

**How to Choose a**  
**HOTEL**  
**CHANNEL**  
**MANAGER**  
**in the Metasearch Era**



*How to Choose a Hotel Channel Manager in the Metasearch Era*

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Timofey Tarafin / picfair.com

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Hotel distribution continues to be one of the more complex ecosystems within travel. Much of that complexity can be attributed to the industry's fragmented ownership and management structure which, among other things, has resulted in a lack of meaningful investment in technology and innovation.

Until recently, the major brands' primary focus has been on hotel development and room growth. It's only been within the past few years that discussions around distribution ever made it to the C-suites—and that was after hotel owner groups funded their own study on the rising costs of distribution and customer acquisition, and started to raise the topic's visibility to the highest levels.

# Independents have it harder

Whereas branded hotels can, in some respects, rely on their brand to reduce much of the complexity (and costs), independent hotels don't have the same option.

Decisions around web/mobile development, digital marketing, property management system (PMS) connectivity, revenue management system (RMS) capabilities and distribution of hotel content,

rates, and inventory can be daunting. Not to mention identifying, negotiating with, and managing a wide range of potential distribution partners.

Given that a discussion on all the complexities of hotel distribution could fill a book (and in fact, has), this report will attempt to focus on third-party distribution to, and management of, metasearch channels specifically for independent hotels worldwide.



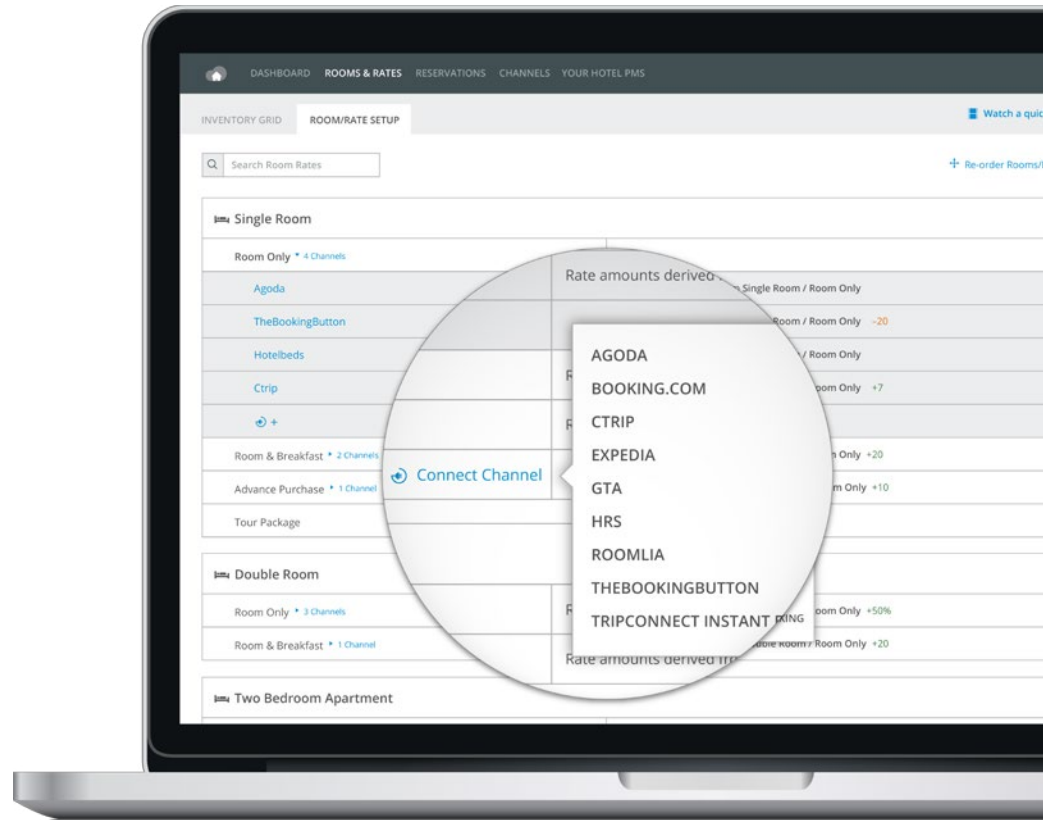
# The rise of metasearch as a marketing channel

Over the past several years, metasearch has become one of the primary channels that consumers use to search for hotels. You may think you already know metasearch. But to make the most effective decisions about it, you should think of it as an online marketing channel.

In its purest sense, a metasearch platform is a lead-generating platform that enables a hotel to display (on heavily-visited websites and apps) the rates available by booking directly with it—aggregated alongside prices from other online points of sale.

That said, many metasearch players are moving to a “hybrid” model, where they now offer booking capabilities (i.e., Book on Google, TripAdvisor TripConnect) within the metasearch site, though the actual booking is still managed and serviced by the supplier (or by the online travel agency (OTA), in some cases).

Metasearch requires real-time (or cached) rates and availability, and is based either on a CPC (cost per click) or a CPA (cost per acquisition, or commission-based) model. Often, metasearch customers are far more qualified than OTA customers once they get to your site because they have already done some price-comparison—resulting in higher conversion rates.



For these reasons, metasearch should be an integral part of any hotel’s distribution strategy, as it can drive direct bookings, grow brand awareness, and potentially result in lower distribution costs.

For independent hotels, there are several options for gaining access to the metasearch players.

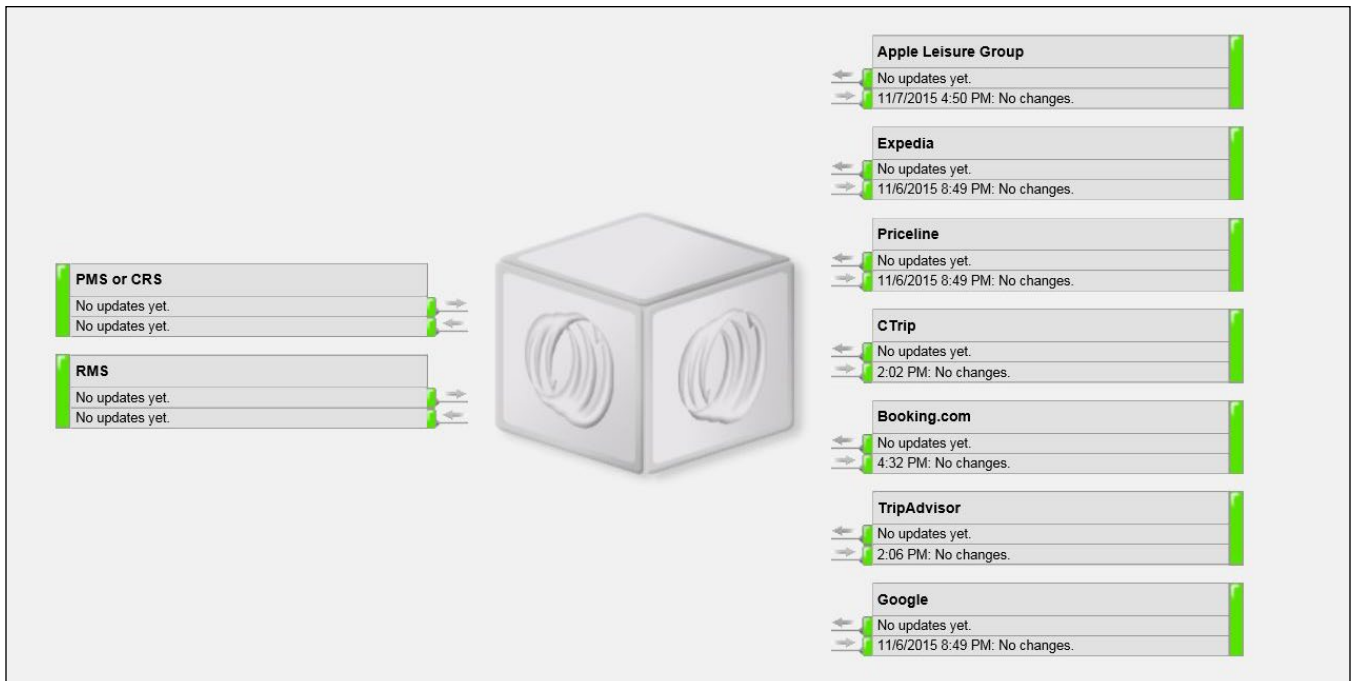
Which approach is taken should be measured against an overall distribution strategy that would include decisions around other desired channels, such as Global Distribution Systems (GDS), OTAs, loyalty programs,

website/mobile approach, etc.

Depending upon the strategy, options could include partnering with a major hotel company’s “soft brand”, signing with a major central reservations system (CRS) provider or representation firm, or using one of the many channel manager tools. Each of these provides varying levels of distribution solutions and support.

Your decision on which approach to take (and which channels to distribute in) should be based upon certain attributes of your hotel:





Screenshot with permission of HBSI

**Example of some of the integration possibilities of a channel manager.**

## Location

Are you in a major market that would benefit from managed travel business driven by the GDS? Or are you in a secondary or tertiary market? If your hotel is in a major market, then you might want to consider GDS distribution as part of your strategy. If so you will need an ability to manage that distribution, generally through a CRS provider or representation firm. If you are located along a highway or in a secondary or tertiary market, then you might be able to forego GDS distribution and the related costs associated with it.

## Size

Does your hotel have a sufficient number of rooms that would justify managing inventory across a wide swath of channels? There's a huge difference between having to fill 50 rooms per night and having to fill 200 rooms per night.

## Current website capabilities

Do you have a functioning website with a booking capability? That's essential to work with metasearch.

## Chain scale

Where does your hotel's average daily rate (ADR) place you (luxury, economy)? (GDS hotels tend to be higher up the chain scale, OTAs tend to book more economy/mid-market hotels.)

## Sophistication of operations

Do you have systems such as a PMS and/or a revenue management system (RMS) in place? Do you have staff to manage distribution and revenue management? Are you a sole proprietor with limited time and resources to spend on distribution-related activities? The less sophisticated you are, the more benefit a channel manager can provide. And if you have existing systems, you'll want a channel manager that can integrate with them.

## Budget

Do you have a budget for paid placement of online marketing efforts? Again, this is required for the CPC metasearch model, in particular. (A related issue is bid management; see more about it below, under "Key criteria for picking a channel manager.")

# When is a channel manager worth it?

So, when should you, as an independent hotel owner/operator, consider engaging with a channel manager? In my view, if you can answer yes to the following questions, then you should seriously consider engaging the services of a channel manager solution provider.

1. You have decided not to affiliate with a brand hotel chain, soft brand, or representation firm (based upon some of the attributes mentioned above).
2. You are already participating with one or more OTAs and managing your rates/inventory through an extranet.
3. You have developed, or plan to develop, your own website with booking capability. You also have the ability to develop deep links to specific landing pages for metasearch click-throughs.
4. You have an online marketing budget to drive customers to your own website.

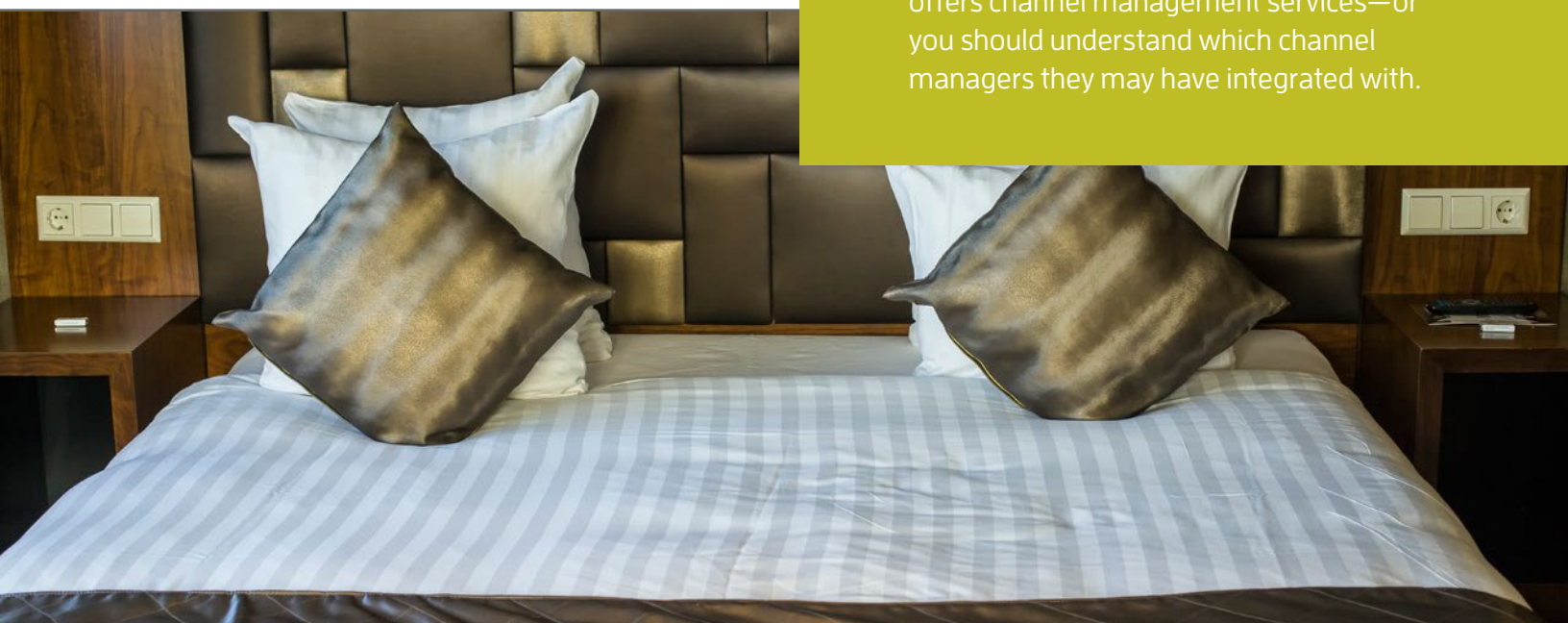
# Understanding your choices

Now that we've determined that a channel manager solution might work for you, the next step is to understand that the channel manager solution provider landscape is highly-fragmented (much as the hotel industry is), with a handful of global players and a growing number of regional players.

And while there are many "pure-play" channel manager solution providers, a number have expanded their offerings to include other products, such as website development/booking engine capabilities, while others have partnered with leading CRS companies to provide GDS connectivity.

Adding to the complexity, some providers who initially offered website development services have grown to offer channel management services (and, in some cases, web booking engines) as well.

If you currently have a third-party website booking engine, you should inquire about whether your provider also offers channel management services—or you should understand which channel managers they may have integrated with.



# Key criteria for picking a channel manager

Given that the primary focus of this report is on connectivity to, and management of, metasearch, we'll concentrate on key (not exhaustive) attributes to assess in a channel manager solution partner.

Grasping how different channel managers stack up against each other in the following areas will help you rank prospective solution providers.

And even if you have decided to use the services of a CRS provider, soft brand, or representation company, you might have need for a channel manager as well, depending upon with whom these companies connect.

## Distribution scope

The benefit of a channel manager is that it helps you do just that—manage channels. If you are currently participating in a number of OTAs through various extranets, a channel manager will help you automate the myriad manual processes associated with that endeavor.

So, not only can you get metasearch connectivity, but you may also be able to take other manual costs out of your operation.

For example, you could streamline the step of managing rates and inventory across multiple sites and skip having to manually enter reservations into your PMS.

At the very least, you want to be sure your channel manager supports all of the major OTA and metasearch partners that you currently, or plan to, do business with. This is especially true if you deal with regionally specific OTAs or metasearch partners.

## Connectivity capabilities

- **Shopping:** Most metasearch sites send real-time “shopping” requests and then present the aggregated results to the consumer. This can create a great deal of pressure on a hotel's booking engine. The channel manager must be able to handle these large requests and respond within microseconds. Some channel managers have developed their own “cache” systems, which reduce the load. It's important to understand the capabilities of the channel manager to respond to a high volume of

search queries, and to learn what percentage of metasearch requests they can respond to. You would want to ensure that the channel manager can respond to, at a minimum, 90% of the requests it receives.

- **Integration into a PMS/RMS:** Many channel managers have developed integrations with a number of leading PMS and RMS systems. At the very least, you want to be sure your channel manager solution has a one-way (reservation delivery) capability into your PMS, so you can eliminate the manual entry of reservations from other third parties. Ideally, there is a two-way integration, which allows you to map and then automatically feed rate/inventory updates from your PMS into the channel manager.
- **Hybrid models:** Given that the top metasearch sites (TripAdvisor and Google) now offer some form of “booking” option, you want to be sure your channel manager supports your ability to participate in this model. For example, dozens of channel managers have been certified by TripAdvisor as being compatible.
- **Booking engine:** Many channel managers have integration into website booking engines which enables you to manage your website rates and inventory along with those the channel manager distributes on your behalf. This helps ensure rate parity and rate consistency across these channels.



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Screenshot with permission of HBSI

## Bid management

Metasearch channels offer bidding models whereby different suppliers and OTAs may bid for listing positions or advertising space. The bid price (as part of a larger algorithm), determines the order of the search results on the metasearch site. Bidding is separate from the connectivity that enables metasearch sites to display accurate rates and availability.

Whereas the metasearch channels themselves typically offer a user interface (extranet) to enable a hotel to bid manually, most channel management tools do not directly offer a bid management capability but rather might partner with other providers to do so or, in some cases, offer online marketing support services which includes bid management.

While manual bidding could be a viable option for a single property or a small handful of hotels, this approach does not enable scalability or dynamic bid capabilities.

## Rate management and compliance

Channel managers provide a vehicle to effectively manage rates across a broad spectrum of third-party sites. Most support pooled inventory (providing all inventory on all of the online booking channels at once), and rate parity compliance (despite recent rulings in the EU, rate parity and so-called most favored nation (MFN) contract clauses are still very much a part of many OTA agreements).

Some channel managers can provide alerts to let you know when specific rate or inventory situations arise (price parity, low inventory, etc).

At the very basic level, understand how many rates you can manage, understand how many sites. Does the channel manager support minimum length of stay (MLOS), stop sell (an option that avoids cancelled rooms to be returned into inventory available for sale), closed to departure/arrival, minimum stay through, supplements and add-ons? Does it support multiple rate types including dynamic, static, allocations, free-sell, commissionable and net negotiated?

## Analytics and insights

What kind of analytics and insights do you need to more effectively manage your business? Most channel managers will provide you with dashboards and reports showing performance by channel. Some provide more detailed operational information, such as user logs and update history, as well as more detailed information around channel and rate/promotion activity.

## Costs

There are different cost models offered. Some channel managers charge a fee per room per month, while others offer a flat rate. Still others charge based upon the number of connections and integrations.

In addition to looking at the hard costs of a channel manager, you should factor in cost avoidance areas such as automating manual processes, as well as opportunity costs if you are unable to effectively participate with the metasearch model.

In other words, picking an adequate channel manager may mean you'll be able to capture more business directly from those sites and markets where you might not be able to compete today.

## Other solutions offered

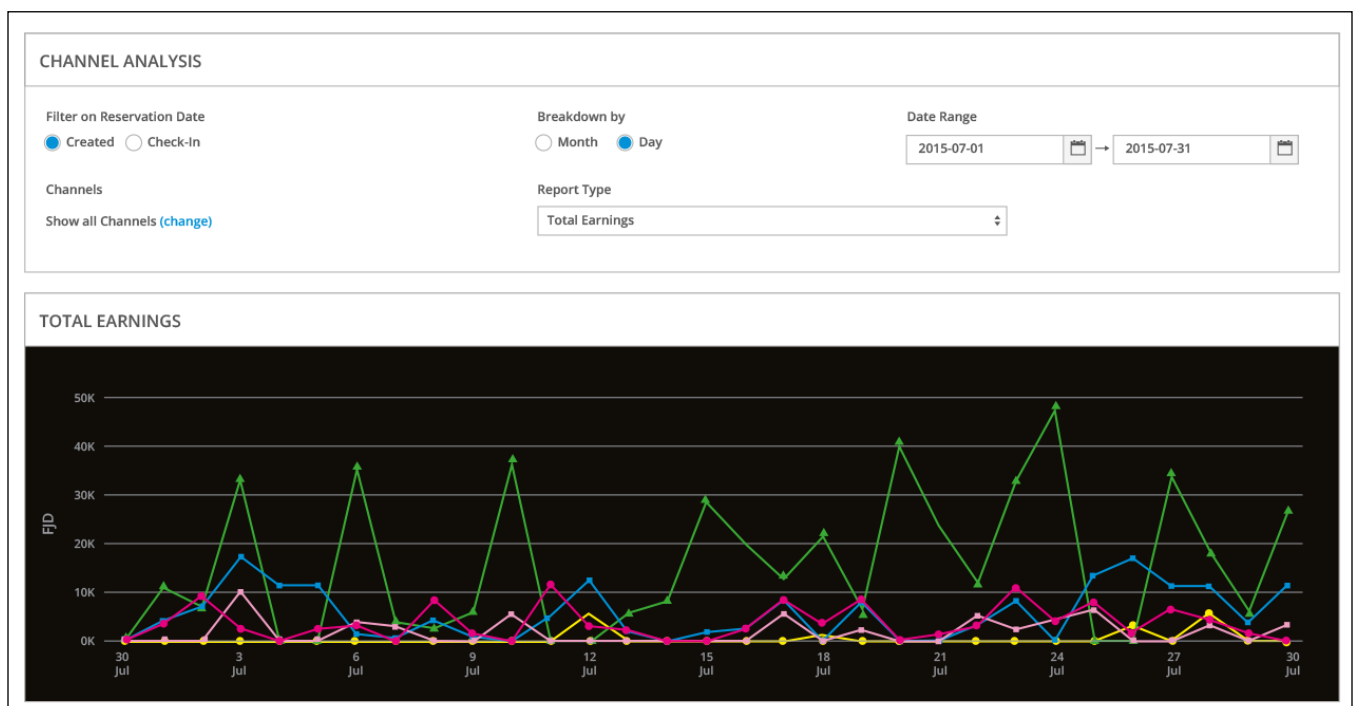
What other products and services does the channel manager provider offer? From website development and booking engines, to simple PMS/RMS capabilities, to online marketing support and services, understanding the broader scope of services of your supplier, and how these may benefit you (now or in the near future) is important.

As an independent hotel operator, it is generally much easier to obtain separate but related services from a single vendor than to manage multiple vendors that might require some type of integration or interface development.

## Global vs. regional

Given that channel manager technology and solutions are relatively young, the market is quite fragmented with few global and recognizable players. Some regional players provide a great solution for those hotels within their region.

Being able to give your staff access to customer support in your local language may be a reason to consider a regional operator, as well as only needing access to certain regional metasearch players or OTAs.



Screen shot with permission of SiteMinder

## Known brand vs. upstart brand

More importantly than “global versus regional” (and after factoring in the other above capabilities), you want to be sure your channel manager provider has a sustainable model (which is why lowest cost is not always the best), a competent management team, has sufficient capital for ongoing investments, and a responsive support model. (For example, do they provide support in your local language, during your local business hours?)

There is nothing wrong with asking a potential provider to reveal details of funding rounds, capital structure, product roadmap, organizational structure, or other related items. As important, references from current customers should be checked.

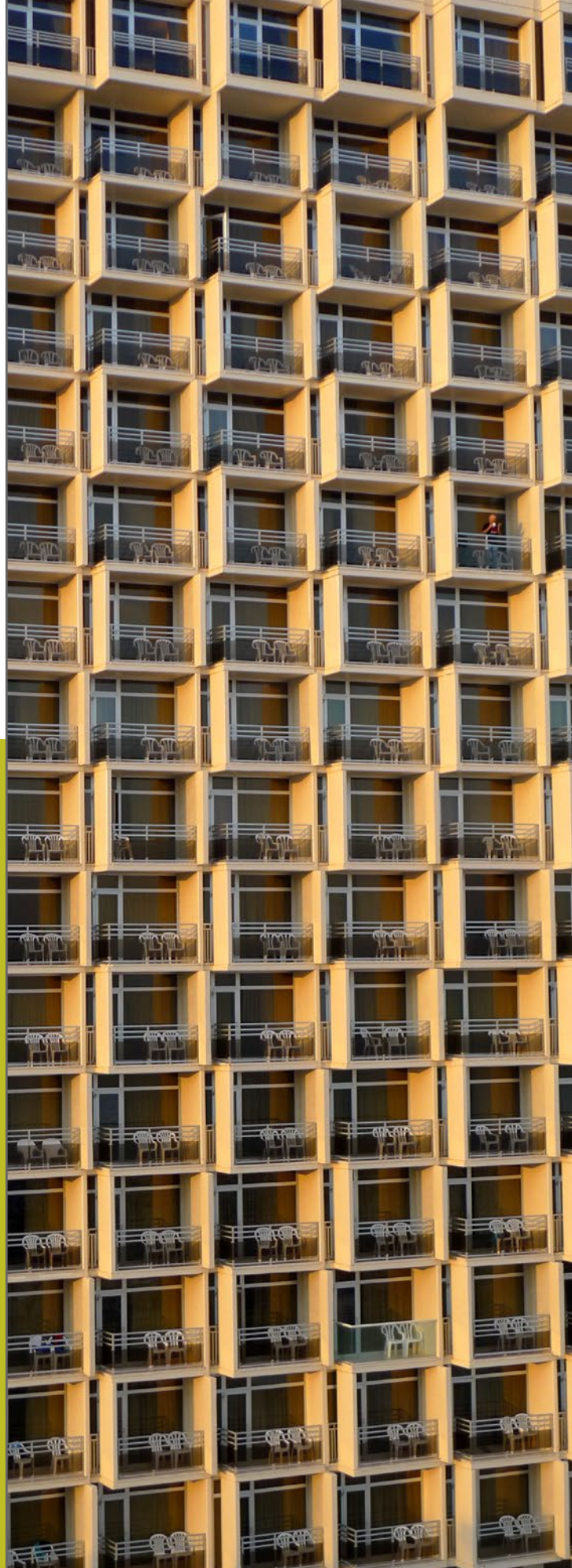
Justin LaBerge / picfair.com

## Conclusion

While the distribution landscape is complex and continues to evolve, the good news for independent hoteliers is that much of the investment and innovation in technology is centered on solutions to enable even the smallest operator to actively engage with, and have a presence in, the ecosystem.

Optimal (and global) distribution capabilities are no longer just within the domain of the major hotel brands. Whether you elect to go with a global player or a smaller regional player, whether you choose to single-source your web/mobile, booking engine, and channel management solutions or to use multiple vendors, you have good solutions at hand.

If you take away only one point from this report, let it be this: You need to actively manage and measure your distribution if you want to increase revenues, reduce manual operating costs, and broaden your global footprint.







## About the author

**Flo Lugli** is founder and principal of Navesink Advisory Group, LLC, which offers strategic business advisory and consulting services in the travel, hospitality, and related technology industries. Lugli has held executive-level roles with Wyndham Hotel Group, Travelport, WizCom, and Cendant Hospitality, and was recently recognized as one of the most influential women in hospitality technology by Hospitality Financial and Technology Professionals (HFTP).



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