



Interview:

Julian Bish, Managing Director, Biko Technologies and Danny Segman, General Manager Atlantis Hotel, Melbourne, Australia on Netroomz

Julian:

I'm joined today by Danny Segman who is General Manager of the Atlantis Hotel in Melbourne. Atlantis Hotel has been using Netroomz for around a year.

Danny thanks for taking time to talk with us today.

Perhaps to kick off could you give us a little bit of an overview of your hotel in terms of the market you operate in, the size of the hotel, location, etc.

Danny:

Basically, we've got 72 rooms, we operate in a 4-star market, but more toward the affordable end of the four-star market.

We target mainly corporate - a lot of small to medium-sized businesses.

We very rarely get large corporate staying with us because of the way the industry's structured, in so far as net rates through booking travel planners and the like.

We been operating for three years now, we last year ran at an occupancy in excess of 95% so it's a fairly busy place, we also offer conference facilities and car-parking on site.

Julian:

You implemented Netroomz around a year ago.

What was the decision process behind that?

What made you decide to put a web booking engine in place, and then to work with Netroomz in order to do that?

Danny:

Basically we did have our own email type question and answer form in operation.

But we found that lots of customers that came to our own website filled in the data and by the time they received a response, they'd either continued looking and found it cheaper, or perhaps a more instantaneous response through even a GDS style company.

That meant that even though we were first to get them to our website (because they'd heard of us or been referred to us), we just really couldn't convert and in fact that was costing us money.

You know, once they come to your website and they start looking at the last-minute websites, there's a chance you'll lose the customer altogether.

So we spoke to a few web designers about who could set up the calendar engine as we'll call it - booking engine, and the cost was fairly prohibitive.

Julian:

So what you're saying is that giving instant confirmation to your website visitor is critical...?

Danny:

Effectively.

When someone's "hot" they're hot... when they're confronted with 300 different hotels (at the last-minute sites) it could take an hour to convert that.

But if they're on your website, they see the rates that they're happy to pay, and they know that they're instantly locked into that deal so to speak.

It has to be binding on both sides.

We looked at it as a financial position too, that we were paying the last-minute (distressed inventory) 10% commission and the number of bookings month by month just kept increasing.

We really needed to create a channel whereby we could harvest our own business... our business especially.

Julian:

And just to own those customers as your own...

Danny:

Correct.

We've got customers that stayed here 30 times in the last 2 years...

But if they have to go to the last-minute sites, there's still the risk that one day we could lose that customer to a similar style hotel.

Whereas if they are solely booking on our website, there is less of a chance they'll deviate from what they feel comfortable with.

Julian:

After implementing Netroomz at your website, what sort of things have you done to drive traffic to your website and then to encourage people to make a booking once they get there?

Danny:

Basically we did three main things from the outset

The first was that we guaranteed the lowest rate on our own website, which meant that if anyone at anytime found a cheaper rate on a competing (last minute) website we'd match the difference...

That was fairly easily done given that most now charge a \$3 - \$5 booking fee. We've already got the advantage in that we don't charge of a booking fee.

Secondly we went and we actively marketed it.

We created business cards explaining to our regular corporates and guests, that had previously booked online, that we now offered online booking service which did have competitive prices more than two weeks in advance.

The third thing came in just recently. We linked it back to our own website that just drove traffic even further.

Julian:

You mentioned Lowest Rate Guarantee as part of your pricing strategy on your website.

What challenges if any has that created in terms of managing channels and channel conflict and so forth?

Danny:

None really.

The biggest headache in this industry at the moment is the constant updating, and information, and emails and the changes in the cancellation, and cancellation policy that every different discount website seems to have.

About a year ago when we moved this way we also cut off a lot of other discount websites that were not really producing, in the aim that we would just focus on the 2-3 main ones that were working for us plus use our own distribution channel.

Julian:

So no real channel conflict per se, but the challenge that every body has which is having to allocate the time to manage all these third party websites.

Danny:

Basically yes.

A lot of the customers that are using Atlantis Express - probably 50% of the customers - have stayed here before.

That's why they're aware of it and they continue to stay here.

I'm very happy for them to continue booking online. That way they do get the best rate.

They don't have to ring my staff and haggle and say, "I've seen it here, I've seen it there".

They know in their mind it's the best rate, they book it directly, they change it themselves, whatever needs to be done they can do.

And secondly it saves you the money – from our point of view we were generating probably in excess of \$70000 a month on various discount websites... if we can bring some of that back in-house, to us the nett effect is an 8% saving.

Julian:

Talking of updating, what level of effort and expertise is required to manage Netroomz on a day to day basis say, by comparison to the other portal sites that you're involved with?

Danny:

I think they're all fairly similar, there is some understanding of computers or the internet, you should figure it out..

Julian:

So from the point of your own web booking engine Netroomz is like managing another portal site...

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Danny:

Effectively yes.

Netroomz is probably slightly more complicated just because it's your own engine, so you can create and change things as you see fit, not necessarily to having to ask somebody else do it for you.

So there is a little bit more expertise involved I think.

In my opinion, you get out what you put in.

If you are prepared to spend a bit of time and work through it you can have a variety of room configurations that you might not have or be able to put on other sites.

Julian:

What have the results been for the Atlantis hotel since you've implemented the system?

Danny:

At first it was little bit slow, just because we tried to develop our own branding as Atlantic Express being our own discount booking website.

I think we had sales around the \$5000 -10000 mark each month.

Since we've gone back and linked it to our main Atlantis.com.au we've found that bookings have increased to around \$20-25000 a month, which roughly reflects around 10% of our total occupancy so its been good from that point of view.

Julian:

And you see that growing still, moving forward?

Danny:

We're doing that \$25000-30000 month by month.

It is harder to grow because we're not out there in market advertising.

We're also an independent, not a chain, so it's very hard to get customer awareness that they should type in Atlantis.com.au to find the best rate.

They're probably more likely to type in a well known brand name, to find a variety of hotels so probably we'll continue to grow but as a much slower rate.

Julian:

Would you say that some of the growth you've seen is a result as offsetting or diluting the third party portal websites?

Danny:

Very much so.

Part of the reason that I started exploring this track is that around about a year ago we had our highest ever billing on the lat minute portal we use.

It hit the \$65000-\$70000 and I just thought this is costing me in effect \$7000 to generate these leads... there must something that I can do about it.

Even though we were getting so many phone calls by customers effectively saying "I've seen you on the last-minute site, what can you do for me..." we just don't have the staff here to handle all those reservations directly so this was the next best step.

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Since that time the last-minute bill has probably come down by probably 10-20% on average each month and a lot of that has been redirected to Atlantis Express...

However there still is growth in the market, given that in my view nobody wants to pay anymore than they have to these days – even though they'll book something, they'll continuously keep checking and looking and if they find something \$5, \$10 or \$20 cheaper...

They won't hesitate to cancel and re-book so the market is hyper-competitive.

Julian:

Generally the consumer is becoming more and more comfortable using the internet to book travel.

Danny:

Most people are at work and before they travel whether it be for leisure or for business, they're going to check probably everyday for 14 days out before they book out, with the sole aim of getting the best, best rate possible even though a lot of time they're not paying from their own pocket as corporates.

Julian:

It's still the game of getting the best deal...

Danny:

Correct.

They're a "loser" if they haven't got the \$79 room and they got the \$85 room...

Julian:

Or if they book today and they see the rate drop tomorrow when they're checking...

Danny:

That's it.

That was part of our strategy, saying we have the lowest rates guaranteed.

We'll often leave the rate on our website fixed just because we know regulars like to pay the same every time they come, and if we've got the availability we're happy to do it.

Then we'll adjust the rates on the other websites higher and lower because effectively we were trying to drive business to that channel as well...

Julian:

Do you find the lead times through your own website, direct, are any different, are longer than the lead times you get through the last minute websites, or much the same?

Danny:

For us its longer.

We still look at Atlantis Express as being a discount channel for us, but we have pushed it out to the 2 month out period.

Of course the rates for 2 months out are not as competitive as they are for 2 weeks out, but at least it gives the customer the choice that if they want to lock in a rate, they can lock it in with pleasure.

They're satisfied that they've still got a discounted rate and we at least have that longer lead in...

Julian:
Right...

Danny:
We could probably use it as our mainstream booking engine as well, but in my opinion, there are very, very few people paying what you would call a rack or daily rate anywhere.
Nearly everyone is on some type of discounted rates, and I look at this hotel as being very much in that low cost model.

Julian:
Generally what lessons would you say you've learned in the last 12 months while you've gone through this process?

And what advice would give to hotels who are perhaps struggling to generate significant portions of business direct from their own website?

Danny:
I was probably the first hotel in Melbourne that went online with companies like expedia and hotels.com, with direct negotiated rates, and really there are still a lot of people out there that don't appreciate the market that we are in, that its extremely competitive, dollars and cents competitive

For one dollar you may be able to move from a 3 star hotel to a 4 star hotel, when traditionally the lines were a lot broader, they were even \$50 - \$100 mark to move to better quality.

So really if someone wants to generate business directly using something like Netroomz, they just need to try and maximize what they'll get out of it at a reasonable rate

No point in having a set rate on last-minute sites, and having a rate on your website significantly higher, because the consumer will find it and he'll just feel ripped off, even if its only \$10 or \$20.

Most people always believe that if you buy from the source it should be cheaper than through a third party and in effect it is because its costing you less to distribute...

Julian:
So the rate parity component of what you do, in other words having common rates across the channels is a critical component of that.

Danny:
Effectively, and we guarantee cheapest rate because we don't charge a booking fee whereas nearly every other booking engine has a booking fee built in.

Julian:
Thank you, Danny, for taking the time to talk to us today and for sharing your experiences. The information will certainly be useful to others who are in the situation you were in, before you chose Netroomz.

Danny:
My pleasure.