

## CASE STUDY: ONLINE INTERNET DISTRIBUTION COMPETENCY, U.S. AND CHINA HOTEL COMPARATIVE

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### ABSTRACT

A synergistic relationship between online distribution and revenue management is paramount in achieving effective top-line revenue growth in the hospitality industry. The deployment of effective revenue management strategies within the dynamically changing online distribution network is fast becoming a significant discipline in hotel and lodging operations management. Because the inherent characteristics of electronic distribution are linked directly to evolving technology and consumerism, increased levels of investment in systems technology and human resources is required for marketplace survival. This case study captures and analyzes the deployed online distribution strategies of hotel accommodation suppliers in two global tourism destination markets, Guangzhou, China and San Francisco, USA.

This case study analyzed The Garden Hotel Guangzhou against the Parc Fifty-Five Hotel in an online distribution comparative. The study compared and contrasted the following criteria: Online presence evaluated within the context of four key performance attributes: (1) reach, (2) consistency, (3) content, and (4) price parity.

Keywords: Revenue management, e-commerce, web-bookings, electronic channel management, hotel distribution

### INTRODUCTION

This paper constructs a Competency index of online distribution presence for independent hotel properties. The online travel distribution model of today is comprised of inter-relationships and motivations between consumers, travel intermediaries, GDS's and airline suppliers (Rizzuto, 2006). The Asia Pacific region is one of the fastest-growing travel markets in the world (Eyefor Travel, 2007). Specifically, the Asia Pacific online market is expected to grow to US\$26bn in 2007 from US\$16bn in 2005 and contribute more than 30% of the total global expenditures on travel. Moreover, local-language websites and booking engines are expected to be key growth drivers for the online travel market in Asia Pacific (Eyefor Travel, 2007). Currently, China is the world's sixth largest tourist destination and the World Tourism Organization has predicted that China will be the world's largest tourist market and destination by 2020. China will host the 2008 Olympics in Beijing, followed by the Shanghai World Expo in 2010 (China's Challenges, 2005). A 20-year tourism plan developed by China estimates that by 2020 the country's tourism revenue would exceed 3.3 trillion Yuan (China's Tourism, 2002). Based on changing traveler dynamics and tourism migration patterns impacting channel migration, Asian markets are predicted to increase online booking transactions by tenfold; predominately domestic based customers. Emergence of more online corporate travel and the importance of online pricing management segmentation strategies will only rise in importance (Blume, 2005). The influx of new hotel project development within the APEC region places a greater responsibility for hotel supplier inhabitants,

particularly in China, to augment their current online distribution strategies. China has 782 hotel projects in the construction pipeline representing 222,591 rooms. China accounts for 50% of all planned projects in the Asia-Pacific region and 60% of all guestrooms. China's burgeoning pipeline has begun to unfold, as 598 projects / 173,080 rooms or 78% of China's total pipeline – are presently under construction. It means the pace of new hotel openings will quicken markedly, as 141 projects / 35,380 rooms are expected to open in the second half of 2007, and 336 projects / 87,491 rooms in 2008 (Lodging Econometrics, 2008).

## **APEC ONLINE MARKETPLACE**

The total hotel booking market in the APEC region in 2006 was worth US\$70 bn. However, only 6% of that was online. The pure e-commerce model, where purchase and electronic fulfillment are completed seamlessly through the web, is not yet a reality in most APEC markets except Australia. Aggressive efforts to increase online sales are still lacking considering the huge potential for increased top-line revenue in the market. In response to the market growth in Asia, multinational OTAs are working closely with APEC airlines and hotels intent on delivering world-class e-commerce operations and innovative online services including e-ticketing, check-in, and virtual call center support. Because of the growing travel market in APEC countries, major OTA brands (Expedia & Travelocity) have recently boosted their investment in both infrastructure and human capital in order to capitalize on the upward trend (Eyefor Travel, 2007). A significant number of independent hotels in the region lack the investment in their own website technology and rely on OTA's for online bookings. Chain-affiliated hotels manage only 10% of the room supply; the rest comes through indirect channels such as OTAs (Eyefor Travel, 2007).

Research indicates, the market share leader for OTA business in APEC is Global Travel Pte Ltd, accounting for 2.1% of the total market. Ctrip.com is the second-leading OTA, accounting for 1.5%. The top five OTAs in Asia Pacific hold 7.6% of the total OTA APEC market (Eyefor Travel, 2007).

**TABLE 1 APEC- Leading OTA Market Share FY 2006**

<b>OTA</b>	<b>Total Revenue (US\$ MM)</b>	<b>% of APEC OTA Market (based on revenues)</b>
<b>Global Travel Pte Ltd. (Singapore)</b>	\$100	2.1%
<b>Ctrip.com (China)</b>	69	1.5
<b>Travel.com.au (Australia)</b>	68	1.4
<b>Webjet Ltd (Australia)</b>	61	1.3
<b>Raukten Travel (Japan)</b>	60	1.3

Within China, the top two OTAs, Ctrip.com and eLong, Inc., together command almost 6% of the total online travel market. Ctrip.com is more than double the size of eLong, Inc., with revenues of US\$69.2 MM in 2006, making them the number one OTA in China. To widen their reach, OTAs are marketing online penetration through popular travel sites. News websites, lifestyle portals, general search engines, and health and academic websites are becoming targets for online marketing. Recently, Ctrip.com partnered with MSN in January 2007 to take advantage of more than 20 million MSN instant messenger users in China with the goal of converting them into potential customers. At present, Ctrip.com has monthly hotel room booking volumes of 500,000 room nights and expects this volume to expand following partnership

relationships with Google. Additionally, in August 2006, China Airlines and OctopusTravel.com entered a partnership to sell hotel rooms online through their airline's website while China Airlines aims to provide one-stop-shopping online travel solutions in the Chinese market (Eyefor Travel, 2007).

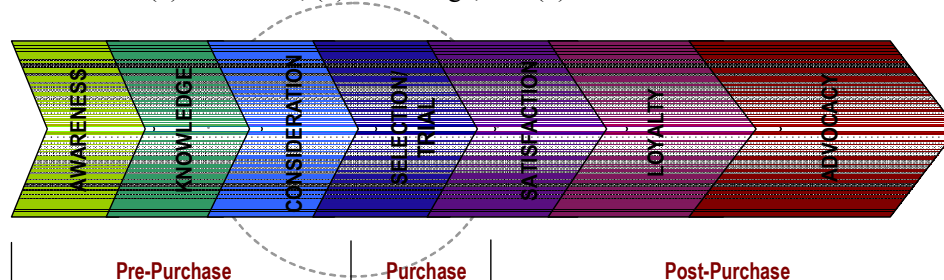
Recently, the two leading Search engine platforms in China, Qihoo.com and Qunar.com, formed a strategic partnerships to deliver innovative travel capabilities, combining search engine functionalities with real-time pricing information for airline and hotels (Hotel Marketing, 2007).

Although heightened Internet marketing activities will contribute to increased online travel bookings in Asia, fundamental challenges exist which need to be addressed: (1) low credit card penetration, (2) less GDS connectivity, (3) poor infrastructure and property management systems (Eyefor Travel, 2007). Researchers Pine, Zhang, and Qi (2005), have indicated indigenous Chinese hotel companies can benefit from more refined marketing network capabilities, reservation technology, and managerial expertise to successfully address the needs of an expanding tourism industry. Travel and Tourism industry leaders have commented on the limiting factors associated with the online distribution practices in Asia surrounding the following areas: (1) poor or inappropriate content, (2) poor and non-existent integration of marketing message, (3) increased abandonment rates, (4) lack of scalability and reliability of the online sites (Spiteri, 2007).

## ONLINE DISTRIBUTION

Research on the topic of Competency and online distribution presence of independent hotels is rarely discussed. Competency and evaluation criteria of hotel distribution presence is lacking. Currently, components of revenue management are evaluated by selected criteria, however, they lack a coherent approach to overall online distribution presence. Major brand hotels evaluate revenue management by evaluating the alignment of overall revenue sources to their individual property marketing strategy (Chua, 2005) They also measure revenue management effectiveness though the lens of best rate guarantee performance, unique experience packaging, promotional and discount rate fencing, and up-selling modifiers built into their online revenue management strategy (Chua, 2005).

The rationale for our study was to establish a competency index capable of providing hotel operators a framework for developing their online distribution strategies in order to maximize revenue capture and improve yield. We believed a critical element of online distribution presence begins with understanding the customer continuum model (Ryan, 2001). Within the customer booking continuum there are several key areas ranging from awareness to advocacy. The focus of our study examined pre-purchase and purchase online distribution presence in three of those areas: (1) awareness, (2) knowledge, and (3) consideration.



**FIGURE 1: CUSTOMER CONTINUUM**

Multi-national hotel corporations and hotel revenue managers have recognized the importance of the customer continuum in the online product selection process and the impact it can have on financial returns. As consumers continue to move online, airline competition is stimulating overall demand for leisure and business travel. Therefore, content providers are reaching out to the end consumer directly through websites and other channels (Rizzuto, 2006). Global distribution technology and marketing sophistication is increasing along the realm of dynamic packaging and exploration of revenue management systems to improve inventory management, channel pricing, and pricing optimization based on demand forecasting (Eyefor Travel, 2007). The hotel industry lacks a clear methodology to measure online distribution effectiveness, however, certain hotel chains evaluate online distribution performance by evaluating the customer values through the indexing of the overall revenue source market to the individual properties' overall marketing strategy (Chua, 2005). They also measure effectiveness through the lens of best rate guarantee performance, unique and experience packaging, promotional and discount rate fencing, and up-selling modifiers built into the online revenue management strategy (Chua, 2005).

### **MAIER-THIELBAHR COMPETENCY INDEX (RCo<sup>2</sup>P)**

Due to the absence of a consistent and compelling evaluation tool designed to measure online distribution Competency and presence, Maier and Thielbahr have created the RCo<sup>2</sup>P Competency Index. Online competency and presence is evaluated within the context of four key performance attributes: (1) reach, (2) consistency, (3) content, and (4) price parity.

#### *Reach*

This measures a properties representation across multiple, relevant travel websites (referrer), where a referrer's relevancy is determined based on their share of unique visitor traffic within the online hotel distribution. A hotel that scores high in the Reach key performance attribute criteria is one that is represented across multiple online lodging travel intermediaries. With this online customer behavioral dynamic in mind, the financial impact of absence on a strong referrer site can unfavorably impact the effectiveness of a hotel's online distribution strategy.

#### *Consistency*

This measures a properties ability to represent their hotel with the same presence and marketing message across multiple referrer sites. While the emergence of the Internet has cut search costs and improved product options for online customers, it has also exposed suppliers to customer confusion. Customer confusion leads to negative externalities and lost business. Hotels who represent themselves across multiple referrer sites with the same presence and marketing message convert a greater share of online booking opportunities. A hotel that score high in the Consistency key performance attribute criteria is one that distributes the same marketing message and content presentation across multiple online lodging travel intermediaries.

#### *Content*

This measures a properties communication and product representation across multiple referrer sites. With diminishing search costs and the improved capability to search online, hotels must stay relevant with their content in order to stimulate Internet users. Stagnant content, particularly photos, represents a barrier to booking

for a hotel. Simultaneously, virtual tours and multiple language options, so long as they don't inhibit site performance (speed), improve a customer's confidence in understanding both what they are booking and the experience they intend to have. A hotel that scores high with the Content key performance attribute criteria is one whose photo content is current and dynamic, provides virtual tours connecting the customer at the point of sale with the impending lodging experience. This performance criteria measures the effectiveness of connecting the written marketing message with the photo image of the experience. Furthermore, content is measured by customer connection beyond the hotel as part of dynamic packaging capabilities.

### *Price Parity*

This measures a properties pricing consistency across all relevant online distribution platforms. Evaluation of effective pricing within the revenue management discipline has taken on many forms and many interpretations. The price parity component of the RCo<sup>2</sup>P Competency Index evaluates a hotel's ability to distribute the same price point across multiple online distribution sources, alleviating customer confusion, controlling the dynamic nature of variable pricing over time, and the perception pricing of the hotel product relative to its features. A hotel that scores high in the Price Parity key performance attribute criteria delivers a similar price across multiple online distribution sources.

Maier-Thielbahr believe hotels with a greater competency rating can create a market share opportunity and a strategic competitive advantage in the expanding China tourism marketplace.

The RCo<sup>2</sup>P Competency Index defines each of the four competency attributes based on a 0.00 to 1.00 range. Each of the four competency attributes were weighted equally in calculating the aggregated scores.

Range 0.0 – 0.50: Situation Critical. The hotel is missing opportunities for customer acquisition and perpetuating a reputation for customer confusion and poor price positioning controls, resulting in market share cannibalization.

Range 0.50 – 0.75: Situation At Risk. The hotel is taking advantage of certain components of effective online distribution but is missing opportunities to differentiate themselves both against their competitive set, as well as online customers. Hotels with an RCo<sup>2</sup>P Competency Index scores in this range risk falling into the "Situation Critical" range due to accumulation of customer ambivalence over time and lack of reach, content, and consistency.

Range 0.75 – 1.00: Situation Optimal. Hotels achieving this RCo<sup>2</sup>P Competency Index are on a progressive level of optimal customer acquisition and retention, continually replenishing their opportunities with a new customer base. The optimal hotel is represented across major referrer sites used by their origin markets and has representing their hotel consistently and relevantly with brand new content. Hotel's in this RCo<sup>2</sup>P Competency Index range attract a high quantity of relevant unique visitor traffic and can expect their website to achieve above industry order conversion rate, where order conversion rate is defined as the number of bookings divided by the number of visits.

## **METHODOLOGY**

A case study design was adopted for this research in order to compare and contrast independent hotel online distribution practices in China and the United States because Case study design is typically used to examine a single instance of a particular phenomenon (Babbie, 2004). In this study, the use of case study design allowed us to focus more in-depth on the phenomenon of online distribution presence within the International hospitality marketplace. The case study design was appropriate for this project because it offered a convenient sample, focusing on two leading independent hotels from the selected markets. The markets studied were San Francisco, USA and Guangzhou, China.

## **PROFILE OF GUANGZHOU, CHINA AND THE GARDEN HOTEL**

Guangzhou is the economic centre of the Pearl River Delta and is the heart of one of mainland China's leading commercial and manufacturing regions. In 2006, the GDP exceeded ¥600 billion (USD 76.8 billions), per capita was ¥85,000 (about US \$11,000), ranking first among the other 659 Chinese cities. Guangzhou is the communication hub of Guangdong Province, with railways and highways radiating in all directions, and convenient inland-water, coastal and ocean transport. Guangzhou is South China's biggest national-and-foreign-oriented city with flourishing commerce, as well as China's chief foreign trade center. Guangzhou's industry covers machinery, shipbuilding, textiles, sugar-refinery, household electrical appliances, computers, petrochemicals, light industrial commodity products, rubber products and garments. Guangzhou is turning into an international metropolis functioning primarily as the biggest financial, high-tech and light industrial, as well as communication and transport center in South China.

The Garden Hotel is a 30-story building located in the centre of the city Guangzhou, only 8 kilometers from the Tianhe East Railway Station and 40 kilometers from the airport. The property is close to the many shopping, eating and entertainment centers, and is the largest hotel convention hall in Asia, containing a fully facilitated business center making it a top choice for business travelers to Guangzhou. The Garden hotel is a full-service hotel with 14 on site dining options serving Chinese, Western, International, Regional and Cantonese cuisine. The hotel offers well-equipped meeting rooms that can accommodate up to 1,200 guests for organizing various events. For sports enthusiasts, the property offers tennis and squash courts. Recreational facilities include; a gymnasium, swimming pool, whirlpool and sauna. Other facilities include a bar, child care service, clinic, dance hall, disco, karaoke room, beauty salon, conference hall, massage room and sauna.

## **PROFILE OF SAN FRANCISCO CALIFORNIA AND PARC FIFTY-FIVE**

San Francisco, California is the second most densely populated major American city. San Francisco is the traditional focal point of the San Francisco Bay Area and forms part of the greater San Jose-San Francisco-Oakland Combined Statistical Area (CSA) whose population is over 7 million: the fifth largest in the U.S. as of the 2000 Census.

San Francisco's Fisherman's Wharf is the third-most popular tourist attraction in the nation. More than 15 million visitors came to San Francisco in 2005, injecting nearly \$7.5 billion into the economy. With a large hotel and restaurant infrastructure and a world-class convention facility in the Moscone Center, San Francisco also is a top-ten North American destination for conventions and conferences.

San Francisco's economy has been positioning itself as a biotechnology and biomedical hub and research center. It is the principal banking and finance center of the west coast, home to the Federal Reserve Bank of San Francisco, the Wells Fargo corporate headquarters, and the home to many major financial institutions, multinational banks and venture capital firms.

The Parc Fifty-Five hotel is a 32 story, 1,000 room hotel with bay-style windows showcasing panoramic city views of downtown San Francisco. The Parc Fifty-Five hotel offers modern meeting facilities and complete convention support services, a 24-hour health club, more than 5 onsite restaurants and cocktail lounges. The Parc Fifty-Five hotel is home to several of the most inviting downtown San Francisco restaurants, catering to hotel guests and local patrons. The innovative culinary styles of the distinctive restaurants contribute to the unique atmosphere of the hotel featuring California cuisine, Thai cuisine, American style coffee shop, casual dining options in a Pizza Lounge, a Sports bar and private in-room dining.

## DATA COLLECTION AND ANALYSIS

The data collection process was designed to evaluate within each of the RCo<sup>2</sup>P performance attributes through snapshot analysis. Three hotels in Guangzhou and three hotels in San Francisco were chosen for the case study based on the following criteria: (1) number of rooms, (2) upper-upscale segment, and (3) independent branding. A single snapshot analysis was taken of five separate arrival patterns for each of the six hotels. The lowest rate available to the general public was recorded, by hotel, for each of the stay patterns identified. The evaluation criteria consisted of the following components: multi-channel comparison on Expedia, Travelocity, Ctrip.com (Guangzhou only), eLong.com (Guangzhou only) and proprietary hotel websites. The cross-channel comparison consisted of recording the price parity, content, presentation and consistency in marketing message. Marketing message evaluation consisted of dynamic packaging offers, display sequencing, product presentation, and price parity across each of the sites. The coding scheme used to measure the overall online distribution competency compared to the RCo<sup>2</sup>P benchmarks was based on 0=very poor to 1=market leading and differentiating.

The study compared and contrasted the following attributes: (1) reach, (2) consistency, (3) content, and (4) price-parity.

**TABLE 2 The Garden Hotel Guangzhou**

<b>Reach</b>	<b>Presence</b>	<b>Score</b>	<b>Commentary</b>
<b>www.eLong.com</b>	Yes	1	Displayed, but not available for booking
<b>www.Zuji.com</b>	Yes	1	Average Display Sequencing: Pg. 1, 8 <sup>th</sup>
<b>www.Expedia.com</b>	Yes	1	Displayed, but not available for booking
<b>www.Ctrip.com</b>	No	0	
<b>Proprietary Website</b>	Yes	1	<a href="http://www.thegardenhotel.com.cn">www.thegardenhotel.com.cn</a>
<b>www.Google.com</b>	Yes	1	Both organic and sponsored listing on hotel name keyword "The Garden Hotel Guangzhou"

<b>www.Yahoo.com</b>	No	0			
<b>Total <u>R</u>each Score</b>		<b>0.71</b>	5 of 7 <u>R</u> each criteria achieved		
<b><u>C</u>onsistency</b>					
<b>Listed on all Relevant Referrer Sites</b>	No	0	Not displayed on Ctrip.com		
<b>Consistent Marketing Message</b>	No	0	Marketing message differed by channel		
<b>Consistent Photo Content</b>	No	0	Photo content differed by channel		
<b>Total <u>C</u>onsistency Score</b>		<b>0.00</b>	0 of 3 <u>C</u> onsistency criteria achieved		
<b><u>C</u>ontent</b>					
<b>Virtual Tour or Photo Tour</b>	Yes	1	20 photos on proprietary website and virtual tour on <a href="http://www.expedia.com">www.expedia.com</a>		
<b>Mapping Functionality</b>	No	0	Directions are provided but not displayed graphically		
<b>Sightseeing and Local Events</b>	Yes	1			
<b>Best Content on Proprietary Website</b>	Yes	1			
<b>Multiple Language Display Options</b>	Yes	1			
<b>Total <u>C</u>ontent Score</b>		<b>0.80</b>	4 of 5 <u>C</u> ontent criteria achieved		
<b><u>P</u>rice <u>P</u>arity</b>					
	12/4 2n	12/11 2n	12/18 2n	12/7 2n	12/14 2n
<b>www.eLong.com</b>	NA	NA	NA	NA	NA
<b>www.Zuji.com</b>	\$139.77	\$139.77	\$139.77	\$139.77	\$139.77
<b>www.Expedia.com</b>	NA	NA	NA	NA	NA
<b>www.Ctrip.com</b>	NF	NF	NF	NF	NF
<b>Proprietary Website</b>	\$156.32	\$139.50	\$134.26	\$106.28	\$106.28
<b>Total <u>P</u>rice <u>P</u>arity Score</b>		<b>0.00</b>	Lack of parity in availability and price		
<b>Aggregate RCo<sup>2</sup>P Score</b>					<b>0.378</b>

TABLE 3 Parc Fifty-Five Hotel

<u>Reach</u>		Presence	Score	Commentary	
<a href="http://www.Travelocity.com">www.Travelocity.com</a>	Yes	1	Displayed, but not available for booking		
<a href="http://www.Expedia.com">www.Expedia.com</a>	Yes	1	Average Display Sequencing: Pg. 1, 2 <sup>nd</sup>		
Proprietary Website	Yes	1	<a href="http://www.parc455hotel.com">www.parc455hotel.com</a>		
<a href="http://www.Google.com">www.Google.com</a>	Yes	1	Both organic and sponsored listing on hotel name keyword "Parc 55"		
<a href="http://www.Yahoo.com">www.Yahoo.com</a>	Yes	1	Both organic and sponsored listing on hotel name keyword "Parc 55"		
<b>Total <u>Reach</u> Score</b>		<b>1.00</b>	5 of 5 <u>Reach</u> criteria achieved		
<u>Consistency</u>					
Listed on all Relevant Referrer Sites	Yes	1			
Consistent Marketing Message	Yes	1	Marketing message was aligned across all Referrer sites and their proprietary website		
Consistent Photo Content	No	0	Photo content differed by channel with inferior photos on <a href="http://www.travelocity.com">www.travelocity.com</a> and proprietary website as compared to <a href="http://www.expedia.com">www.expedia.com</a>		
<b>Total <u>Consistency</u> Score</b>		<b>0.67</b>	2 of 3 <u>Consistency</u> criteria achieved		
<u>Content</u>					
Virtual Tour or Photo Tour	Yes	1	High quality photo montage on proprietary website		
Mapping Functionality	No	0	Scripted directions with no graphical representation		
Sightseeing and Local Events	Yes	1	"Local Attractions" section was very descriptive and provide direct links to ticketing events		
Best Content on Proprietary Website	Yes/No	1/2	Other than the lack of virtual tour photo content and mapping functionalities, the property and local attractions information was compelling		
Multiple Language Display Options	No	0			
<b>Total <u>Content</u> Score</b>		<b>0.50</b>	2.5 of 5 <u>Content</u> criteria achieved		
<u>Parity</u>					
	12/4 2n	12/11 2n	12/18 2n	12/7 2n	12/14 2n
<a href="http://www.Travelocity.com">www.Travelocity.com</a>	NR	NR	NR	NR	NR
<a href="http://www.Expedia.com">www.Expedia.com</a>	\$119.00	NR	\$165.00	\$134.40	\$115.50

<b>Proprietary Website</b>	\$119.00	NR	\$115.50	\$172.00	\$115.50
<b>Total Parity Score</b>	<b>0.00</b>		Lack of parity in availability and price		
<b>Aggregate RCo<sup>2</sup>P Score</b>					<b>0.542</b>

**TABLE 4 RCo<sup>2</sup>P Competency Index Score Summary - All Hotels**

	<b>Reach</b>	<b>Consistency</b>	<b>Content</b>	<b>Price Parity</b>	<b>RCo<sup>2</sup>P</b>
<b>The Garden Hotel Guangzhou</b>	<b>0.71</b>	<b>0.00</b>	<b>0.80</b>	<b>0.00</b>	<b>0.378</b>
<b>The White Swan Hotel Guangzhou</b>	<b>0.86</b>	<b>0.33</b>	<b>0.40</b>	<b>0.00</b>	<b>0.398</b>
<b>Guangdong Asia International</b>	<b>0.29</b>	<b>0.33</b>	<b>0.00</b>	<b>0.00</b>	<b>0.155</b>
<b>Sir Francis Drake Hotel</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>0.00</b>	<b>0.750</b>
<b>Nikko Hotel San Francisco</b>	<b>1.00</b>	<b>0.67</b>	<b>0.60</b>	<b>0.00</b>	<b>0.567</b>
<b>Parc Fifty-Five</b>	<b>1.00</b>	<b>0.67</b>	<b>0.50</b>	<b>0.00</b>	<b>0.542</b>

## **DISCUSSION OF RESULTS**

The results of the overall RCo<sup>2</sup>P Competency Index indicate a range of 0.155 to 0.750. Neither the Garden Hotel nor the Park Fifty-Five Hotel were in the situation optimal range of the RCo<sup>2</sup>P Competency Index. However, they both scored high on reach, both in the range and relativity to other hotels included in the study. This study suggests both hotels benefit from the network effect, leveraging the visibility power of OTAs servicing their markets. The findings also directly prove the importance of search engine partnerships for organic and sponsored preferential display sequencing. The data indicates The Garden Hotel focuses its online distribution priorities primarily on its online content providing its customers with diverse information, from local attractions to high quality digital photography and multiple language options. Conversely, The Parc Fifty-Five Hotel focuses its online distribution priorities on maintaining a consistent message across all relevant referrers. Whether evaluating online competency in China or U.S. lodging markets, our study indicated poor price parity results. This would suggest hotels are not prioritizing the importance of delivering a consistent and clear price offering to the buying consumer resulting in continual commoditization of their product.

## **IMPLICATIONS FOR CHINA TOURISM**

Growth opportunities currently indicate a meager 5% of domestic China bookings occur online. However, an increasing number of consumers wanting to transact online will continue to arise with the combination of trust in online activity fueled by large global investment in online marketing and increased availability of broadband

services. Inbound travel to China based on increased online booking activity by both airlines and OTAs, as well as domestic travel within the country will fuel exponential growth in online booking activity.

To take advantage of this burgeoning opportunity, the findings of this research indicate hotels should focus on the following three objectives: (1) a robust proprietary website possessing rich photo content and multi-lingual resources, (2) presence with a consistent marketing message and photo content in all relevant referrer sites, including search engines, and (3) price parity across all online distribution channels. By focusing on these three objectives, hotels will be in a position to heighten market share penetration while maximizing their yield performance.

## **LIMITATIONS OF STUDY**

Like any other study, this study is not free from limitations and challenges. An effective distribution strategy incorporates more than just multiple online channels. It would also include call center, brick-and-mortar travel agencies accessing availability through their GDS services, and on-property effectiveness. The RCo<sup>2</sup>P Competency Index can certainly be applied to incorporate these additional distribution areas. For the purposes of this research, only online channels were in the consideration set. Moreover, the implications of cross-cultural comparatives were not taken into account in this study. The researchers are aware there is no real hurry to encourage “pure” online activity in the China marketplace due to low operating costs. Further research should apply the RCo<sup>2</sup>P Competency Index to a broader cross-section of hotels, incorporating pricing movements over time, rather than through a snapshot approach. In addition, the incorporation of site performance (speed) and site usability analysis should be included.

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