

Qualitative study of online hotel booking systems¹

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ABSTRACT

The explosion of online booking systems has completely changed the direct channel and contractual relationship between hotels and customers. From now on users have the choice of several distribution channels to book a hotel room. The objective is to study those different online booking systems and identify the best alternative from a customer's point of view. This paper is based on a qualitative study using a multi-attribute decision-making and fishbone methods, websites and articles analysis.

Third party websites have completely taken control of online booking systems to the detriment of hotel websites. Indeed, most customers are seeking several offers on a single website in order to find the best quality-price ratio with as little wasted time as possible. Even though the use of online booking systems seems very convenient at first sight, many studies show how risky those contracts can be for customers.

Once benefits and dis-benefits of online booking systems will be compared and analysed, the study will conclude on the importance for customers to use a direct channel and book their room on hotel websites.

Key words: Online Booking Systems, Hotel industry, Independent Websites, Distribution channels, Reliability of alternatives

INTRODUCTION

According to the Statistics Portal 2017 survey, 88% of Americans 78% of French book their hotel using Internet.² The first question that can be raised is the validity of this type of contract. Do online hotel bookings constitute contracts? Three aspects must be taken into consideration:

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² Statista Survey, (January 2017), *Distribution of adults in the United States by their preference of hotel booking online or offline in 2017*. Retrieved from <https://www.statista.com/statistics/666643/preference-of-online-or-offline-hotel-booking-us/>

- An offer
- An acceptance
- A consideration

The hotel offers the availability of its rooms to customers at specific dates. This later has the choice to accept the offer or to turn down on it. The lawyer Mark Pestronk announces "*a reservation is a binding contract consisting of mutual promises: the hotel agrees to provide the accommodation at the quoted rate, and the client agrees to pay.*"³

Consideration is the exchange of value on both sides. The customer ensures he will occupy a room and pay for it. Hotels make sure the room is available for the customer at specific dates. Consideration comes along with the payment or a deposit. It can take different forms such as money or promise. By sharing credit card information, the customer "promises" payment. If customers do not provide any information, there is no consideration. Once all conditions are fulfilled, acceptance is close. Online bookings definitely constitute a contract.

Hotels use the Internet to increase their visibility and attract customers. In a world where competition is increasingly tougher, different channels have been created to catch customers' attention and gain market shares. Online booking systems have complicated the direct contractual relationship between customers and hotels and can constitute risky contracts. By risk, it must be understood the "probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through pre-emptive action."⁴

To summarize, this paper seeks to answer the following questions:

- What are the different channels to book a hotel room online?
- What are the risks for customers to book their hotel on independent websites?
- What is the most efficient alternative for them?

METHODOLOGY

Once different alternatives will be highlighted, the study will aim at presenting the best option for customers. The multi-attribute decision-making method and the Additive Weighting Technique are used to analyze different alternatives customers have to book a hotel room online. Then the fishbone method will complete the study by summarizing the risks customers take by using third party websites rather than hotel websites.

1. Problem recognition, definition, and evaluation

According to a survey made by the Directorate-General for Competition, Consumer Affairs and

³ Mark Pestronk, (2017), *Travel Week*. Retrieved from <http://www.travelweekly.com/Mark-Pestronk/Eclipse-or-no-hotel-reservation-is-binding-contract>

⁴ Business Dictionary. Retrieved from <http://www.businessdictionary.com/definition/risk.html>.

Prevention of Fraud in 2013, recurrent problems come from independent websites: ⁵

- Additional costs because of conditions pre-admitted
- Lack information about the independent website
- Misleading advertising on the hotels
- No clear indication on complaint formalities

2. Development of the feasibility alternatives

- **Booking on hotel websites**

Advantages:

- Guarantee to get the lowest price to the customer and complete information about the hotel.
- Customers do not pay extra fees and take full advantage of leverage in case of cancellation or delays.

Disadvantages:

- Time-consuming to look on other hotel websites to select the best deal.
- **Booking on OTAs (third party)**

OTA is the acronym for Online Tourism Agency. Those travel websites, for instance, Expedia, Priceline or Travelocity, provide travel products to customers including hotel-booking options.

Advantages:

- Customers have access to different hotel deals and can choose the best option according to his expectations.

Disadvantages:

- Hotels pay fees to have their brand appear on those websites. Hotels view on OTAs is based on how much commission they pay to the OTAs.
- Lack of transparency
- OTAs and not hotels own information on customer's data. That is to say, it is more complicated for hotels to adjust their offer according to customers' needs.

⁵ DGCCRF, (July 2017). Les plateformes de réservation en ligne – hôtel et restaurants. Retrieved from https://www.economie.gouv.fr/files/files/directions_services/dgccrf/documentation/fiches_pratiques/fiches/plateforme_reservation_hotels_restaurants.pdf

- **Calling the hotel**

Advantages:

- Transparent process and high-quality customer services

Disadvantages:

- Time -consuming to call different hotels.

- **Booking at the hotel desk**

Advantages:

- Total transparency of the process
- Safety of customers' data

Disadvantages:

- Time-consuming

- **Emails**

Advantages:

- Transparent system
- Direct contact with hotels

Disadvantages:

- Usually not immediate answer

- **Global Distribution Systems (GDS)**

These are control software for travel services (hotels and airlines). They provide information to travellers such as prices, availabilities and so on. Hotels use them to get an overview of their customers, manage their stocks and supply chain. The biggest global distribution systems are Amadeus, Galileo, Sabre, Amadeus, and Worldspan.⁶

Advantages:

- Customers can easily compare prices, rates, services linked to the hotel industry.
- Incredible visibility of hotels

⁶ Business Dictionary. Retrieved from <http://www.businessdictionary.com/definition/Global-Distribution-System-GDS.html>

Disadvantages:

- High fees to be a member of a GDS. Only powerful hotel structure can afford it.

3. Development of the outcomes and cash flow for each alternative

Alternatives	Booking on Hotel Websites	OTAs	Calling the hotel	Booking at the hotel desk	Emails	GDS
Criteria						
Resources	1	3	1	1	1	3
Confidentiality risk	3	1	3	3	3	1
Information	3	1	3	3	2	2
Compliance risks	3	1	3	3	3	1
Indemnification	3	1	3	3	3	1
Time	3	3	2	1	2	3
Average	2.66	1.66	2.5	2.33	2.33	1.83

1= negative impact. The alternative is not reliable for customers.

2= medium impact. The alternative can be risky for customers.

3= positive impact. The alternative is very reliable for customers.

4. Selection of criterion

Resources: do customers have access to different options?

Confidentiality risks: Are customers' data protected?

Information: Is the information provided reliable and complete?

Compliance risks: is the alternative responding to all rules and regulations expected?

Indemnification: Are customers 100% sure to be indemnified if necessary?

Time: Is the alternative time-consuming for customers?

FINDINGS

5. Analysis and comparison of the alternatives

From a customer view, booking a hotel room online directly on the hotel websites is the safest alternative in terms of personal data, transparency of information and general protection of the customer. However, they do not provide different options and the customers will have to navigate from a hotel website to another one. This process can be time-consuming but customers make sure they have access to right information and do not take any type of risks.

Concerning calls and going to hotel desks, they are safe options as well but, similar to the alternative below, it can be very time-consuming for the customers.

Comparison of OTAs and GDS

GDS is usually referred as the ‘ancestor’ of OTAs. It is now less common to use them. It is more popular for hotels to directly use OTAs to ensure a greater visibility. Hotels must pay commission to have their offers submitted on OTAs or GDSs. Commissions are more or less similar. However, OTAs tend to be denounced for their deceptive contracts. In France, in 2011, Expedia had to pay 400 000 euros for deceptive commercial practices.⁷

OTAs provide the riskiest contract for customers. Customers’ personal information is not always safe; the lack of transparency in their processes can also damage customers’ “protection”. Hotels visibility does not only depend on the quality but also on a percentage of commissions paid, regularity of payment, negative customer feedbacks and so on. And so the visibility of offers is not really fair but depends more on the relationship between the hospitality industry and the third party website.

6. Selection of the preferred alternative

Booking a hotel room online using direct channels is definitely the best option customers can use. How much better is this alternative? By calculating several Additive Weighting Technique ratios, we get the following results:

⁷ Aude Lenoir (October 2013), Réseau Veille Tourisme. Retrieved from <http://veilletourisme.ca/2013/10/16/hoteliere-ce-que-vous-devez-savoir-sur-les-agences-de-voyages-en-ligne/>

	Calculation	Results
Hotel websites compared to OTAs	$2.66/1.66*100$	160.24 %
Hotel websites compared to calling	$2.66/2.5*100$	106.4 %
Emailing compared to hotel websites	$2.33/2.66*100$	87.59 %
Hotel websites compared to GDS	$2.66/1.83*100$	145.35 %
OTAs compared to GDS	$1.66/1.83*100$	90.71 %
OTAs compared to emailing	$1.66/2.33*100$	71.24 %

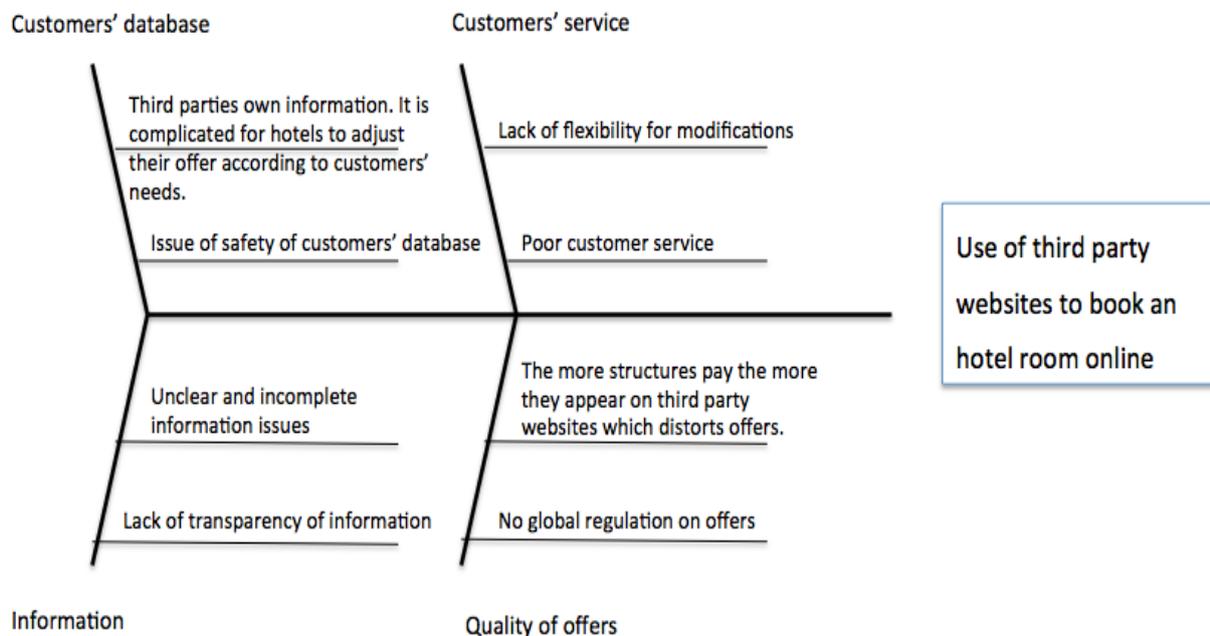
From those ratios, alternatives can be ranked. There is one single best solution; to book a hotel room directly on the websites. For instance, to book a room directly through a hotel website a better option by 160.24 % compares to book through OTAs. From the table above, it can also be concluded that emailing is a poorer option for customers than booking directly on the websites by 87.59%

Calling hotels, sending an email and going to the hotel desk can be gathered. They are a very safe process but very time-consuming on the other side. Booking on OTAs and GDS represent less safe options for customers. Even if they provide a lot of information and options, they are not advised in terms of risks for customers.

7. Performance monitoring and post-evaluation of results

According to the fishbone diagram below, third-party websites present negative aspects that can be gathered into four categories.

Fishbone Diagram: risky alternatives induced from booking on third party websites



Customers' database belongs to those independent online systems. Hotels have fewer opportunities to review customer's feedbacks, adjust their services and so propose the best offers to the customers.

Concerning the information provided, third parties can present issue with the following aspects:

- The tariff parity is not always respected. Third parties can add extra charges before the final payment of the customer.
- Hotels are supposed to provide to those third parties the same number of rooms. Risk of overbookings can occur. Plus, once all rooms are booked on the independent websites, it is usually written that the hotels are full whereas only rooms available on the websites are all booked.

Customer's services are usually very poor on third party websites. Indeed it is much more complicated to reach someone in case of questions. The relationship between customers and those platforms is very distant and virtual?

Finally, the major issue remains on the absence of a global regulation that would protect more customers. Abuses come from this primordial aspect and weaken contracts between customers and those independent websites.

CONCLUSION

The development of online booking systems constitutes a total revolution. Their impacts are both positive and negative for customers and hospitality industry. Third party websites represent great opportunities for hotels since their offers are increasingly more visible on the web. It compensates commissions they must pay to have their services on online booking systems. From customers' side, they have access to many options, whether it is through OTAs or GDS. The facility of use of those channels and their easy accessibility make them very attractive. They totally respond to customers' needs and requirements.

The fact that those third parties have weakened contracts with customers cannot be denied. The unclear definition of actors causes risks and uncertainty. For the moment, online travel agencies keep their position of leaders because many hotel market shares dependent on those independent websites and customers look for timeless processes with as many options as possible. However, in response to many cases of abuses from those channels and in order to provide a better protection to customers, contractual clauses are increasingly tougher in many countries.

The other options such as mailing, phoning or going to the hotel desk can be very time-consuming for users. Even if customers have only access to one offer, it is definitely preferable and less risky to book their hotel room on hotel websites and use a direct channel.

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