotel.

3.2.1.1 PMS

Property management systems (PMS) are now more present in hotels since the late 90's. They are the core information system that a hotel business has and is one of the first hotel software that revolutionised the procedures and methods inside a hotel. It permits the hotel staff and receptionist to check-in/check-out customers, insert bookings in the PMS when received in order to give the availability of the hotel for a given day, print out receipts/invoices and so much more. It is the main tool for the hotel in order to manage the conduct of the business and it also develops reports for the firm which lets the managers analyse the production made. This technology definitely helped hotel managers and the entire staff on the whole in saving time during procedures, time which can be spent doing other vital activities like public relations and customer care.

Every single function in a PMS is design by programmers so that time and efficiency of the work performed is optimized, analysing each single function would mean writing out the

software's manual. Below, the thesis will present some of the newest functions the latest PMS can perform in order to increase revenues and direct bookings.
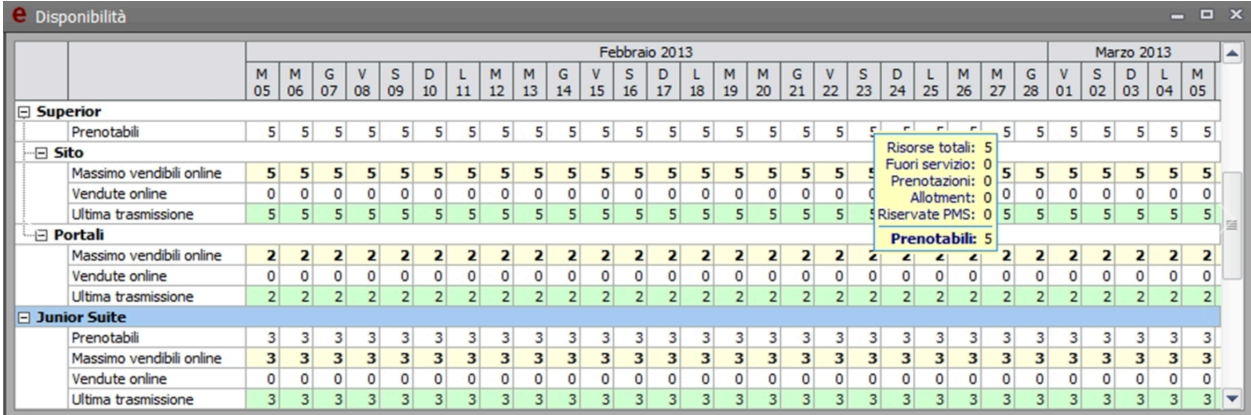

Figure 3.5 Source: Ericsoft s.r.l

Figure 3.5 is one of the new tools that nowadays is available in most PMS, in this chapter the PMS shown is called Ericsoft,one of the most common for hotels in Italy. From this window the user can visualize the availability for each day and for each room typology but what helps hotels increase their revenues is a particular feature of the PMS. This feature permits to assign a room typology to another room typology in case the first room typology is fully booked. For example if for today the hotel has all the double/twin standard rooms booked and has 4 prestige, thus higher priced rooms available, the software will then assign one prestige room to the standard category so the new availability will be of 3 prestige rooms and 1 double room. This happens automatically according to the parameters that the manager set up when configuring the software. This technique helps managers sell all the rooms which stay empty at the end of the day, if the double rooms have been selling well but not the prestige rooms, it is pointless to keep the availability unchanged probably the price of the prestige room was too high or there was not demand for such a typology. So a virtual double room is made available and distributed to all the online channels. When a client book that double room, which in reality is a prestige room, he automatically receives an e-mail by the PMS which advises him on the room free of charge upgrade. This revenue management method not only increases sales but also has a long-term effect on the company improving the customer's satisfaction and hence the brand reputation. Newsletters, pre-stay and post-stay e-mails are fundamental for the hotel's image and customer care due to the fact that not only they give useful information to the guest which otherwise might feel disorientated but also because it makes him feel an hotel's client rather than a Booking.com or other portals client. It's of vital importance that the guest develops his loyalty with the hotel and not with the major booking website which spend millions of euro in marketing. Pre-stay emails sent to those clients which book from OTAs, if well developed with the appropriate convenience for the client, help the hotel to disintermediate and in many cases the client cancels his booking with the OTA and books directly with the hotel. This results in more direct bookings and higher revenues. Figure 3.6 is an example of a post-stay email which the guest receives automatically n days after his stay pushing him to let other people know how his stay was by writing a review on Tripadvisor or by sharing a comment or picture on Facebook.

Dear ###customername###,

Thanks for coming to stay with us, we really hope you enjoyed the
Giolli Nazionale Hotel and that you had a wonderful time in the Eternal City.

We'd like you to help us improve your future stays with the Giolli Nazionale hotel.
If you have a minute to spare, please grab a mouse and send us your feedback.

We do really hope that you loved your experience so much that you will share it with others
by reviewing your stay here at Tripadvisor.
If you have pictures or would like to share more, feel free to do it via our Facebook page.
(Like it!)
Alternatively, if you have feedback that needs our immediate attention, you can email us
directly at: direzione@hotelgiolli.it

Thanks for your time and don't forget that this email has several
SPECIAL codes which can be inserted in our website at the moment of
reservation in order to have different discounts on your next stay.

Francesca & Andrea
Hotel Managers

Figure 3.6 Source: Hotel Giolli

A post-stay email should also include some kind of promo code or discount which the guest can use in the future. If the guest is really happy of the hotel it is likely that if he come back in the same location he will go in the same hotel also because he has access to discounts. It is important to mention that a PMS like Ericsoft has a setting that permits only the satisfied clients to receive a post-stay email. Obviously a guest which for some reason was not satisfied with his stay could only write a negative review once he receives an email like the one in figure 3.6. When receptionists know that the guest has been happy overall since they are in tight contact with them, he marks the name of the client on the PMS so that the software will send these emails automatically only to the people which have been marked by receptionists. This procedure helps the hotel increase it's brand reputation and hence revenues in the long-term.

Ericsoft as well as many other PMS has different functions for the yield management which permits the hotel to sell the rooms at the highest price possible. What happens here is that the manager sets several parameters at the beginning and then he just has to monitor and take corrective actions when necessary since the software does not take into consideration many variables such as weather forecast. For example the manager might set an increase of price of 20 euros for the single room when the occupancy rates for that typology reach 90%, *x* days before.
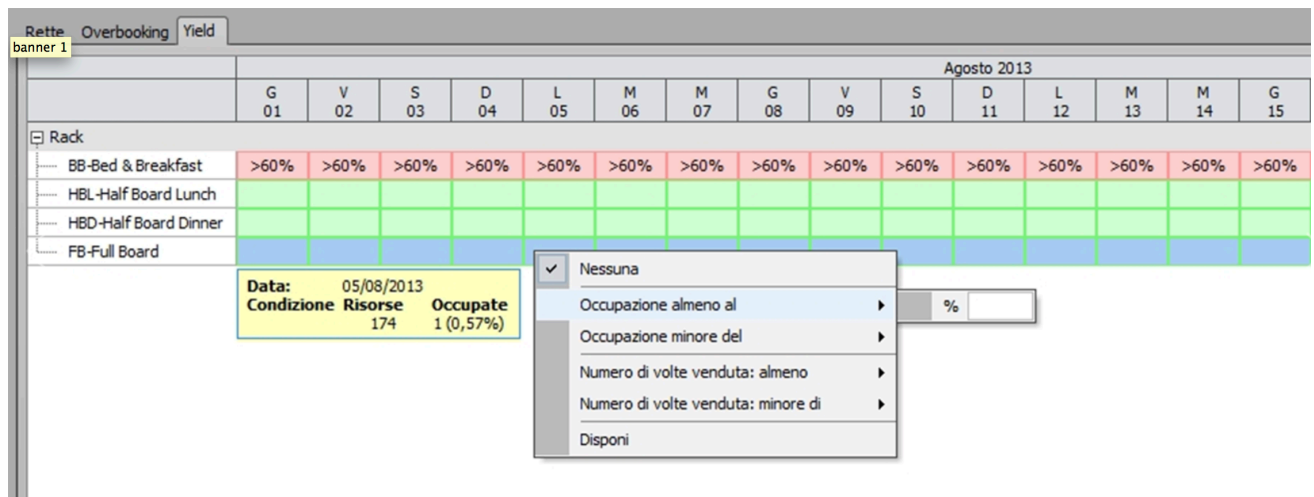
Figure 3.7 Source: Ericsoft s.r.l

3.2.1.2. Booking Engines

Booking engines can be defined as the heat of an hotel's website. It is that engine which permits the user to select the check-in date, number of nights and number of people/rooms and to search what is available according to the customer needs. The booking engine even though it's incorporated in the hotel's website is something distinct, meaning that there are several business which sell their booking engine to be incorporated in hotel's website. Vertical Booking is an example of a business which develops booking engines and channel manager for hotels; even though website and booking engines are separate, as they are on different servers and have a different domains/URLs, it is important for web agencies to give the idea to a potential customer that the website and the hotel website are one thing. This is because a website that has a good design and layout but has a booking engine which does not reflect the branding of the website will just alienate the user who will therefore lose trust in booking directly with the hotel and will prefer an OTA. Booking engines can be personalized by an extranet, as well as technical support, which is always available. Through the extranet it is also possible to change prices and update the availability, see the bookings received and other similar functions that also the PMS can record.

Not long ago it was necessary to have both a mobile version for the booking engine as well a normal version for desktops. Due to the increase in smartphones ownership with with increased screen size and resolution an increasing number of bookings were made from these devices. Hotels had to adapt to this change and

make sure they developed a mobile version of the website which makes it easier for users to visit. The mobile version should have been just the booking engine for searches as well as some other very important fact of the hotel like the address and synthesised description.

Now booking engines should be 'responsive' to the screen resolution they are visited from. Since there are always more devices with different screen sizes from the I-Pad to the Blackberry and many more it is important to have a booking engine which adapts automatically to the screen integrated with an also responsive website. By making sure things are set this way we can track information on the mobile and desktop visitors from the same Google Analytics platform. This is because the domain is the same, whereas if a mobile version is created the domain would start with 'mobile.'

Other important requirements for a valid booking engine with high conversions rates and hence profits is how offers are displayed for events. If a manager knows there is an important event in Rome lets say the Rugby league Six Nations in February, which is in the low season, it is necessary that he or she sets a new tariff on the booking engine which will only be visible for the stays which occur during the league. The tariff could also include an add-on like a late check-out included, this would surely increase conversion rates and hence revenues. Depending on whether the hotel is a simple hotel offering just bed and breakfast or whether it is a hotel with a high level of services like restaurants, beauty centre or gym etc. the booking engine and website must be emotional or standard. An emotional layout includes big pictures many different sections easily selectable and so much more dynamism is transmitted. A standard or static one is more apt for low star hotels which a basic and don't have a wide range of services to display. These hotels target a lower budget market, which is just willing to find an accommodation at the lowest price in the best location preferred. Another trend that Booking.com has spread is a small pup-up which appears on the screen at the time of booking which states how many other people are on that same page. This psychologically transmits confidence to the user, and together with the above mentioned devices more direct booking should reached. Marketers are always on the look out for changes to make on a booking engine to make it more user friendly as possible giving incentive to the purchase. Let's not forget that it's not only about the graphics and trust in the purchase, the user has to find the content (prices and room descriptions) appealing as well. Other than the

different room typologies the booking engine should display standard and superior rooms in other to optimise the sales. If the hotel has rooms, which are all similar, then it should include extra add-ons on request for a higher price (transport from airport included or minibar included). Descriptions should be short and to the point highlighting precisely what the customer is exactly paying for giving transparency on the payment terms.

3.1.2.3. Channel Managers

IDS (Contratto diretto)

	IDS (OTA/Merchant)	Tipo	Certified		Scadenza contratto	Status	
1	**Booking.com**	XML	✔		**31 dic 2015**	☑	✎
2	**Expedia.com**	XML	✔		**31 dic 2015**	☑	✎
3	Google	WS	✔	Coming Soon		☐	
4	Hotel.de	XML	✔			☐	
5	**HRS**	XML	✔		**31 dic 2015**	☑	✎
6	Global Hotels Extranet	XML	✔			☐	
7	Lastminute.com	SS	Verified			☐	
8	LateRooms	XML	✔			☐	
9	Bookit.com	XML	✔	Coming Soon		☐	
10	HotelTravel	XML	✔			☐	
11	Atrapalo	XML	✔			☐	
12	Prestigia	XML	✔			☐	
13	**Agoda**	XML	✔		**31 dic 2015**	☑	✎
14	Mr And Mrs Smith NEW	XML	✔	BETA		☐	
15	Splendia	XML	✔			☐	
16	**Orbitz**	XML	✔		**31 dic 2015**	☑	✎
17	Hotusa	XML	✔			☐	
18	Escapio	XML	✔			☐	

Figure 3.8 Source: Ericsoft s.r.l

Vedi status canali

InItalia.it	
HotelBeds	
Booking.com	
Expedia.com	
Unitravel	
HRS	
Orbitz	
RoomTrade (Restel)	
TransHotel	
Travco	
Serhs Tourism	
Agoda	
EasyToBook	
Gartour	
Italcamel	
ItalyHotels	
Utell	
Ultranet (Unister)	

Chiudi

Figure 3.9 Source: Ericsoft s.r.l

Channel managers are platforms/extranets from where hotel managers update the availability and prices to many different distribution channels at the same time. The hotel buys this module from a Provider (Ericsoft, Vertical Booking, Rate Tiger, Parity Rate etc.) and has to link every extranet of every OTA or Tour Operator to it. By doing this connection (XML interface) prices and availability are transmitted to every potential buyer without having to spend an incredible amount of time logging in every extranet of every distribution channel. This would be impossible since the channels may be many and due to the fact that updates are made several times a day. Figure 3.8 shows some of Vertical Booking's possible interfaces, if a hotel works a lot with some specific distribution channels it has to make sure the chosen channel manager has the interface available or if not whether it will be available soon. In figure 3.9 we see how this particular channel manager displays the status of the transmission of updates. A green light means that both availability and prices have been correctly updated on the OTA/TO portal. A yellow light indicated it's transmitting while red means some information failed to update. When choosing a channel manager a hotelier must always consult other hotel directors which already have that product in order to verify if transmissions work regularly and quickly. A general dashboard (fig.3.9.1) is a summary of the basic information that a channel manager collects, on the top part we see pie charts on the revenues of the hotel and where they came from. On the bottom part we see what prices the hotel has set in the passed and what production in terms of room nights each room typology made. All of this data is always present in the PMS as well and for some hotels which does not have every single selling channel configured on the channel manager (maybe some are managed apart) it is necessary to consult the data of the PMS. This is because by doing so the managers will be sure that the data includes every single stay of every single booking channel.
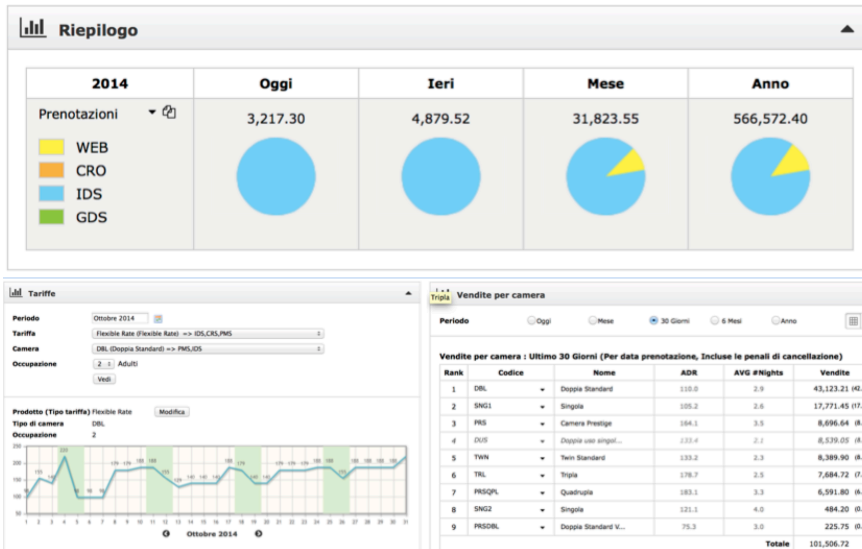
Figure 3.9.1 Source: VerticalBooking AEC

Figure 3.9.2 shows how most channel managers work for the update of prices. Each colour represents a different price for each room type (single, double, superior, triple, quadruple etc.). The sales manager has to create different prices and associate a colour to each then the colours have to be selected and the dates, for which the manager want to change price, clicked.

Figure 3.9.2 Source: VerticalBooking AEC

3.3. Dynamic environment

In the past two decades due to the increasing abilities of technology the environment almost in every industry is very dynamic. As we saw from the previous chapters the hotel sector has witnessed many changes under every point of view. The business organisation structure as a consequence has changed a lot throughout the years and many departments/employees have been added to the Giolli hotel.

Most large hotels of the past already had most of these departments and employees solving specific tasks but as time has passed more and more small to medium sized hotels have converged in adopting an always more similar structure as large hotels. This is mainly thanks to technology, which made this possible without increasing costs too much.

3.4. Distribution channels

3.4.1. Internet and OTA's

With the advent of internet and its development online travel agencies began to appear and throughout time they became always more lucrative for hotels.

Hotel Giolli started signing contracts with every OTA it encountered in order to increase the visibility of the hotel as much as possible and hence the chance of receiving bookings. OTA's commission vary from 15% up to 21% of the total amount of the stay, in almost every OTA's extranet you can choose to apply a commission override (increase the commission) in order to be more visible (higher ranked) in that specific OTA. In any case hotel Giolli never chose to apply commission overrides since the average occupancy rates reach 90% and we think it is better to invest in the official website or on the brand image in order to be more visible rather than giving extra commissions to OTAs.

From this year hotel Giolli's strategy changed since always fewer and fewer OTAs started to become leaders and more and more OTAs started to go out of business or had a significant decrease in popularity and hence in sales. Instead of being present in most OTAs as possible the Giolli started to skim the ones giving less than 1000 euro per year. This is because the guests that book through these channels could have booked through more important channels hence increasing the popularity and

rank of the hotel on these portals were most booking occur (Booking.com & Expedia). What I mean is that hotel Giolli had about 7 portals giving 1000 euro or less per year meaning that the rank of the hotel on those portals was low due to the low amount of sales. Considering that, maybe not all, but a part of these booking could derive from more important channels if the hotel was not present in the less important portals it is better to resign the contract from these latter and try to induce more bookings from Booking.com & Expedia. If a portion of these 7000 euros coming from the unpopular portals comes from the popular ones it would give grater results since there is more visibility on a more popular channel. A portion would be lost from the users that are loyal to the unpopular portals and that can't find the hotel anymore on that portal but, hopefully, on the long term the extra booking coming from the popular portals will bring their benefits. By the 'extra bookings' I mean those bookings deriving from users who want to book the hotel due to the reputation and not influenced by which portal (OTA) they are booking from. This theory/strategy has been implemented recently and it is a common debate in webinars and seminars nowadays, it is too early to say if it is 100% correct but the Giolli hotel decided to give it a ago monitoring the sales week by week.

3.4.1.1 Parity Rate

Prices on the official websites have to be lower than the ones on the OTA's. Once the user is on the website after his searches on other sites, it is not said he will book, he could also go back to other sites. Before clauses in contracts with OTA stated that the rates published on that OTA have to be the lowest online. This meant that sales/revenue managers had to set the same prices on the website and on the portals. In order to increase direct bookings, the adopted method was to create an offer like "subscribe to our newsletter and get a discount on your stay", by doing so hotels could circumvent the problem since they could advertise offers that OTA's could not replicate.

	Fatturato	Δ Fatt.
WEB ▼	79,367.71	+28.9%

Figure 3.9.3: Hotel Giolli's reports (VerticalBooking)

By the end of 2013 and the beginning of 2014 the anti trust gave the possibility for hotels to have the lowest price on their website eliminating the clauses on the OTA's

contracts which did not allow this. "The best price's clause, imposed by the hotel portal HRS constitutes an infringement of competition law. This was established by the Bundeskartellamt (the German Antitrust Authority) which banned HRS to continue applying the so called most favoured nation clause and ordered the cancellation of it from the contracts done with hotels from 1 March 2014. A similar procedure started against the portals Booking.com and Expedia, which use similar clauses in their contracts," (Guest Advisor 2014).

As soon as this occurred I set the normal rate on the Giolli's website 3.75 euro's below the rates offered on the OTA. This contributed to the 28.9% percent increase in sales on direct bookings. In any case, the parity rate clause, still has to be respected amongst OTA. This means that even though the official website has the lowest price Booking.com, Expedia, Hotel.de, Venere etc. still have to have the same price. This fact strongly affects hotels negatively. This is because they all take different commissions and the net to the hotel is different according to the OTA.

Expedia has 22% of commission on each booking while Booking.com only 18%, in hotel Giolli's case since it was amongst the very first partners the commission is 15%. If the parity rate has to be respected with an online price of 100 euro the hotel's net would be of 78 euro for Bookings deriving from Expedia and 85 euro for Booking.com reservations. The most logical thing would be for OTA to have a parity in commissions but unfortunately it is not like this since they are 'big' and have the upper hand. If hotels do not respect this parity rate and input higher prices to the most expensive OTA that OTA will automatically (trough the use of algorithms) lower the rank of the hotel affecting its turnover.

URGENTE: Posizionamento inferiore nei risultati di ricerca e riduzione della visibilità per Hotel Giolli Nazionale

Rosa Manocchio
A administration@hotelgiolli.it
5/11/2014 23:02

Gentile Francesca Lasalandra ,

La nostra proficua collaborazione si basa sull'essere in grado di fornire ai clienti che cercano un hotel nei nostri siti le tariffe e la disponibilità migliori. È un vantaggio per voi, che ricevete più prenotazioni per la vostra struttura, ed è un vantaggio per i clienti, che hanno la sicurezza di trovare le tariffe migliori confrontando i vari hotel. Purtroppo abbiamo verificato che **Hotel Giolli Nazionale** non sta fornendo la disponibilità e le tariffe migliori per alcune o per tutte le vostre stanze. **Dal momento che la qualità della vostra offerta ai consumatori è ridotta, la vostra visibilità e il posizionamento nei risultati di ricerca in tutti i siti dei brand del gruppo Expedia è peggiorato, mettendo a rischio il vostro fatturato con Expedia.** Riteniamo che entrambi questi provvedimenti comporteranno una riduzione nel traffico verso la vostra pagina dei dettagli hotel.

Figure 3.9.4: Expedia alert email, source: Hotel Giolli

The figure on the left (fig. 3.9.4) is an example of an email the hotel would receive the above mentioned case where the parity rate is not respected. The parity has to be respected also in regards to the availability and the room typologies. Hotel Giolli is offering the same prices and availabilities on Expedia and Booking.com but not the same typologies. On Expedia the hotel is not selling quadruple rooms. This is because the hotel has few quadruple room and wants to sell them at the best profit possible but does doing so counter balance the losses made due to the decrease of popularity on Expedia? To answer this question I will offer Expedia the same exact typologies offered on Booking.com and monitor how sales go for a year in order to see if there is a significant change in sales or not.
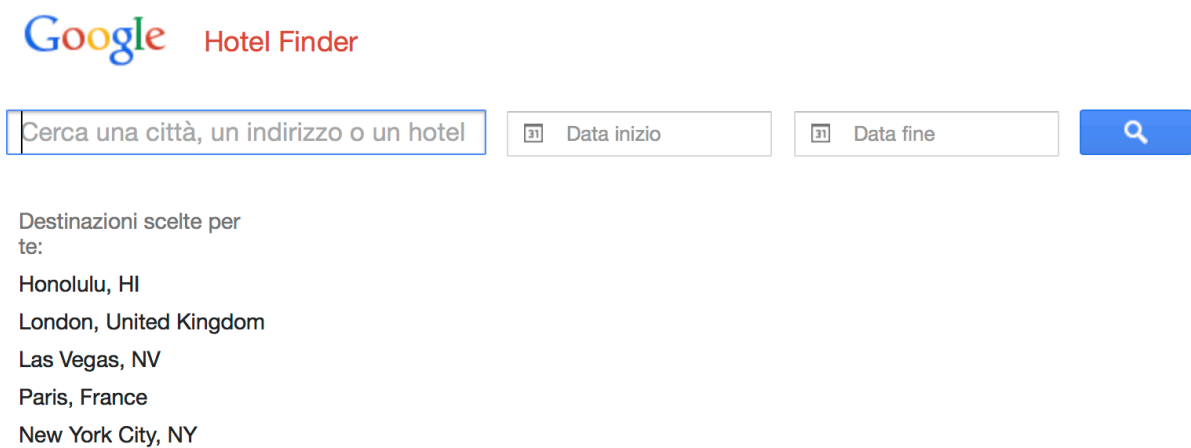

Figure 3.9.5: Google Hotel Finder

Hoteliers hope that Google Hotel Finder overtakes the fame of Booking.com and Expedia. An hotel's channel manager can interface with Google Hotel Finder and transmit the prices directly. This would mean that users can book the hotel directly commission free.

3.4.2 Tour Operators, F.I.T rates and B.A.R

Tour Operators are wholesalers form which small travel agencies buy rooms from.

Due to the many intermediaries the collaboration with them involves the commissions are the highest, up to 30% mark-up form the hotel's net price.

Business should be organised in a specific way when working with TOs. Since each TO is usually dedicated to specific markets and since the booking window is usually

very high (bookings occur on average 2 months before arrival) the F.I.T (for individual traveller) rates should be as low as possible for that time period. This permits the hotel to build a base of occupancy in great advance so it can then increase the ADR through the B.A.R (best available rate). Tour operators traditionally work with allotments and F.I.T rates which are simple static rates for people travelling individually and not as a big group where tariffs are generally lower. Allotments are the number of rooms which the hotel has contracted to leave for a specific TO and the release period is the number of days before the arrival date that the TO can book a room. For example: if a hotel contracts 2 rooms in allotment with 7 days of release it means that it has to leave 2 rooms per days for that TO which can be booked before 7 days of the arrival date. Allotments are important for TO's since they have to advertise offers and hotel room in brochures which are printed in large quantities at the start of the year. This is because the TO has to be sure that they will have a minimum amount of rooms, available and guaranteed by the hotel. The sales/revenue manager will, or at least should, for an optimized collaboration offer lower rooms in allotment with higher release period in the high season and a higher number of rooms in allotment with lower release periods (maybe also 0 days) in the lowest season. At the end of each year he hotel has to see how many allotments have been sold by each TO out of how many they had available; the managers might want to take away allotments from those TOs that didn't sell many from the ones they had and assign more allotments to the TOs that sold them all. This control is fundamental in order to avoid handing out useless allotments, which could be sold directly by the hotel instead of remaining unsold.

Originally F.I.T were for allotments and B.A.R (fluctuating rates) were for the free sale method where the hotels chooses the quantity to sell and can close certain dates without being restricted to guarantee a specific amount of rooms. Nowadays F.I.T rates can be assigned to a free sale selling procedure and TO due to the presence of internet are working always more with B.A.R which are then published online to their own portals or on their extranet where travel agencies around the world can visualize the rates.

Hotel Giolli works with many TO and has contracts with them for both F.I.T and B.A.R.

A strong coordination and communication is necessary amongst the hotel management, usually the sales manager, and the contract managers in order to

monitors sales and take amendments to the contract if necessary. For example, last week I received a call from Hotusa's contract manager for the area of Rome. He was telling me that the TO (Hotusa) was selling a lot from the B.A.R contract and almost nothing form the F.I.T contract and suggested several amendments in order to boost sales for the F.I.T contract since it involves publishing the hotel in a different market to the one of the B.A.R contract.

If there is no communication amongst TO and hotels also on a weekly basis, at the end of the year the hotel might choose to decrease or take away all allotments from a specific TO due to the low amounts of sales. This could be a bad choice is the collaboration throughout the year was not optimised with efficient collaboration. If, however, the is consistent communication and improvements to the collaboration and still sales from allotments are low then it is case to go ahead decreasing allotments and trying to allocate them to other TO's which sell more or even better try to sell those rooms directly.

3.4.3 G.D.S (Global Distribution System)

Global Distribution System is the system through which travel agencies around the world can book hotels and flights. The first one ever developed is Sabre in the 1960 by American Airlines so that travel agents around the globe could purchase electronic tickets for the company. United Airlines introduced Apollo which is now called Galileo as their distribution system in 1971 and in 1987 as an alternative to American distribution systems Air France, Iberia, SAS and Lufthansa developed Amadeus. Worldspan is the latest amongst the most known GDSs which has been developed in the 1990. Many companies nowadays works as GDS representatives and provide hotels with a platform from which they can load their rates and offers to be displayed by travel agents. Globres and Pegasus solutions are an example of GDS representatives, which take an small commission on every booking made. "The PMS communicates with a GDS through a *consolidating system* (belonging to so-called *switch companies)" (*Talluri, 2003)*. Pegasus is a switch company or, as called before, a GDS representative.

Hotel Giolli has Pegasus as its representative and is visible on all the main global distributions channels (Sabre, Amedeus, Galileo & WorldSpan).

3.4.4. R.F.P's: Nexus and Lanyon

Pegasus solutions as almost all GDS representatives provides hotels and hotel Giolli with another platform from where the hotel can create agreements with companies which have employees which travel frequently. The most common platforms for R.F.P (request for proposal) are Nexus and Lanyon.

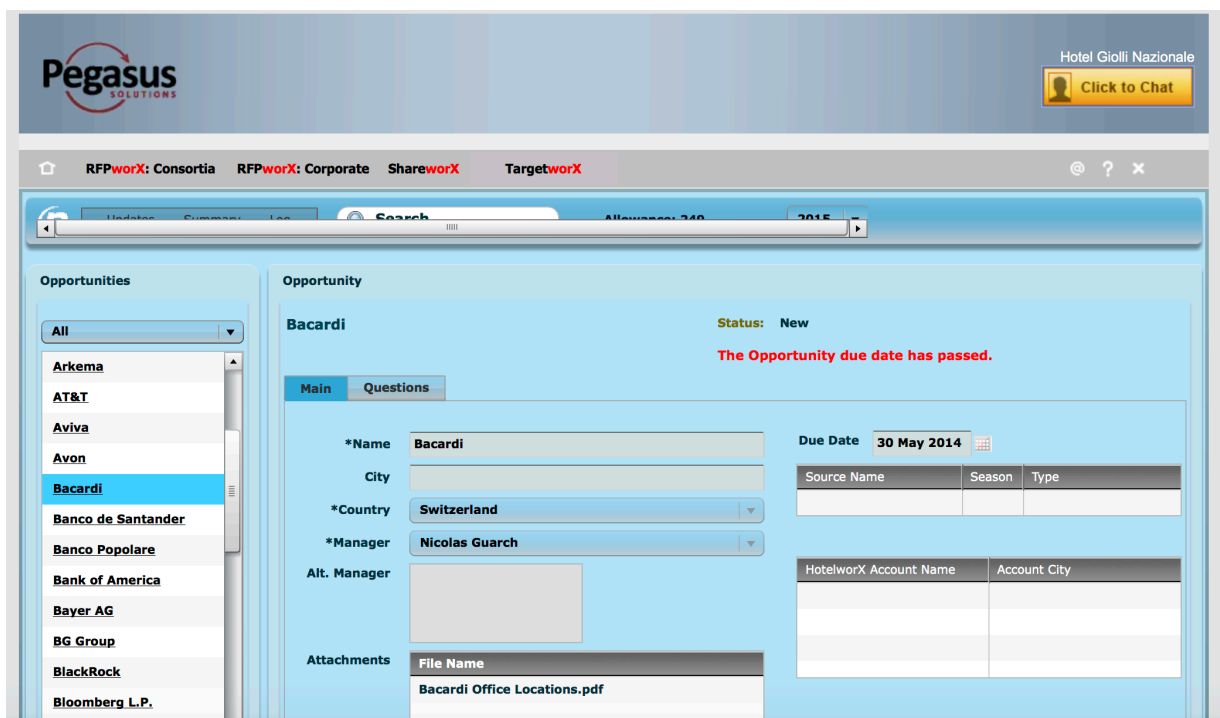Pegasus solution adopts Nexus as its platform from where hotels can search for companies and can be searched from companies in order to establish agreements.

Figure 3.9.6: Hotel Giolli's Nexus account

The figure above (fig. 3.9.6) illustrates the Nexus platform which is offered by Pegasus to its clients. On the left we can see a list of multinational companies which have many employees which travel a lot. By clicking on the company name the hotel can visualize details of the eventual collaboration, it has to know first of all if the company has offices in the city were the hotel is situated and if so it has to check if it satisfies the company's requisites that are displayed on the platform. If so, the hotel has to answer several questions, which are displayed in the below figure (fig. 3.9.7) and submit them to the company which, will then decide to reject or accept the agreement. If the agreement is accepted, Pegasus Rate Solicitation Team will create the rates for each room typology in the system. In the case of hotel Giolli which has

softwares which are interfaced to one another the company can book the rooms once the agreement is 'live' and the reservation will pass through the channel manager and directly into the PMS where the receptionist will just have to assigned the room type.

Figure Figure 3.9.7: Hotel Giolli's Nexus account

Throughout the years if and only if a very strong relationship forms between the hotel and the company with which it has an agreement there is the chance that the agreement can be re-contracted directly without passing through Pegasus or other representatives avoiding the Nexus costs. However this is very difficult, it is more likely that the hotel can develop a strong customer loyalty with the company's employees resulting on an improvement of the hotel's reputation online and offline and on the long term, direct bookings can benefit from many strong and long lasting RFP agreements.

Conclusion

The topic of this thesis on how an hotel can increase revenues and direct bookings keeping in mind on how an hotel in Rome has developed in the past decades in regards to its procedure and structure. I chose this topic since I work in a family owned hotel and this sector has always aroused my interest. Not only because I like to be in contact with many different people form many different nationalities every day but also because I love applying information technology to the business in order to alter the organization in a more fluent and (almost) mistake-free structure. For these reasons I chose to write a thesis on only some of the most important aspects I learnt in the past years on how to achieve certain goals.

With this works I wanted to put together all the ultimate necessary adjustments most hotels are coping with in order to create a sort of guide explaining all the most important actions that should be undertaken by hotels conducting business in the market of Rome.

The question I wanted to answer with the gathering of the information present in this thesis is if such actions that I think should be undertaken by more hoteliers did have an influence on the overall turnover of the hotel Giolli. Considering that most of these actions have been implemented from 2010 onwards and that revenues from 2010 to 2014 reached the levels of the pre crisis I strongly agree and conclude by saying that the adjustments the Giolli took positively influenced revenues. From 2008 to 2010 hotel Giolli revenues strongly decreased to the lowest ever especially due to an always less frequent American customer which usually was the core customer with very high average stays. The following 4 years even though Rome and Italy had not at all recovered from the crisis, hotel Giolli managed to retake its lost revenues by having implemented the adjustments explained in this dissertation.

In comparison to the existing literature on the topic my thesis explains more or less the same points, there are however on the contrary, many other literatures which place more emphasis on some topics rather than other or also completely ignoring some topics.

I clearly chose this empirical case of the Giolli hotel since I have in depth knowledge of how this business works and operates and I also have available data which I reported in this dissertation which I know is 100% reliable. This choice evidently brings many advatages to the quality of the information and statements I reported

since it is extremely accurate and most importantly working in this business I know how to compare data and what to exclude when comparing the data. For example when comparing some data there could be some variables that should be omitted maybe due to the fact that they simply would not provide a trustworthy evaluation when considered and the choice of this hotel for my empirical study permitted me to take this into account.

By writing this thesis I have rethought on all the work I have preformed in the previous years and this permitted me to highlight the overall trend of hotels in Rome which are all converging to the techniques, methods and organization structures I have mentioned. Clearly each hotel has its own situation and especially the business organization is customized in each hotel but the overall direction and scope amongst the methods and procedures is becoming always more similar.

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