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**THE EFFECT OF INTERNET BOOKING ON THE CENTRAL FLORIDA
LODGING MARKET OVER THE PAST FIVE YEARS**

by

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B.S.B.A. University of Central Florida, 1987

A thesis submitted in partial fulfillment of the requirements
for the degree of Master of Science
in the Rosen College of Hospitality Management
at the University of Central Florida
Orlando, Florida

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ABSTRACT

This study reviews the effect of Internet bookings on the Central Florida lodging market over the past five years. As the number of lodging accommodations booked directly by the consumer over the Internet continues to increase, the ramifications brought about by this emerging distribution channel have not been fully investigated or interpreted. This study observes how Internet-enabled distribution channel bookings have trended in occupancy and average daily rate in the Central Florida lodging market in the past five years. Specifically the author segmented the survey respondents into the lodging product service categories of budget, moderate, upscale and luxury to analyze if there were any observable trends between the categories over the past five years.

The author also segmented the respondents into the lodging geographic sub-categories of airport, downtown, suburban and resort/attractions area to determine if there were any observable trends between the sub-classifications over the past five years. Utilizing a descriptive approach, the author determined that each product service category and lodging sub-classification displayed continuous growth in Internet-enabled distribution channel bookings over the five-year period of 1999-2003. The author also observed that each product service category continuously represented a discounted Internet distribution channel rate over the five-year period of 1999-2003. This analysis suggests that lodging properties in the Central Florida market are discounting their Internet-enabled distribution channel rates in comparison to the property's overall average

rate. At the same time, these properties appear to be increasing their Internet-enabled distribution channel bookings as a percentage of overall bookings.

This is dedicated to my parents, Don and Rosemary, who instilled into me the importance of education in improving one's life and supported my efforts in both word and deed. I also dedicate this to my wife, Lynn, who makes my life the great journey that it is and my son, Nathaniel, who inspires me to make the world a better place for him and his children.

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LIST OF ACRONYMS

ADR-Average Daily Rate

CFHLA-Central Florida Hotel & Lodging Association

CRO-Central Reservations Office

CRS-Central Reservations System

GDS-Global Distribution System

IEDC-Internet Enabled Distribution Channel

PSC-Product Service Category

TIA-Travel Industry Association

CHAPTER ONE: INTRODUCTION

Background

The Internet is an amazing tool that has revolutionized the way in which people get their news, conduct business and interact with each other. “Travel products in particular are reputed to be some of the most suitable for sale in this manner” (O’Connor, 2003, p.57). Purchasing travel products via the Internet has affected the lodging industry with the instantaneous sharing of information and access to doing business via the Web. “Travel is by far the most successful legitimate e-commerce vertical industry today. People find buying hotels online to be easy, efficient, secure and quick. And that trend is becoming a routine part of life” (Patel, 2004, p.1). As travel bookings via the Internet continue to increase, the number of reservations for lodging accommodations booked through the Internet also continue to increase (Travel Industry of America, 2003). This study explores the ways in which the Internet has affected the Central Florida Lodging operating efficiency, specifically the market’s average daily rate and occupancy.

Definition of Terms

For the purposes of this study, an Internet booking is defined as a reservation for lodging accommodations that is originated by the consumer through the Internet and is secured by the lodging property through an electronic distribution channel. A distribution channel is defined as

“a mechanism that provides sufficient information to the right people at the right time and in the right place to allow a purchase decision to be made, and allows the consumer to make a reservation and pay for the required product” (O’Connor & Frew, 2002, p. 33). Prior to the Internet, hotels had three primary distribution channels: hotel direct, central reservations office and travel agencies. The creation of Internet travel web sites and online travel agencies have created a distribution channel referred to as Internet enabled distribution channels (IEDC) (Choi & Kimes, 2002). Internet-enabled distribution channels produce the same results as traditional distribution channel, only through electronic means. Internet enabled distribution channels require both the supplier and the consumer to utilize the computer in order to complete the transaction. Internet enabled distribution channels are no different for the lodging industry, where the supplier/lodging property offers to the general public the ability to check rates and availability for accommodations electronically. The consumer, in turn, has the ability to secure a reservation from the supplier electronically and receive confirmation of the booking. Electronic distribution channels allow lodging properties the ability to provide better exposure to potential customers and sell more rooms at the right time. This ability is especially important, as the lodging product is a perishable inventory (O’Connor & Frew, 2002).

This study will utilize two of the lodging industry’s common efficiency measurements for analysis. The first efficiency measurement is occupancy percentage, which indicates the proportion of rooms either sold or occupied to the number of rooms available during a specific period of time (Kasavana, 1998). The second efficiency measurement is average daily rate,

which is defined as the total rooms revenue divided by the number of rooms sold during a specific period of time (Kasavana, 1998). A third efficiency measurement of market penetration is not analyzed, although it is discussed in relationship to the Central Florida lodging market. Market penetration is defined as a lodging property's captured market share as a percentage of the total market (Kotler, Bowen & Makens, 1999). If a lodging property's market share percentage exceeds the percentage of room's inventory in the market, that property is capturing more than its "fair-share" of business.

The Study

The following research questions were the foundation for investigation in this study:

1. Is the percentage of business booked through the Internet for lodging accommodations increasing at a different rate by a lodging product service classification?
2. How has the availability of IEDC bookings for Central Florida lodging properties changed the rates offered to the consumer via the Internet when using a property's overall average daily rate as a baseline comparison?
3. In what ways has the Internet affected the Central Florida lodging market's average daily rate and occupancy?

Utilizing the two specific performance measurements of average daily rate and occupancy, this study investigated the effect of Internet enabled distribution channel bookings on the performance measurements over the five-year period of 1998 to 2003 in the Central Florida

Lodging market.

Significance of the Research

The investigation of the effects of Internet booking on the Central Florida lodging market over the past five years will provide lodging operators a better understanding of how Internet enabled distribution channel bookings have changed over time in the Central Florida lodging market for the different product service categories and lodging classifications. The analysis provided in this study will allow any lodging property the ability to compare their Internet booking growth against the growth in the Central Florida lodging market, as a whole or by product service category and lodging classification. The lodging operator can then determine if they are penetrating their market share of IEDC bookings and adjust their marketing strategies accordingly. By determining if there is increasing growth of Internet-enabled bookings in the Central Florida lodging market, this study will also reinforce the importance of understanding the dynamics of the electronic distribution channel and should encourage greater research in this area. By sharing the results of this study to the lodging industry, they will better understand the ramifications of Internet-enabled distribution channel bookings and how it is affecting their business. The results of the study are relevant to the lodging industry in that properties will be able to determine if their marketing resources should be allocated to the older traditional booking channels such as travel agencies and toll-free phone reservation centers or realigned with the IEDC's. Lodging companies will be able to view the results of the study and determine how to best prepare and capitalize on these changes in consumer behavior with the increased utilization

of Internet-enabled distribution channels.

In the subsequent chapters of this study, the author will analyze the data collected from the Central Florida lodging market regarding IEDC's and present the findings and recommendations.

CHAPTER TWO: LITERATURE REVIEW

Introduction

In reviewing published research on the effect of Internet-enabled distribution channel bookings on the lodging industry, it was evident that very little scholarly work had been published regarding the changing patterns in the usage of channel members. Academic information was also deficient regarding distribution channel changes and their effect on lodging performance factors, in particular average daily rate and occupancy. In contrast, the preponderance of trade publications had extensive coverage of the effect of the Internet on the hotel industry. Evident across the non-scholarly sources (Muqbil, 2004) was a general consensus that:

1. Lodging Internet bookings are increasing for all geographic markets and lodging product categories.
2. Lodging properties that do not have a strategic plan for on-line hotel bookings are at a disadvantage to those who do.
3. The relationship between lodging properties and Internet intermediaries is dynamic and will continue to change.

The Development of Hotel Electronic Distribution Channels

The birth of hotel electronic distribution channels began in the 1950's, when the airline

industry sought to utilize computers to track inventory and sales to increase their efficiency future (O' Connor & Frew, 2002). These systems were the pioneers of the modern Global Distribution System, commonly referred as the GDS (O' Connor, 2003). The airlines made it possible for their agents to book or secure seats for a consumer from remote locations and in advance of the actual flight. As these systems developed, it was decided that travel agents would be given limited access to the airline's inventory, which allowed them to also secure seats for their customers and complete the sales transaction. The large hotel chains saw the success the airline industry was enjoying with their electronic inventory control systems and began developing their own computerized reservation systems, commonly called central reservation systems (CRSs) (Choi & Kimes, 2002). The airline and hotel companies began to seek strategic partnerships that allowed their systems to interface with each other. Since the airline systems were far more developed than any of the hotel systems, it was decided that the airline systems would serve as the principal system by which agents would access all of the other interfaced systems. This interfacing allowed travel agents the ability to book travel arrangements for their customers from remote locations electronically. The next step in the evolution of electronic distribution systems occurred with the arrival of the Internet. Prior to the Internet, consumers did not have direct access to the GDS and had to work through an authorized travel agent that did have access to secure travel arrangements electronically. As consumers began to explore the capabilities of the Internet, they soon discovered that they could bypass the travel agent and secure their travel arrangements just by logging onto the Web (Weber & Roehl , 1999).

Consumer Use of the Internet in the U.S.

A recent study conducted by the Travel Industry Association, also known as TIA, estimated that 54% of the 211.6 million adults in the U.S. utilized the Internet in 2003. This total of 114 million Internet users remained flat in comparison to 2002 and suggested that Internet penetration had plateaued compared to the rapid growth seen in the late 1990's (Research Department of the Travel Industry of America, 2003). The decrease in the cost of technology and increase in the different methods that consumers were able to access the Internet in the late 1990's suggest reduced barriers for gaining access. These reduced barriers allowed non-technical consumers the ability to gain access to the Internet and provide the growth experienced in the late 1990's.

Increased Internet Usage and Online Lodging Bookings among Consumers over the Past Five Years

Of the 114 million total U.S. Internet users, 95.8 million or 84% indicated that they were travelers and had taken at least one trip of 50 miles or more away from home in the past year (Research Department of the Travel Industry of America, 2003). Recent studies confirmed that continued consumer acceptance of electronic commerce has led to an increasing usage of the Internet for booking travel arrangements (Weber & Roehl, 1999). It has been well documented that on-line bookings have grown over the last five years (O' Connor, 2003). This was largely attributed to the different range of channels through which hotels could be booked and the

support of marketing and advertising that attract consumers to the Internet as a booking option. It is projected that consumers will continue to utilize the online booking channel option for booking hotel rooms into the future. Electronic technology and the Internet are positioned to continue to change the way in which people book hotel rooms in the future (O' Connor & Frew, 2002). O'Connor & Frew state that as more consumers learn how to utilize the Internet, these same consumers will move away from the more traditional methods of securing lodging reservations, such as travel agencies and telephone call centers, and use the Internet as a booking alternative. The most recent figures provided by the TIA study shows that the number of travelers who utilize the Internet is leveling off, with slight growth expected in the near future. Although the on-line travel market has experienced a 255% growth since 1996, the past three years has remained flat at 94-95 million online travelers per year (Research Department of the Travel Industry of America, 2003). This trend is expected to translate into slow but steady growth in the near future, which provides direct evidence that usage of the Internet for securing travel arrangements has grown in the past years. The current study investigated whether this growth had occurred at different rates for the different lodging product service categories in the Central Florida lodging market.

Internet Bookings Create Changes in the Hotel Reservation System Process

The structure behind the typical reservation booking process currently in place for most hotels will change in years to come, as on-line reservations become more prominent (Quan,

2002). Successful hotels are already implementing different ways in which Internet hotel reservation policies can protect the hotel from the last minute fall off in business while helping customers lock in a guaranteed low rate. These advance-purchase plans allow hotels to provide discounted rates, in exchange for removing the ability to cancel a confirmed reservation. Hotels are guaranteeing that these are the lowest on-line rates available as a marketing vehicle to attract consumers to book through a hotel's web site directly and bypassing any intermediaries. This change in the way travelers make lodging reservations is being felt by the major hotel chains' central reservations offices (CRO's), as consumers move away from traditional telephone transactions to Internet reservations. A recent report produced by TravelCLICK shows that Internet reservations received at the central reservation offices of the major hotel brands grew 34% in 2003 versus 2002. The report noted that brand web sites were the source of 66% of the brands' centrally booked Internet reservations (Hotel Online, 2004). The report went on to say that electronic channels represent the primary source of CRO bookings today. Once more, this provided direct evidence that the increase in online bookings in the last five years has shifted the mix of reservations methods for the lodging industry.

The Internet as a Competitive Tool in the Hotel Industry

The lodging industry has recognized and embraced a change in the mix of reservations and has accommodated this change by implementing new policies and procedures. In addition, by providing consumers the ability to shop online for lodging accommodations, properties can

utilize the Internet as a dynamic marketing tool that provides exposure to potential customers that were previously unreachable. In particular the small independent lodging properties were severely disadvantaged in the past with limited resources available to reach potential guest. The Internet now provides a platform that has unlimited reach and, when used strategically, can increase a small lodging properties chances at gathering market share. The Internet can help small hotels compete in today's travel industry's highly competitive environment. Domke-Damonte and Levensen recently conducted a study that concluded that those hotels with more on-line availability were more competitive than hotels without on-line availability (Domke-Damonte & Levsen, 2002). Their finding may apply internationally in all hotel markets. Anckar and Walden (2001) studied the effects of implementing Internet technology in a small hotel located in a peripheral region of Finland. The authors also discussed the importance of small hotels utilizing the latest technology to remain competitive with their larger competitors. The authors further outlined that barriers prevented small hospitality organizations from capitalizing on information technology and the Internet (Anckar & Walden, 2001). Anckar & Walden identified four specific barriers—lacking financial resources, lacking IT knowledge/experience, resistance to change, and peripheral location—as the most common reasons that small hospitality organizations could not capitalize on information technology and the Internet.

In addition to capturing additional revenue, online bookings can reduce a hotel's marketing costs per room. In many cases the Internet had allowed hotels to reduce their distribution costs, thus increasing their profits from hotel rooms revenue (Choi & Kimes, 2002).

Consumers who have used travel agents in the past are now turning to the Internet to book travel arrangements. The role of the travel agent has diminished over the last few years in direct proportion to the increased usage of the Internet by consumers to book their travel arrangements directly with the provider (Lewis & Talalayevsky, 1997). With the savings of eliminating the intermediary travel agent from the booking process, profit margins along the value chain will be redistributed to producers and consumers (Lewis & Talalayevsky, 1997). This shift in how consumers book hotel rooms means that the role of travel agents is expected to diminish as more people utilize the Internet to bypass travel agents and book their hotel rooms direct with hotels (Lewis, 1998). This provided support for the proposition that in order to remain competitive, lodging properties must make changes in the way they make their product available through the Internet enabled distribution channels. One of these changes has been in the way each property prices their accommodations through the Internet.

Pricing Strategies for Lodging Properties That Provide Purchases through Internet

Enabled Distribution Channels

A successful hotel in the future needs to be able to react and capitalize on the shift in demand for Internet-enabled distribution channels to remain competitive in today's marketplace (Choi & Kimes, 2002). The Internet-enabled distribution channel has the capability of providing a discounting option through the use of technology. However, as Internet enabled distribution channel bookings increase, there should be a shift in philosophy to reduce discounting through

the Internet against other distribution channel rates. As Internet-enabled bookings becomes a larger percentage of a hotel's marketing mix on-line rates should increase to approach the hotel's Average Daily Rate. If this increase does not occur, hotels will see their margins decrease as they continue to book more online business (Kimes, 2002). Kimes stated that a hotel should always have a strategy in place for offering discounted room rates and make sure that the strategy makes sense. Unfortunately, many hotel managers do not understand how to properly price their Internet distribution channels and as a result are leaving "money on the table" (Kimes, 2002, p. 92). By using the Internet as a distribution channel, information moves rapidly and effectively. Hotels that take a long bureaucratic approach to setting rates cannot make decisions quickly enough to keep up with the booking pace that the Internet provides (Enz, 2003).

Successful hotels are using the Internet to take advantage of differential pricing for various segments. By having customers qualify for Internet lower rates and placing protective restrictions around these rates, hotels are able to control who has access to the lowest Internet rates. Customer loyalty and segmentation have been the variables that most hotels use to qualify for discount Internet rates and will affect a hotel's online pricing policies (Ylekur et al., 2001).

A large percentage of lodging properties view the Internet as a discount channel and are pricing their products online accordingly (Muqbil, 2004). The effect of this online discounting has produced overall erosion of the Average Daily Rate for many lodging properties. A recent report produced by Pricewaterhouse Coopers states that although the Internet is creating more bookings for the US hotel industry, it is not necessarily translating into higher average daily

room rates. This is mainly because of the huge price discounting that has resulted from discounting on the Internet (Muqbil, 2004). The same report goes on to claim that while ADR for US hotels average \$83.28 in 2003, consumers booking on the Internet achieved an average room rate of \$71.27. This represents a 17% difference between Internet bookings and non-Internet bookings, which achieved an \$85.40 ADR. Many lodging properties justify this discounting by stating that Internet-only sales on certain websites entices some travelers to take spontaneous trips or upgrade their lodging accommodations for a previously planned trip (Muqbil, 2004). Although almost all lodging operators will agree that the Internet has changed the way they do business, there is a difference in opinion on if this is a good change. Jim Decker, the owner and General Manager of the Four Points Sheraton Hotel & Suites in Lakeland, Florida was quoted as saying, "I think the Internet is the worst thing to happen to the hotel business. It has driven rates down" (Bouffard, 2004, para. 2). Jim Loute is a competitor in the same market. He is at the AmeriSuites Hotel at the Lakeland Center and takes a different view: "Rooms reserved through the Internet would often go empty otherwise." Loute further states: "When people sit down behind a computer, they have a feeling of empowerment. When they do it themselves, they feel everything will be okay. They feel they got the best deal" (Bouffard, 2004, para. 5).

This supports the proposition that many lodging property owners are pricing their Internet-enabled distribution channel room rates differently from other distribution channel room rates and this is having an effect on a property's ADR and profitability.

Direct Interface and Merchant Model Internet Access for Consumers

Currently there are two common methods by which a consumer can access and book lodging reservations through the Internet. The first of these methods is called the *direct interface* model. Several companies have developed Internet sites that allow a consumer the ability to interface with the GDS and book their travel arrangements. Two examples of these popular web sites are Expedia and Travelocity. In the direct interface model, consumers access these travel sites, typically by a home computer connected to the Internet. The consumer will access a travel web site, which interfaces with the GDS, and allow the consumer to book, airline, hotel and rental car reservations seamlessly through a single site. The companies that operate these web sites usually obtain the standard 10% commission from the lodging property after the consumer has checked out and paid their bill.

The second type of model is commonly referred to as the merchant model. Some popular examples of these are Hotels.com, Hotwire and Priceline. This method allows the consumer to make travel arrangements via the Internet without interfacing with the GDS. This second model is based on a travel wholesaler's contracting with a lodging property directly to hold an allocated block of the nightly rooms' inventory. The travel wholesaler then sells from this allocated block of rooms to the consumer via the Internet. The merchant typically contracts with the lodging property at a certain fixed rate for the year or different seasons. Because the merchant supplies the lodging property with a large volume of room nights for the year, they are able to negotiate their rates to be substantially lower than what the lodging property would offer an individual

consumer. The merchant then applies a markup percentage to this rate and offers it to the consumer via the Internet. Lodging properties will enter into agreements with these merchant model companies to help expand their ability to reach the consumer. This reach comes with a tradeoff as the incremental room sales they gain are at the lower contracted rates.

The top ten third party websites for hotel bookings to brand CRO's in 2003 are listed in Table 1.

1	Priceline
2	Expedia
3	Travelocity
4	Orbitz
5	Hotwire
6	TravelNow
7	USA Hotelguide
8	Lodging
9	Worldres
10	Southwest

(Hotel Online, 2004)

Table 1. The Top Ten Third Party websites for Hotel Bookings to Brand CRO's in 2003

It should be noted that the very popular web site Hotels.com was not listed. This is because Hotels.com typically obtains rates and inventory directly from individual properties. By working directly with the individual properties, Hotels.com bypasses both the brand CRO's and the GDS. The company's web site states that Hotels.com booked over 8 million room nights into the US lodging market in 2003 (Hotel Online, 2004).

Proposition

Trade and academic literature reinforce the fact that consumer behavior patterns are changing as a result of the availability of on-line lodging booking. This change in behavior has modified the way in which the customer secures a reservation for lodging products. This increased usage of consumers booking lodging accommodations via the Internet has also modified the behaviors of lodging properties. This paper looks specifically at the room rates lodging properties captured through the Internet compared to rates captured through all channels. These observations in combination with a review of the existing literature have led to the following two propositions:

Proposition #1- In the last five years, Internet-enabled distribution channel bookings for lodging accommodations have increased as a percentage of total bookings at different rates for each of the hotel's four (budget, moderate, upscale and luxury) product service categories.

Proposition #2- In the recent business environment, to stay competitive, lodging properties have had to adjust their IEDC rates in comparison to the lodging properties overall average daily rate in the past five years.

At the time of the author's study, no academic or trade literature has investigated these propositions and it is the purpose of this study to determine if these propositions can be supported.

CHAPTER THREE: METHODOLOGY

Introduction

This chapter describes the methodology and research design employed in the present study. The previous chapters provided the foundation for the research; an investigation of Internet-enabled distribution channel bookings and the Central Florida lodging market. This theoretical framework provides a foundation on which to continue the further studies of on-line booking behaviors. Specifically the study investigated the following propositions:

Proposition #1- In the last five years, Internet-enabled distribution channel bookings for lodging accommodations have increased as a percentage of total bookings at different rates for each of the hotel's four (budget, moderate, upscale and luxury) product service categories.

Proposition #2- In the recent business environment, to stay competitive, lodging properties have had to adjust their IEDC rates in comparison to the lodging properties overall average daily rate in the past five years.

Research Design

An e-mail invitation to participate in a survey was sent out with respondents providing data online to a set of research questions utilizing the full census of a lodging association's membership list for a major tourism destination in the U.S. and the single stage sampling procedure.

Sampling

According to the Orlando/Orange County Convention and Visitors Bureau, the Central Florida lodging market represented an estimated total of 452 lodging properties in 2003 (Jackson, 2004). The Central Florida Hotel and Lodging Association. (CFLHA) membership was comprised of 180 hotels that represented a total of 70,300 lodging rooms in the Central Florida area. The CFHLA membership comprised 37.34% of the Central Florida total lodging properties (Jackson et al, 2004). The Central Florida lodging community was chosen for reason that Central Florida represented a microcosm of the lodging industry and all lodging segment categories were represented in Central Florida. Examples of the lodging segments represented in the Central Florida market included convention hotels, resort hotels, business hotels and tourist hotels. The invitation to participate in an on-line survey (APPENDIX A) was sent via e-mail (APPENDIX B) to the attention of each General Manager. A follow up e-mail (APPENDIX C) was sent approximately four weeks later as a reminder and to requested participation if they have not yet done so. In addition a “call” list and script (APPENDIX D) was developed to facilitate a telephone campaign to encourage and remind members to participate. A telephone call was made to each CFHLA property’s General Manager. The reminder telephone campaign took place 21 to 35 days after the first distribution of the initial survey invitation.

Lodging Product Service Categories

The Central Florida lodging industry was one of the largest and most diverse markets in

the world at the time of the study. For the purpose of this study all lodging properties were asked to define themselves as one of five product service categories. The four service categories commonly accepted by both consumers and industry experts are Luxury, Upscale, Moderate and Budget (Consumer Reports, 2004). A fifth category, “other,” was listed as an option to allow lodging properties that do not consider themselves to fall into the four accepted categories to respond. The characteristics of the four categories were as follows:

1. *Luxury*-Rates range from \$90 to \$500 per night. These properties’ amenities typically included concierge service, valets, 24-hour room service, extra televisions and world class restaurants on the premises. Some of the better-known examples of luxury hotel chains were the Ritz Carlton and Four Seasons hotels.

2. *Upscale*-Rates range from \$80 to \$150 per night. These properties’ amenities typically included meeting rooms, pools room service and restaurants on the premises. Some of the better-known examples of upscale hotel chains were Embassy Suites, Hilton and Marriott hotels.

3. *Moderate*-Rates range from \$60 to \$100 per night. These properties’ amenities typically included a steam iron, in-room coffee maker and newspaper. Some of the better-known examples of Moderate hotel chains were Holiday Inn, Clarion and Best Western hotels.

4. *Budget*-Rates range from \$40 to \$70 per night. These properties' amenities typically included the basic amenities of a clean room with a bathroom and a bed. Some of the better known examples of budget hotel chains were Days Inn, Super 8, Red Roof and Econolodge hotels (Consumer Reports, 2004).

The Smith Travel Research report also employs these product service classifications for their lodging report. Smith Travel utilizes each property's average daily rate to determine which classification a lodging property will belong to. The Smith Travel Research divides the lodging market into certain ADR price points and places each property into the product service category if the ADR falls within that range. This method employed by Smith Travel has limitations when utilizing the property's ADR to determine product service category, the predominant limitation being that the properties' average daily rate does not always correlate with the amenities offered by the property. An example of this would be a lodging property that was located in a high demand geographic location might be able to charge luxury category rates and only offer budget amenities. The author determined that a more suitable method for labeling a property's product service category would be to allow the respondent to designate the product service category when responding to the survey.

Lodging Sub-Classification

In addition to product service categories, each survey respondent was asked to define their property in terms of a geographically based classification. Lodging sub-classification is typically a product of the property's geographic location and has in the past been segmented into the four sub-classifications of Airport, Highway, Downtown and Destination/Resort (Rompf 1994). The definitions for property sub-classifications are as follows:

1. *Airport*- Located within five miles of an airport. Sold at least 30 % of its units to airport travelers.

2. *Highway*-Located on a state or interstate highway. Sold at least 30% of its units to highway travelers.

3. *Downtown*-Located in the central business or residential areas of a city or town.

4. *Destination-Resort*-Located in a destination-resort area. Sold at least 50% of its units to pleasure and business-pleasure visitors (Rompf, 1994).

Many industry experts, including Smith Travel Research, have changed the Highway designation to a Suburban classification to provide a better description of the properties that not only include highway properties, but also properties that are not located in a downtown, resort or airport locations. A fifth category, other, was listed as an option to allow lodging properties that do not fall into the four accepted categories to respond.

The Survey Instrument

Initially the survey was designed for flexibility in delivery and pre-tested. The pre-test was conducted by the author in the first stages of the paper's development. The author selected three hotel Revenue Managers in the Hilton Corporation and sent a survey to them via e-mail. The Revenue Managers were asked to complete the survey according to the instructions and return the surveys to the author completed within the week. Pre-test participants were also asked

to note any areas on the survey that were difficult to complete or comprehend. The author asked the pre-test participants to mail in the completed surveys along with any notes regarding the surveys clarity. The first two pre-test surveys were returned within the week completed and with no comments. A follow-up phone call by the author was made to interview the participants to capture any additional feedback. Both participants stated that the instructions were very clear and they did not encounter any problems in comprehending them. The one comment that both pre-test participants shared with the author centered on the difficulty they had in researching the information specifically related to Internet rates and room totals. In addition, one of the participants was unable to provide information on the survey regarding the booking window for his hotel. The third pre-test participant returned the survey approximately one month after receiving it and again echoed the thoughts of the first two respondents regarding the difficulty in researching past year's information regarding Internet bookings. In addition to conducting a pre-test survey, an informal interview was conducted with the CFHLA. The interview also provided an opportunity to solicit and receive an endorsement from the CFHLA Executive Director. This endorsement was granted with enthusiasm for the study with the condition that I share the results with the membership.

After consulting with the Executive Director of the Central Florida Hotel and Lodging, it was decided that e-mail would be more efficient and effective in reaching the survey population. The Executive Director agreed to e-mail the invitation to the CFHMA membership through their existing database. A cover letter was designed (APPENDIX B) and sent out to lodging members

of the CFHLA. A web survey site (APPENDIX A) was constructed by the UCF Rosen School of Hospitality Management's Technology Department at <http://pegasus.cc.ucf.edu/~rshm/surveys/ibookorl.htm>. The invitation that each respondent received via e-mail provided a hyperlink to the survey site.

Survey Questions Relating to Each Proposition

Proposition #1- In the past five years, Internet-enabled distribution channel bookings have increased as a percentage of total bookings at different rates for each of the lodging industry's four (budget, moderate, upscale and luxury) product service categories. Even as on-line hotel bookings continue to increase for all market segments and product service categories, it should be determined which market segments are growing the quickest.

Question number one of the survey (APPENDIX A) permitted each lodging property the ability to select its product service category from five classifications. These classifications included budget, moderate, upscale, luxury and other. The classification of other was included to allow the respondent to respond to the question if they believed that they did not qualify for the first four categories. Survey (APPENDIX A) questions number three, five, and six were used to determine what percentage of a lodging property's total business was captured through the Internet. All lodging properties in the same category were compared against each other to determine if there was any similarity in the growth of IEDC business in the past five years. Each lodging property in the same product service category was then combined and averaged into a

single growth percentage for each of the past five years and compared to the other product service categories to determine if there was an observable pattern between categories. If there was a difference between the product service categories, we can state that proposition #1 is supported.

Proposition #2- In the recent business environment, to stay competitive, lodging properties have had to adjust their IEDC rates in comparison to the lodging properties overall average daily rate in the past five years. The availability of lodging information and rates to on-line consumers had allowed consumers greater ease in comparison-shopping. In many cases lodging properties were continuing to provide lower rates to encourage consumers to shop and book via the Internet. Survey (APPENDIX A) question number eight collected the lodging properties respondents' average daily rates for the past five years. Survey (APPENDIX A) question number seven asked for the average daily rate for all rooms captured through Internet channels in the past five years. The Internet daily rate was to be compared to the total daily rate for each year and a five-year trend analysis was used to determine if there is an increase, a decrease or no change in the rate comparisons.

Data Collection

An invitation to participate in the survey (APPENDIX A) was distributed by e-mail (APPENDIX B) to lodging members of the CFHLA. The text of the invitation explains the purpose of the study and provides a hyperlink within the invitation. This hyperlink allowed the e-

mail recipient the ability to access the survey via the Internet. The questionnaires were e-mailed and followed up with a reminder e-mail and phone call to encourage participation and increase the number of surveys received.

Data Analysis

Summary and category values were calculated from the data provided. The product service categories of budget, moderate, upscale and luxury and the lodging classifications of resort, business, suburban, and airport have stratified respondents. The study and survey utilizes the standard industry computations such as Average Daily Rate and Hotel Occupancy for the purpose of measurement and comparison. An Excel spreadsheet was created for both the product service category and the lodging classification data. Each response was sorted by either product service category or by lodging classification.

Computing IEDC Occupancy

In the analysis of lodging occupancy the total number of lodging rooms available was combined and added in each category or classification and produced a total number of rooms available per night. This total number of room nights available per night was multiplied by 365 or 366 in the respective year and produced the total number of room nights available per year by category or classification. This total number of room nights available annually provided the base number by which to calculate IEDC annual occupancy. The IEDC annual rooms sold were

combined and divided by the annual room nights available to provide the annual IEDC occupancy percentage for each category or classification (Figure 1).

$$\frac{\text{IEDC Annual Rooms Sold}}{\text{Annual Rooms Available}} \times 100$$

= Annual IEDC Occupancy Percentage

(Deveau et al. 1996)

Figure 1. Formula for Determining Annual IEDC Occupancy Percentage

The additional statistic of total average annual IEDC occupancy percentage was calculated by combining the total survey response information and applying the same calculation to provide an overall base line for comparison. The results of these calculations were then stratified both by product service category and lodging classification and displayed in both table and line graph format to represent the five years series of 1999-2003.

Computing of IEDC Average Daily Rate at the Property Level

In the analysis of average daily rate the individual properties IEDC average daily rate was retrieved from question #7 (Appendix A) of the survey response for each property. The IEDC average daily rate was then multiplied by the total number of IEDC rooms sold retrieved from question #6 (Appendix A) of the survey response for each property. These two figures were

multiplied to obtain the total annual IEDC rooms revenue for each property. The total IEDC rooms revenue for each property totals were sorted into either the lodging classification or product service category and added together to obtain total annual IEDC rooms revenue by each classification or category. The total IEDC rooms revenue was then divided by the total IEDC rooms occupied to determine the IEDC average daily rate by classification or category (Figure 2).

$$\begin{aligned}
 & \text{IEDC average daily rate by property} \times \text{Total IEDC room nights sold by property} \\
 & = \text{Total annual IEDC rooms revenue for each property} \\
 \\
 & \frac{\Sigma (\text{Total annual IEDC rooms revenue for each property by lodging classification or product service category})}{\Sigma (\text{Total annual IEDC rooms occupied for each property by lodging classification or product service category})} \\
 & = \text{IEDC average daily rate by lodging classification or product service category}
 \end{aligned}$$

Figure 2. Formula for Determining IEDC Average Rate

For the proper comparison, the total rooms revenue for each property was determined by multiplying the individual property’s response average daily rate provided from question #8 of the survey (Appendix A) by the total number of annual room nights sold for each property. The

total annual rooms revenue for each property were sorted into either the lodging classification or product service category and added together to obtain total annual rooms revenue by each classification or category. The total annual rooms revenue was then divided by the total room nights sold to determine the average daily rate by classification or category (Figure 3).

$$\begin{aligned}
 & \text{Annual average daily rate by property} \times \text{Total annual room nights sold by property} \\
 & = \text{Total annual rooms revenue for each property} \\
 \\
 & \frac{\Sigma (\text{Total annual rooms revenue for each property by lodging classification or product service category})}{\Sigma (\text{Total annual rooms occupied for each property by lodging classification or product service category})} \\
 & = \text{Average daily rate by lodging classification or product service category}
 \end{aligned}$$

Figure 3. Formula for Determining Property Average Daily Rate

The total average daily rate by lodging classification or product service category was then compared to IEDC average rate by the same lodging classification or product and presented in a percentage comparison where the IEDC average rate is shown as a percentage of the total average rate (Figure 4).

$$\frac{\text{IEDC annual daily for by lodging classification or product service category}}{\text{Total annual daily for by lodging classification or product service category}}$$

= IEDC average rate as a percentage of the total average rate
by lodging classification or product service category

**Figure 4. Formula for Determining IEDC Average Daily Rate as a Percentage of the Total
Average Daily Rate**

The results of these calculations provided stratified data both for product service category and lodging sub-classification and are displayed in both table and line graph format to represent the five years series of 1999-2003. The results are discussed in detail in the Findings section of this study.

CHAPTER FOUR: FINDINGS

The results of the study are presented and discussed in several parts in this chapter. All survey respondents were assured that the information they provided would remain confidential. Therefore all property names and other identifiable characteristics have been excluded in this study to protect the respondents' anonymity.

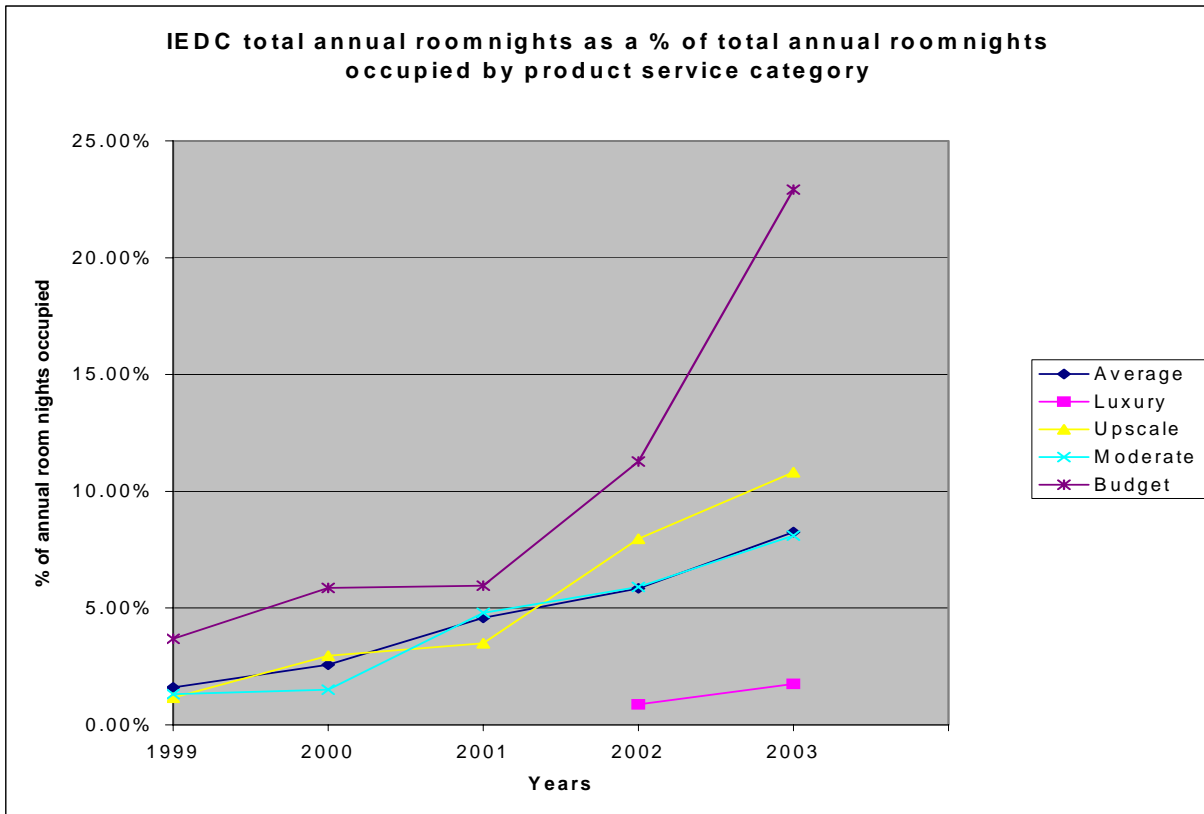
Survey Responses

Twenty-seven properties provided data and 21 were determined to be usable surveys. The 21 usable surveys represented 4.6% of the total number of properties in the market and 12% of the CFHLA 180 sample population. This sample size was not large enough to perform the majority of the standard statistical test. Because of this, a descriptive approach was utilized to analyze the data. Eighty percent of the lodging properties responding to the survey were representative of larger hotels in the resort/attractions area of Central Florida. Only two survey responses self-classified as budget lodging classification properties, limit the reliability and validity of the results for this classification. The luxury product service classification is well represented with three properties responding from an estimated population of six luxury hotels in the Central Florida area. The information gathered on luxury properties was limited to 2003 and 2002 as the three properties have only been in operation for the last two years. Eighty percent of the properties responding were hotels of over 200 rooms. This means that if size were the

criteria, small and medium-sized properties would be grossly under represented.

IEDC total annual room nights as a % of total annual room nights by product service category

Utilizing the property total annual room nights as a proxy benchmark, reported IEDC room nights were compared against these to determine the percentage of over-all business for each product service category. The results (Figure 5) of the IEDC total annual room nights as a % of total annual room nights by product service category survey demonstrate, an increase in growth of IEDC bookings compared to overall lodging bookings for the Central Florida market for all product service categories.



IEDC total annual room nights as a % of total annual room nights by product service category		1999	2000	2001	2002	2003
Luxury	n=3				0.89%	1.76%
Upscale	n=7	1.16%	2.97%	3.50%	7.96%	10.83%
Moderate	n=9	1.31%	1.51%	4.79%	5.92%	8.10%
Budget	n=2	3.68%	5.86%	5.96%	11.28%	22.91%
Average	n=21	1.60%	2.59%	4.59%	5.85%	8.25%

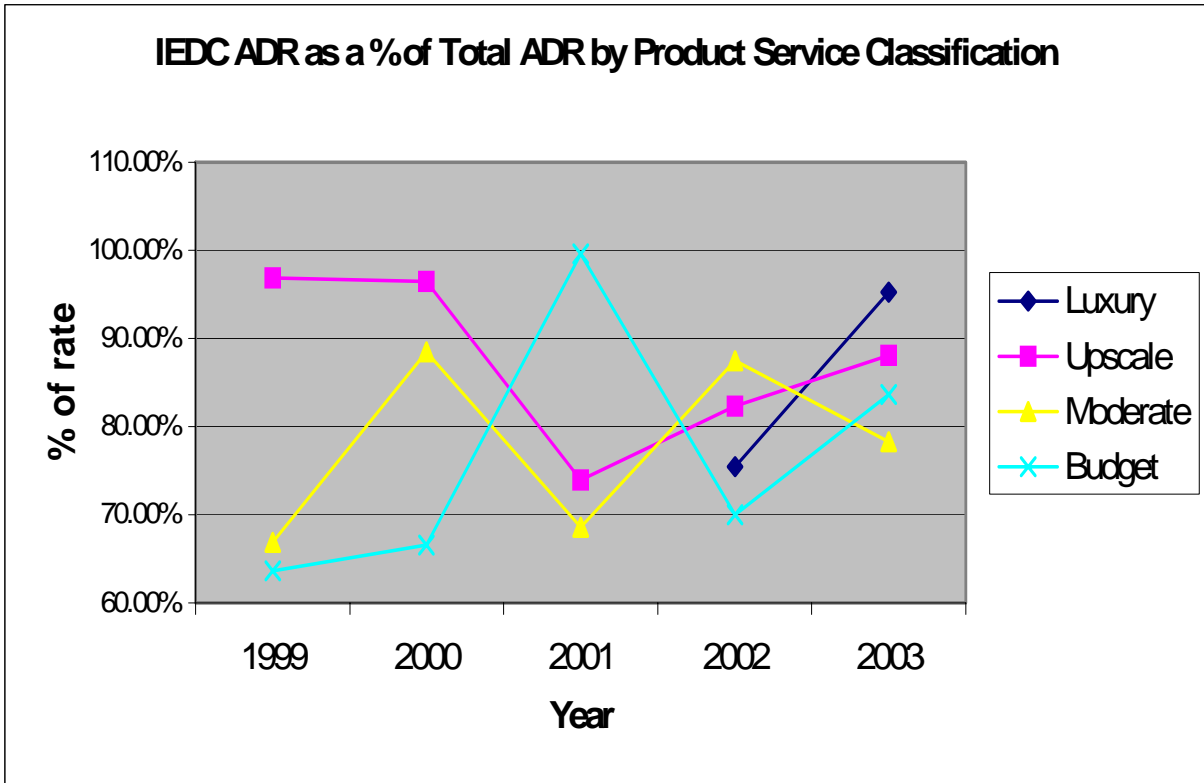
Figure 5. IEDC annual room nights as a % of total annual room nights occupied by product service category

Each individual product service category displayed growth from year to year over the five-year period of 1999-2003. Notable is a variation in the rate of growth among product service categories. This is tempered by the fact that very limited representation is reflected in some of the categories. Two properties in the budget product service category reported the highest amount of growth with 19.23 percentage point IEDC growth from 1999 to 2003. The moderate product service category displayed a slower IEDC growth of 6.79 percentage points from 1999 to 2003. The upscale product service category displayed an IEDC growth of 9.67 percentage points from 1999 to 2003. The results of the luxury growth trend were limited to one year and produced 0.87 percentage-point IEDC growth from 2002 to 2003.

The findings are consistent with the study's first proposition that in the last five years, IEDC bookings for lodging accommodations are steadily increasing as a percentage of total bookings at different rates for each of the hotel's four (budget, moderate, upscale and luxury) product service categories. The non-representative results suggest that the budget product service category may have produced the highest growth in the past five years. Continuing this reasoning, consumers shopping for budget lodging accommodations have produced IEDC bookings at a higher percentage than the luxury, moderate and upscale product categories. The possible factors contributing to the higher capture rate of IEDC bookings by budget properties are not determined in this study and warrant further research on the subject.

IEDC ADR as a % of total ADR by product service category

Utilizing the over-all property ADR as a proxy benchmark, reported IEDC rates were compared against these to determine the difference for each product service category. The analysis (Figure 6) of the IEDC ADR as a % of total ADR by product service category findings suggest that lodging properties in all product service categories have discounted their IEDC rates below the overall average rate. This is reflected in the observation that all IEDC rates were below the reported ADRs in all of the product service classifications.



IEDC ADR as a % of total ADR by product service category		1999	2000	2001	2002	2003
Luxury	n=3				75.41%	95.28%
Upscale	n=7	96.84%	96.44%	73.91%	82.29%	88.10%
Moderate	n=9	66.89%	88.48%	68.57%	87.51%	78.30%
Budget	n=2	63.61%	66.58%	99.57%	70.05%	83.63%

Figure 6. IEDC ADR as a % of total ADR by product service category

The IEDC ADR for each individual product service category consistently represented a discounted room for every year over the five-year period of 1999-2003. Confusing and difficult to interpret is the lack of pattern in all product service categories year over year. The budget product service category experienced an overall increase over the five-year period of 1999-2003, but experienced a spike in 2001 that nearly brought its IEDC ADR equal to the total ADR at 99.57%. This spike could be attributed to a possible outlier and influenced by the small sample size of two respondents in the budget product service category.

The moderate product service category displayed a pattern of alternating years of increase followed by a decrease over the five-year period of 1999-2003. This pattern is unique to this product service category in comparison to the other three product service categories. When studied over the five-year period of 1999-2003, the moderate product service category has realized an overall growth of 11.41 percentage points.

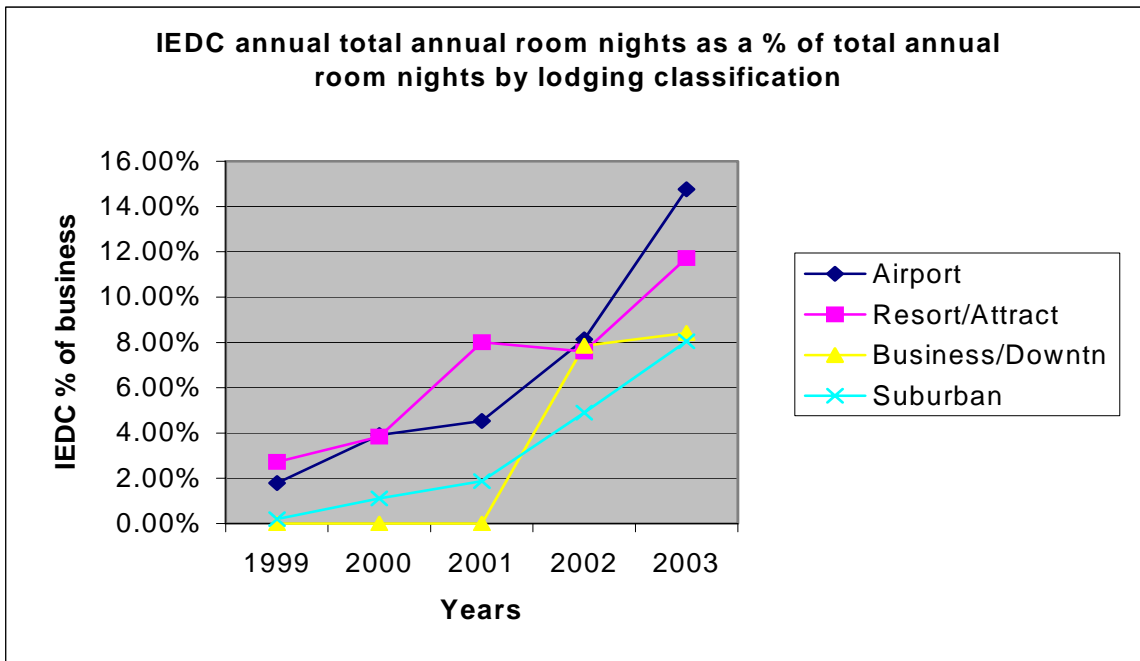
The upscale product service category displayed a nominal three percent discount off of the total ADR for the first two years of the study in 1999 and 2000. The upscale product service category then dramatically decreased in the third year to a 26.09 percentage point discount off of the total ADR in 2001. This dramatic decrease could be attributed to an attempt to maintain market share by discounting IEDC rates in a weakened lodging market influenced by the September 11th terrorist attack and a lagging economy. In the final two years of survey, the upscale IEDC rate experienced increases, but did not obtain the percentage levels observed in 1999 and 2000. This displayed an overall decrease in IEDC average rate compared to total ADR

in the upscale product service category over the five-year period. The results of the luxury IEDC ADR trend were limited to one year and produced a 19.87 percentage point IEDC rate growth from 2002 to 2003.

The lack of a pattern for each product service category indicates that there is no clear trend of increase or decrease in any of the product service categories. The one consistent factor in comparing IEDC ADR's as a percentage of total ADR's is that in all cases the IEDC ADR was at a discount from the total ADR for every product service category. The findings are inconsistent with proposition number two, that IEDC rates have declined in comparison to the lodging properties overall average daily rate in the past five years. This reduction in IEDC average daily rate in comparison to total average daily rate appears to lack a pattern and fluctuates for each product service category from year to year. This observed reduction does not support this study's proposition number two.

IEDC occupancy as a % of total occupancy by lodging sub-classification

Utilizing the total property room nights as a proxy benchmark, reported IEDC room night were compared against these to determine the percentage of over-all business for each lodging sub-classification. The results (Figure 7) of the IEDC total annual room nights as a percentage of total annual room nights by lodging classification survey provide evidence to the increase in growth of IEDC bookings compared to overall lodging bookings for the Central Florida market for some of the lodging classifications.



		1999	2000	2001	2002	2003
Airport	n=2	1.16%	2.98%	3.18%	5.66%	10.17%
Resort/Attract	n=17	1.86%	2.91%	4.97%	4.79%	7.07%
Business/Downtn	n=1				5.05%	5.58%
Suburban	n=1	0.16%	0.86%	1.18%	2.89%	4.79%
Total Average	n=21	1.72%	2.78%	4.71%	4.78%	7.12%

Figure 7. IEDC occupancy as a % of total occupancy by lodging sub-classification

Each individual lodging classification displayed consistent growth from year to year over the five-year period of 1999-2003. The airport lodging classification experienced the highest

amount of growth with a 9.01% point IEDC growth from 1999 to 2003.

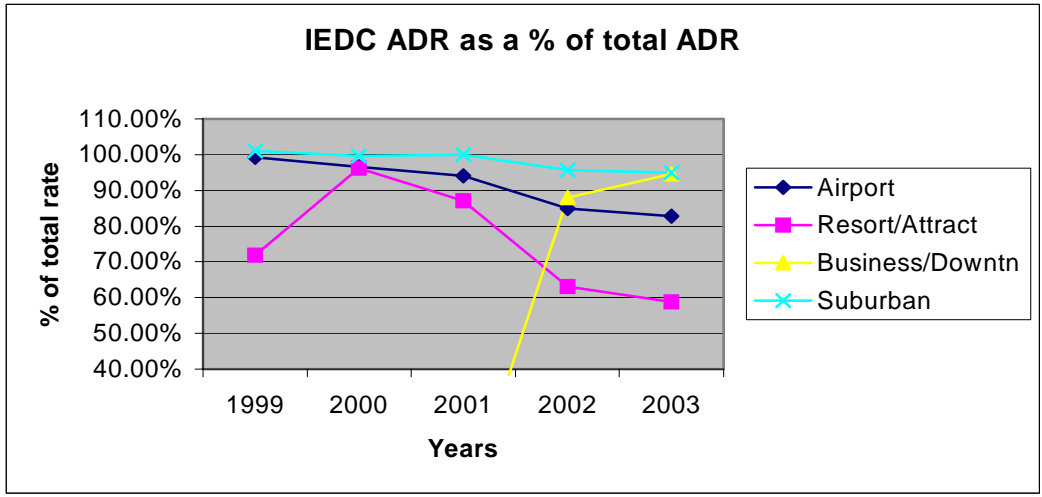
The sole suburban property reported the slowest IEDC growth of 4.63 percentage point from 1999 to 2003. The sole business/downtown property was limited to one year and displayed a 0.53% point IEDC growth from 2002 to 2003. The reliability of the results for the airport, suburban and downtown/business lodging classifications should be taken into consideration with the limited survey responses received for each lodging classification. Each of these classifications was limited to one or two respondents. The airport, business/downtown and suburban results are only indicative and could not be considered representative because of the limited responses. The resorts/attractions produced an IEDC growth of 5.21% points from 1999 to 2003. The resorts results could be said to representative based on the 17 responses received from the survey.

This analysis of IEDC occupancy as a percentage of total occupied rooms by lodging classification is a qualified support for the findings of the IEDC occupancy as a percentage of total occupied rooms by product service category analysis. This indicates growth for all IEDC bookings over the past five years. These findings are consistent with the study's first proposition that in the last five years, IEDC bookings for lodging accommodations are increasing as a percentage of total bookings at different rates for each of the hotel's four (budget, moderate, upscale and luxury) product service categories. The results indicate that the airport lodging classification has produced the highest growth in the past five years. The possible factors contributing to the higher capture rate of IEDC bookings by airport properties are not determined

in this study and warrant further research on the subject.

IDEC average rates as a % total rates by lodging sub-classification

Utilizing the over-all property ADR as a proxy benchmark, reported IEDC rates were compared against these to determine the difference for each lodging sub-classification. The results (Figure 8) of the IEDC ADR as a % of total ADR by lodging classification analysis indicate that most lodging properties have discounted their IEDC rates below the overall average rate.



		1999	2000	2001	2002	2003
Airport	n=2	99.25%	96.51%	93.99%	84.87%	82.81%
Resort/Attract	n=17	71.94%	96.17%	87.05%	63.09%	55.69%
Business/Downtn	n=1				88.03%	94.67%
Suburban	n=1	101.07%	99.62%	99.99%	95.65%	94.99%

Figure 8. IEDC average rates as a % total rates by lodging sub-classification

The IEDC ADR for each individual product service category, with the exception of the suburban classification for 1999, consistently suggested a discounted rate from the total ADR for every year over the five-year period of 1999-2003. The sole suburban property experienced a continuous 6.71 % point decline in IEDC ADR compared to overall ADR over the five-year period of 1999-2003. The airport property experienced a continuous decline of 16.44% point

IEDC ADR compared to total ADR over the five-year period of 1999-2003. The airport and the suburban lodging classifications traditionally represent the business traveller in the Central Florida market. The resort/attractions lodging classification experienced a large increase in IEDC average rates as a percentage of total rates by lodging classification of 24.23% points from 1999 to 2000. This was followed by a continuous 40.48% point decline over the years of 2000 to 2003. The net decline of IEDC average rates as a percentage of total rates in the resort/attraction lodging classification was 24.23 percentage points for the five year period of 1999 to 2003. This may suggest that in order to increase IEDC room nights as a percentage of total annual room nights (Figure 8) in the resort/attraction lodging sub-classification, properties have had to provide discounted IEDC rates in the past five years.

The single exception to a continuous decrease in the resort/attraction lodging category was the spiked increase in IEDC ADR as a percentage of total ADR from 1999 to 2000. This single instance of a spiked increase from 1999 to 2000 appears to be an isolated occurrence and the pattern of decreasing ADR over the five year period is apparent. The business/downtown lodging classification analysis is limited to one year of data from 2002-2003 and displays a 6.64% point increase in IEDC ADR as a percentage of total ADR. This increase in the IEDC rates offered compared to total average rates yielded a slight increase of a 0.53% point in IEDC room nights as a percentage of total annual room nights. The fact that one property in the downtown/business lodging classification only provided two years of data must be considered while reviewing results of the analysis.

CHAPTER FIVE: CONCLUSION

Anticipating the IEDC trends taking form in the lodging industry and preparing to meet these trends will be an important factor in determining the success of individual properties in the future. IEDC bookings are continuing to grow as a percentage of the lodging industry's total bookings and those who do not understand the dynamics of this growing market will be at a severe disadvantage and will ultimately fail.

In this paper, the author has reported the results of a limited study on the effect of Internet booking on the Central Florida lodging market over the past five years. The results help to clarify the role of IEDC's and how their availability has changed the dynamics of how lodging properties offer rates and availability to the lodging market. The study specifically investigated the volume of business for Central Florida lodging properties that each product service category and lodging sub-classification received through IEDC's over the five year period of 1999 to 2004. In addition the study investigated the percentage of discounts that Central Florida lodging properties offered to IEDC's compared to overall property average rates. This study serves as a first step in understanding how IEDC bookings are affecting the Central Florida lodging market.

The most revealing finding in the study was the observation that few lodging properties in the Central Florida lodging industry maintained detailed statistical history regarding Internet bookings. While conducting follow-up telephone calls to the properties invited to participate, the author observed that many of the lodging managers were willing to participate in the study and

provide standard lodging statistics such as yearly occupancy and ADR. However a large percentage of these managers were unable to provide specific data regarding Internet bookings. It was observed that the properties that were able to provide all of the required Internet statistical data tended to be properties that belonged to a major hotel chain and could access the necessary information from their home offices. Further exceptions were properties that had a person dedicated to revenue management and these managers were responsible for maintaining historical data regarding Internet bookings. Without few exceptions, each manager that the author spoke with was interested in receiving the findings of this study and agreed that Internet bookings were continuing to become a potential for additional business. These same managers were unable to provide the necessary statistics to complete an analysis for their individual property and therefore unable to fully realize the effect of the Internet on their business from a statistical or profitability standpoint.

Recommendations to Lodging Property Managers

Based on the current study, three specific courses of action are recommended for lodging property managers who wish to optimize room revenues. The first recommendation would be for each individual property to monitor and compare its IEDC booking pace against competitors in similar product service categories and lodging sub-classifications. Subscription services are available that provide real-time market data similar to the Smith Travel Research Report, to which many hotels subscribe to and participate in. By monitoring the IEDC market, more

informed decisions can be made with regards to the pricing of IEDC rates. If an individual property is not receiving its fair market share of IEDC bookings over several months based on a market report, it should investigate its pricing strategy and IEDC availability to ensure the property is properly positioned. Consumers will investigate all of the rates offered by a particular property through each distribution channel and compare them to determine if there is any variation. The greater the variation of rate for the same room product at a property, the more questions that will arise in the mind of the consumer with regards to the pricing integrity of that property. This could steer a consumer away from that property and towards another lodging product that the consumer feels is a better value.

If it is determined that the property has the proper price positioning for its IEDC rates against the other rates and is still not receiving its fair market share, this may indicate that consumers are having difficulties with the property's Internet booking mechanism. It is reasonable to assume that consumers who have difficulty in booking lodging accommodations through a particular property's web-site will abandon the process and revert to more traditional methods, or move on to a competitor. If a lodging property monitors its IEDC bookings and observes a lower capture rate compared to the rest of the market, that property should investigate the ease with which consumers can make an online reservations and make the necessary adjustments if warranted.

The second recommendation to lodging property managers is to carefully monitor the rate that is received through IEDC's. If properties continue to provide discounted IEDC rates

compared to their other rates, the overall ADR will begin to decline as IEDC bookings increase. If IEDC bookings continue to grow compared to overall bookings, lodging property managers should bring IEDC rates into parity with rates offered through other channels. Lodging property managers will experience eroding ADR if they continue to view IEDC bookings as a discount-offering channel and price these rates below the targeted ADR. In some properties, this calls for a change in rate structure philosophy. Properties that do not make this change could find themselves at a financial disadvantage in the future as IEDC bookings continue to grow.

The third recommendation is directed towards individual lodging properties with limited marketing resources. These properties should consider redirecting marketing efforts away from older and more traditional methods and place a greater emphasis on developing IEDC markets. The literature review of this study supports the idea that properties with limited marketing resources can compete with properties with greater means, if they develop their IEDC strategies to give them equal or greater access to the consumer. A consultant with expertise in IEDC marketing could prove to be a competitive advantage to a smaller property as this market continues to grow. Effective Internet marketing could become the great equalizer that allows smaller properties to successfully compete with larger, more established properties.

This same idea could be applied to properties that are a part of larger chain or corporation. Many lodging corporations have experts on staff in their information technology departments that can be utilized to help improve an individual property's IEDC marketing strategy. Lodging managers that have access to this useful resource should investigate how to

best leverage the expertise of these individuals within the company and develop long and short-term action plans.

Suggestions for Further Research

The implications of IEDC bookings need to be explored further and the following objectives can be utilized to guide this research:

1. To investigate the current practices of lodging properties utilizing IEDC pricing in comparison to overall distribution channel pricing strategies.
2. To determine if there are significant differences in growth among different lodging property classifications or product service categories regarding IEDC in comparison to overall distribution pricing strategies.
3. To investigate the possible factors contributing to the higher capture rate of IEDC bookings by the budget lodging sub-classification properties in the Central Florida lodging market.

Limitations of the Study

This study was limited by the amount of usable survey received from the population. In informal interviews with several prospective respondents, it became apparent that many properties did not have information for the time of the study regarding IEDC bookings. Eight properties attempted to complete the survey, but did not have the necessary data available regarding Internet bookings over the five-year period of the study. Because of the limited

amount of usable surveys received, several statistical analyses could not be performed to provide additional validity to the author's observations. In particular, small and medium-sized properties are grossly under-represented in the study. Informal discussions held with several managers of smaller lodging properties led the author to believe that these smaller properties are not very proficient in recording and maintaining information regarding IEDC bookings. The author will continue to solicit additional responses from the population in an effort to collect enough cases to perform the proper statistical analysis to increase the validity of the findings.

The author found that the industry does not have standard definitions for lodging sub-classifications and determined that allowing the individual properties to select their own sub-classifications was the best method for proceeding with the study. This will lead to difficulty if an attempt is made to apply the observations to any studies that utilize a different method for defining lodging sub-classifications.

APPENDIX A: INTERNET ONLINE SURVEY

University of Central Florida Rosen School of Hospitality Management

THE EFFECT OF INTERNET BOOKINGS ON THE ORLANDO LODGING MARKET QUESTIONNAIRE

Please take a moment to complete this survey and return it to the Rosen School of Hospitality Management. Surveys can be returned to the attention of Scott Smith, either by fax (407-903-8105) or in the mail with the enclosed stamped envelope. By completing this survey, you will allow us to identify trends for Internet hotel bookings in the Orlando market. The results will be provided to all hotels that participate in an executive summary. All information provided in this survey will be kept in the strictest of confidence.

For the purpose of the survey, Internet Channels include:

- Business booked through a hotel's own web-site (*i.e. mbassysuitesorlandonorth.com*)
- Business booked through the hotel's brand web-site (*i.e. Hilton.com, Marriott.com*)
- Business booked through third party suppliers (*included, but are not limited to: Hotels.com, Expedia, Travelocity*)
- Any other business supplied by a third party supplier where the booking originates with the guest making a reservation through an Internet web-site.

<p>Lodging Product Service Category (please select only one)</p>	<p><input type="checkbox"/> Budget</p> <p><input type="checkbox"/> Moderate</p> <p><input type="checkbox"/> Upscale</p> <p><input type="checkbox"/> Luxury</p> <p><input type="checkbox"/> Other</p>
<p>Lodging Classification (please select only one)</p>	<p><input type="checkbox"/> Resort / Attraction Area</p> <p><input type="checkbox"/> Business/Downtown</p> <p><input type="checkbox"/> Suburban</p> <p><input type="checkbox"/> Airport</p> <p><input type="checkbox"/> Other</p>

Number of Rooms on Property	_____				
Chain Affiliated Property/Hotel?	<input type="checkbox"/> Yes <input type="checkbox"/> No				
			YEAR		
	2003	2002	2001	2000	1999
Total Hotel Occupancy (in %)	_____	_____	_____	_____	_____
Total Number of Room Nights Captured Through Internet Channels	_____	_____	_____	_____	_____
Average Rate of Room Nights Captured Through Internet Channels (in \$xx.xx)	_____	_____	_____	_____	_____
Property Total Average Rate (in \$xx.xx)	_____	_____	_____	_____	_____
Average Booking Window of Rooms Captured Through Internet Channels (in days)	_____	_____	_____	_____	_____
Average Booking Window for all Transient Rooms (in days)	_____	_____	_____	_____	_____

APPENDIX B: E-MAIL INVITATION TO PARTICIPATE IN ONLINE SURVEY

*Rosen School of Hospitality Management
University of Central Florida
Orlando, Florida*

May 14th, 2004

Dear CFHLA Member:

I am a local hotelier who is also one of the first Master's candidates in the Rosen School of Hospitality Management, and have elected to conduct original research as part of my graduate degree requirements. My topic, 'The Effect of Internet Bookings on the Central Florida Lodging Market', seeks answers to some critical questions that I believe are of importance to you as technology-driven changes affect your inventory management strategies and ultimately impact bottom line. Each of us is well aware of the general increased usage of the Internet across all market segments, both for information searches and for booking the business. My research focuses on the latter. Specifically, I expect to develop a broad based portrayal of collective changes experienced year to year and to determine whether there are significant differences across lodging product categories represented in those changes.

May I have some minutes of your time, asking that you complete my on-line survey? The survey is limited to one page and should take only a few minutes to complete once the data is organized for a response. By clicking on the following hyper-link, <http://pegasus.cc.ucf.edu/~rshm/surveys/jbookorl.htm> you will be able to access and respond to the survey via the Internet.

Please be assured that all information provided is considered confidential and will be maintained in the strictest confidence. **The survey web-site is operated by the University of Central Florida and is designed to protect the anonymity of the respondent.** Nothing directly identifying you or your property will be contained in the published results of the research. Should questions remain or arise, Dr. Paul Rompf, Chair of my Thesis Committee, may be contacted for their resolve.

The finding of the research will be available to the CFHLA community. Participants should find comparisons of their individual property data to overall and segment averages insightful.

Thank you for your consideration and assistance.

Best Regards,

Scott J. Smith, CMP
Masters Degree Candidate
Rosen School of Hospitality Management
407-322-8875
scottsmithucf@bellsouth.net

Committee Chair
Paul D. Rompf, PhD
Associate Professor
407 823-1120

APPENDIX C: E-MAIL REMINDER TO PARTICIPATE IN ONLINE SURVEY

*Rosen School of Hospitality Management
University of Central Florida
Orlando, Florida*

June 5th, 2004

Dear CFHLA Member:

I want to thank everyone who has taken the time to complete the survey for my topic, 'The Effect of Internet Bookings on the Central Florida Lodging Market'. I would also like to remind members who have yet to participate, that there is still time to contribute to this important study. The survey will be available on-line until Friday June 4th. Each hotel's participation is crucial to obtaining enough data to make the study valid.

The survey is limited to one page and should take only a few minutes to complete once the data is organized for a response. By clicking on the following hyper-link, <http://pegasus.cc.ucf.edu/~rshm/surveys/ibookorl.htm> you will be able to access and respond to the survey via the Internet.

Please be assured that all information provided is considered confidential and will be maintained in the strictest confidence. **The survey web-site is operated by the University of Central Florida and is designed to protect the anonymity of the respondent.** Nothing directly identifying you or your property will be contained in the published results of the research. Should questions remain or arise, Dr. Paul Rompf, Chair of my Thesis Committee, may be contacted for their resolve.

The finding of the research will be available to the CFHLA community. Participants should find comparisons of their individual property data to overall and segment averages insightful.

Thank you for your consideration and assistance.

Best Regards,

Scott J. Smith, CMP
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Rosen School of Hospitality Management
407-322-8875
scottsmithucf@bellsouth.net

Committee Chair
Paul D. Rompf, PhD
Associate Professor
407 823-1120

APPENDIX D: SCRIPT FOR REMINDER CALL AROUND

Ask for General Manager

Hello, I am calling on behalf of Scott Smith- a UCF graduate student who is conducting research for UCF's Rosen College of Hospitality Management. He is conducting a study regarding the effect of Internet bookings on the Orlando Lodging Market.

Have you received his e-mail that was sent out through the Central Florida Hotel and Lodging Association?

-If "Yes"- **Ask have you had a chance to fill it out?**

If Yes-Thank them for their participation and end the call.

If "No"-Ask them to please consider taking the time to participate and submit the information. Explain that if we do not get enough responses the study will not be able to provide the information about Internet bookings in Orlando that everyone is interested in.

Can I e-mail you out the survey for you to take a look at?

-If "No"- **Can I e-mail it out for you to look at and complete?**

If Yes-Get their e-mail address thank them for their participation and end the call.

If "No"-Thank them for their time and end the call.

If you get voice mail:

Hello, I am calling on behalf of Scott Smith- a UCF graduate student who is conducting research for UCF's Rosen College of Hospitality Management. I am calling to remind you to please complete the on-line survey if you have not done so. I you have not received the survey by e-mail, please let us know so we can send the information out. Scott can be reached by e-mail at scottsmithucf@bellsouth.net or by telephone at 407-322-8875. Thank you for your participation.

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