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From the Center

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# Hotel Room Rates across Booking Channels

One of the key issues facing hotel marketers is how to rationalize room rates and availability through the many distribution channels, particularly those using the Web. Some chains encourage customers to book through their flag's Web site by offering "lowest price" policies. I'd like to share with you some of the findings from a recent report published by the Center for Hospitality Research titled "It Pays to Shop Around: A Comparison of Hotel Room Rates and Availability across Booking Channels," which I wrote with Alexandra Failmezger.

One purpose of our study was to find out the extent to which hotel chains room rates vary across the many distribution channels. To do this, we examined the rates and availability of rooms for four types of hotels in eighteen large U.S. markets across five booking channels. The distribution channels that we examined were the hotel flag's own Web site, the individual



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hotel's telephone-reservation desk, and three third-party sites: namely, Expedia, Orbitz, and Travelocity. Our final sample comprised 30 property-date combinations for the luxury segment, 35 for the upscale segment, and 36 for each of midmarket and budget segments, for a total sample size of 137 property-date combinations. Thirty-five flags were represented in our sample.

The chief finding that I will highlight here addresses the flags' consistency in offering the lowest price on their Web sites. Exhibit 1 illustrates this aspect of our findings. It shows the percentage of time that each of the five booking channels yielded the lowest-cost booking. It displays this information by property type and overall (in the last bar on the right). The higher the bar, the greater the percentage of instances that that channel offered the lowest price.

One notable finding is the consistency in performance of the company Web sites as a booking channel.

In our inquiries, the chains' sites "best-price batting average" never fell below .400 (that was for the luxury segment) and stood at .550 to .600 for the other segments. That is, in at least 40 percent of our inquiries for luxury hotels, the Web site gave the lowest price, and that statistic was 55 to 60 percent of the instances for the other hotel types. Travelocity also distinguished itself as a low-cost channel, particularly in the luxury and upscale segments.

If the chains' goal is to use low-price guarantees to encourage consumers to book on their Web sites, however, the job is only half done. Overall, the hotel flag's Web site yielded the best rate only about 55 percent of the time. From the perspective of hotel consumers, this result illustrates the importance of shopping around to find the best rate. From the perspective of suppliers of hotel rooms, the finding

illustrates that there is still a significant degree of disparity in rates across channels.

For each booking channel, the percentage of time that the channel yielded the lowest cost booking, by property type and overall.

The full report contains other graphs and tables and also examines our findings with respect to the other piece of the room-distribution equation, which is the availability of rooms across the five channels.

### Want Access to the Full Report?

You can find it on the CHR website at [TheCenterForHospitalityResearch.org](http://TheCenterForHospitalityResearch.org). You can read an executive summary of it, or if you are a registered user (for which there is no cost), you can download the full report in a PDF format. You will also find a wealth of other CHR Reports that examine critical industry issues like this one.

—G.M.T.

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