

**RezNEWS Feature Article:
How to get the most out of the Global Distribution System (GDS)**

Long before the Internet changed the landscape of the travel industry, the Global Distribution System (GDS) was created by the airline industry. The airlines created the first GDS in the 1960's as a way to track flight schedules, availability, and pricing. In the 1970's, SABRE (owned by American Airlines) and Apollo (owned by United) installed their GDS technology in travel agencies. This service helped travel agents automatically generate their own airline reservations for their clients and gave the major airlines significantly increased sales exposure.

With the creation of the Internet, travel websites multiplied. The traditional GDS providers (SABRE, Worldspan, Galileo, and Amadeus) formed their own travel websites. Popular Internet travel websites such as Travelocity.com (owned by SABRE) and Orbitz.com (powered by Worldspan) have continued to grow in popularity and market share. Today, the Global Distribution System consists of both the original GDS technology (travel agent data suppliers) *and* travel websites such as Expedia, Travelocity, and Orbitz, etc. There are also many smaller regional GDS providers and travel website portals in the Global Distribution System makeup.

What are the benefits of participating in the GDS network?

"By 2008, as much as 37%-38% of all hotel bookings will be transacted over the web, which represents 15%-16% growth over 2007." – Hospitality ebusiness Strategies

The main benefit of the GDS is that it provides a perfect virtual marketplace for travel inventory sellers such as hotels, airlines, and car rental systems to showcase their wares to a global Internet travel audience. The GDS is a natural outlet for hotels, resorts, and even smaller inns that want to increase revenue and online marketing exposure. The GDS also allows independent properties a chance to offer special "dynamic packages" (bundled services that include hotel, airfare, special events, etc.) to their customers. With more and more consumers making travel reservations online, dynamic packaging is a growing trend. Research shows that travelers who book packages online stay longer at their destination and spend more money while there.

Who is the Global Distribution System best suited for?

The GDS is ideally suited for larger hotels and resorts located in desirable areas that have standard room types such as single rooms, queen rooms, king rooms, etc. Because the technology behind the GDS is older, there are limits on the total number of unit types that can be managed through the system. Currently, the limit is approximately 16 unique unit types. Dealing with limited unit type allowances can be a problem for vacation rental businesses that have 30 or more unique rental unit types, but techniques can be utilized to still accommodate these types of businesses. The GDS was never really designed for vacation rental management or smaller bed and breakfasts that contain limited inventory. It is also best to realize that the GDS cannot create consumer demand, so businesses located in popular travel destinations will always have an advantage using the GDS over businesses located in rural or lesser-known geographical areas.

What does the GDS cost?

When you sign up for the GDS, there are multiple fees involved. There is an initial one-time sign up fee of typically \$300-\$1,500 with a recurring annual maintenance fee of around \$250. In addition, you will also pay approximately 10% to the travel agency or travel website that provides you with your GDS reservations. Finally, you must also pay some sort of fee to the back end technology companies that coordinate GDS data and feed it to the network. Pegasus is the most well known of these companies. Fees vary but expect to pay an additional \$10-15 dollars per reservation to these providers.

With so many fees, why should I participate in the GDS network?

For most properties the benefits of receiving GDS reservations outweigh the costs. Room nights are perishable. Simply put, receiving 80-90% of your rack rate is much more desirable than seeing rooms sit empty. In addition, once you sign up for the GDS network you can limit inventory available through the GDS during your busy seasons and remember you only pay when you receive reservations.

GDS Payment Plan Options

The most common commission payment plan for GDS reservations is known as the “retail model.” In this model, hotels and other resorts elect to pay 10% per GDS reservation to the travel agency or travel website that provided the customer reservation. Keep in mind you must also pay the technology provider fee for every reservation. Another way to pay for GDS reservations is to sign up for what are known as “net rate” programs. Net rate programs, offered by Expedia for example, charge hoteliers and smaller properties up to 30% per reservation. The advantage of net rate programs is that they give preferential treatment (higher placement on travel websites) to businesses willing to pay higher rates. However, since large travel website portals often give superior placement to large hotels that offer more inventory and provide travel websites with more reservations, signing up for a net rate program does not always guarantee maximum online exposure. In addition, signing up for net rate programs in competitive areas (New York City) is of limited value. Some marketing companies will tell you that if you are not on a net rate program, you will not receive online reservations. The reality is that net rate programs are usually not worth the higher cost. A third type of GDS payment plan is known as the “opaque pricing model.” Websites such as Priceline.com and Hotels.com offer steep discounting to consumers, which is beneficial to them, but participating properties have to sign special agreements to be involved and receive far less revenue per room reservation than bookings made on other traditional online websites.

RezNEWS Tip: GDS net rate programs are often not worth their high cost. Instead, sign up for retail model pricing at around 10% per reservation. Your business will save money and still receive beneficial and valuable online marketing exposure.

How do I sign up for the GDS?

While you can sign up directly with some travel websites, it is often a better option to sign up through companies that partner with major GDS providers to limit the number of contracts you must sign and to prevent having to manage GDS inventory through more than one source. Most property management software companies link to the GDS network. RezStream, for example, provides two-way connectivity to the GDS through its RezStream Professional property management software system.

RezNEWS Tip: Once your GDS account is activated, RezStream Professional will update your GDS inventory, automatically receive all new GDS reservations, and manage all changes and cancellations made through the system.

How can I get the most out of the GDS once I sign up?

After signup, it does take some time to ensure that all your property information is accurately entered within the GDS network. Most companies that sell GDS services will assist you in making sure your property's best attributes are included in the GDS setup. Keep in mind that no detail is too small to omit when creating your GDS profile. Make sure to list nearby attractions, hospitals, restaurants, etc. Travel agents often view property data in older, less graphical format, so knowing where you are located and what amenities are nearby, is important to the agents when searching for the best location for their travel client. *It is surprising how many businesses sign up for GDS services that do not upload property photos. Don't let your business be one of them!*

RezNEWS Tip: Do a search for your property's location on Expedia, Travelocity, and Orbitz. In your surrounding area, view and read the listings of your competitors. Be sure your property's description and amenities are well written and rates are correct when you create

your GDS profile. As well, make sure to display multiple property photos that are clear, attractive, and accurately depict your property. This process takes some time but will pay dividends if you are willing to make your property sound and look highly desirable.

Once my GDS account setup is complete, how long will it be before I receive GDS reservations?

Once your property information is entered into the GDS network, it can take up to a month before your property information is displayed on most of the major travel websites. However, with luck, you might see your property listings in just a few days.

How many reservations can I expect from the GDS network?

Many businesses sign up for the GDS and are disappointed that they do not get a high number of online reservations. Typically, smaller properties can expect 10-20 reservations per month and larger properties many receive as many as 5-10 per day. The number of GDS reservations your property receives is dependent upon a number of factors. Again, the GDS network cannot create demand for your property. You must be located in an area that people want to travel to or have unique amenities and services at your property that are appealing for travelers. In addition, if you have a lot of direct competition in your area, it will diminish the number of GDS reservations your property will receive.

Conclusion

The GDS network offers properties valuable marketing exposure on the various popular online travel websites and to over 600,000 travel agents worldwide. However, the GDS is only the "icing on the cake." Most properties will still get many more online reservations through their own website than they will from the GDS network. Therefore, make sure you have a well designed website, easy to use navigation, allow potential customers to book online, and that you hire a professional company to market your website. The practice of making travel arrangements online continues to grow. Make sure your property combines GDS exposure with its own website booking engine to maximize online revenue.

About the author

Bill Mitchell is co-owner and Chief Operating Officer for RezStream. Bill has over 20 years experience in the hospitality industry with extensive knowledge in management and marketing for hotels, resorts, and bed and breakfasts. Bill is recognized nationally as a featured speaker and consultant for the hospitality industry.