Global Hotel Reservation Trends in Terms of Mobile App Application via Smartphone

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ABSTRACT

The global hotel industry grows at a fast rate and just as the industry develops so is the competition for customers. Global technological advancements have led to the globalization and synchronization of not only businesses but also business units and departments. With the growing need to tap into niche markets, hotel industry players are turning to technology to stay competitive. Mobile applications, especially internet based ones are increasingly being used by hotels around the world to give their target customers easy and fast access to their services. Every traveler would like fast and easy travel planning and using the currently developed efficient mobile applications they can make their travel arrangements from wherever they are. Hotel reservation via Smartphone in now so commonplace just as majority access the hotel systems through their mobile applications to make their hotel reservations, book their hotel rooms etc. Hotels are also maximizing on the full potential that mobile application (APP) marketing offers. This study aims at revealing the current trends in mobile marketing that is increasingly integrated by hotels in their marketing and business strategies and how customers are increasingly using the mobile applications to access hospitality services in the hotel industry.

Keywords: Mobile App marketing, Hotel booking system, Travel Planning, Smartphone Reservation, Hotel Reservation mobile apps

1. BACKGROUND OF RESEARCH & INTRODUCTION

The hotel industry has been experiencing tremendous developments in the use of technological platforms to enhance business functionalities. With the growth in technological developments, more and more consumers in the hospitality industry are also turning to technology “on the go” in order to access services. In the hotel industry, more and more customers are turning to the use of
mobile gadgets to access hotels, make reservations and bookings from wherever they are. The convenience of this system has increasingly made it one of the most sought after advancement in the hotel industry. The use of mobile phones to access hotels services has however, got minimal research and study in the past. However, with the potential benefits those hotels are bound to gain from these advancements, continual research is critical in the analysis and provision of information to industry players on the advancements made and how they can tap into these platforms for their strategic market growth.

When it comes to travel planning, every hotel knows that its customers would prefer an easy way to access their services and make reservations. With this in mind, hotel managers and stakeholders are increasingly developing innovative ways to make this process as easy and as fast, the highly convenient, for their customers. Be it for business or social travel, it is empirical to note that the hospitality industry is experiencing higher and higher numbers of both old and new customers. With these changing trends in travel and hotel stay customers, a number of hotels have realized that keeping up with the high number of reservations can be highly overwhelming especially for their current manpower.

In order to sustain timely and fast response to the growing number of reservation requests from guests, a good number of hospitality service providers have initiated efficient ways to access their systems and make reservations without having to call the hotel. The internet-based systems are applications that can be accessed by potential as well as current customers from wherever they are just by using their internet-activated mobile phones or Smartphones. Majority of Smartphones these days are touch screen and just with a swipe of a finger, a customer is able to scan through available reservations and make their booking in good time. Individual preferences always play a huge part to the customer’s selections of hotels, meaning that the customers would be more than eager to view location and facilities of hotels that they would prefer and through a swipe of a finger, select through their Smartphones.

The growing technological advancements have enables majority of technology compliant hotels to meet their customers’ efficient and effective reservation needs. In order to efficiently and cost effectively reach their customers, hotels are now taking on the opportunities offered by technology and the internet in order to not only market their products, but also offer access to their services and sell their services to their end consumers. Through mobile applications, a new platform of business has emerged called mobile commerce (m-commerce) that majority of businesses in the hospitality industry are not using in order to reach their customers. In order to succeed in staying competitive locally and globally, hotels are working tirelessly in order to provide their customers with quick and easy reservations to their services wherever they are, hence providing mobility as well as ease of accessibility.
Whether it is travel planning for work related purposes, more and more consumers of hotel services are turning to internet based systems to make their travel arrangements an easy task to accomplish on their own. Now only does this save on time but it saves on the costs traditionally linked to the travel planning process. It is highly evident now that “internet channels enable cost reduction in the final price, detailed information to consumers and the possibility of instant product purchase” (Alzua-Sorzabal et al., 2003, p. 5). The adoption of this new phenomenon of hotel reservation mobile applications has increasingly captured the attention of both businesses and individuals making their travel plans from various diverse locations.

Traditional methods of hotel reservation may have gained great attention in the past however, not many of them have mobile accessibility. Traditional hotel reservation systems were mainly done by a personal assistant who could make reservations for their bosses in the top management of a business anywhere around the globe. In other top management positions, some managers would be able to make their reservations from their desk using their internet connected computers. However, with the advancements in technology, there are numerous platforms that customers can now access the hotel systems and make reservations from the comfort of their houses, offices right from the palm of their hand using a Smartphone. The convenience of using the mobile phone to access the preferred hotel and make a reservation can highly be enticing for customers and is greatly making an impact in numerous hotels.

There are numerous advantages that can be gained from the access of the hotel services from the usage of a mobile phone and many researchers have studied this field of hotel industry development. The knowledge of these advantages has led numerous hotels to adopt mobile marketing (m-marketing). Hotels such as the Hilton have been noted to have made great strides in increasing their client base and their sales finances through the bookings they attained from mobile application (Heller, 2011). Hotel mobile application marketing has gained phenomenal acceptability and application in recent years in the hotel industry. Among the industries that have always strived to stay a step ahead of the curve in the utilization of new technology for a competitive advantage is the hotel industry. With the growing trends in the sales of Smartphones in the market today, and their popularity among mobile phone users have contributed to their growing use in the industry.

When it comes to mobile applications, 40 percent of those who own Smartphones have indicated the use of their phones to search for a hotel, while a whopping 25 percent have revealed in past studies that they have used their phones to make hotel reservations in the past through their phones (Watkins, 2010). As technological advancements are made, these figures are bound to increase (Xie et al., 2011; Watkins, 2010). It is evident that top notch hotels are not turning to online, internet based systems and platforms to market their services and gain popularity among
their current and potential customers through electronic word of mouth (Xie et al., 2011; Watkins, 2010; Ye et al., 2011).

In their research Alzua-Sorzabal et al (2003) concluded that Internet Distribution Systems (IDS) were a great part in the increase in hotel reachability to its customers and for increase revenue generation in the recent years and that information technology (IT) based systems are increasingly being adopted in the hotel industry to drive efficiency and as a cost cutting strategy (Chen et al., 2012). Although internet or online based booking or reservation systems have gained great preference in the recent past, it is noteworthy that a good number of customers still show some reservations when it comes to the use of online systems when making their reservations due to security concerns (Golmohammadi et al., 2012). However, according to Golmohammadi et al (2012), if the hotel industry players can work a way to reduce the risk associated with online reservation systems, then they could gain in revenue generation.

The main objective of this paper is to evaluate the various ways in which hotels can improve on their efficiency in service accessibility and delivery to their customers through the use of mobile applications. Major industry players such as Hilton Hotel, Intercontinental Hotel and Choice Hotel shall be reviewed on their level of usage of the mobile application in their quest to increase revenue generation and also offer accessibility to their customers. There are many international hotels that have implemented the use of mobile applications in order to increase the accessibility of their services by customers and this paper shall be focussed on the viability of using the mobile applications in their quest not only to cut costs of other means of reservation such as the traditional use of commissionable agents. This study shall concentrate on a literature review of articles written on the usage of mobile applications in the hotel industry and how this has impacted revenue generation, guest reservations and mobile application development costs in the hotel industry.

2. LITERATURE OF REVIEW

The hotel industry has gained great strides in the development of easy and fast reservation mobile applications in the recent past. In response to the growing need for a competitive edge, majority of high star hotels such as Hilton Hotel, Intercontinental Hotel, Choice Hotels, Hyatt Hotels and other top international hotels have invested in the development of mobile compliant applications that their customers can use through their Smartphones in order to access their services especially in making reservations. Different hotels, whether branded or independent, have their way of ensuring that their businesses stay afloat, both during and after both good and challenging financial seasons as well as in and out of business season (O’Neill & Carlbäck, 2011). Strategies such as the use of mobile applications in marketing their services is one way that some of these hotels manage to not only cut costs but also market their services and offers to
their customers throughout their business seasons (O’Neill & Carlbäck, 2011; Sparks & Browning, 2011). Smartphones with internet accessibility enable customers not only to access a hotel reservation system but also to view the hotel’s location and also allows for the customer to read through the hotel reviews that have been posted by other customers from their previous experiences (Sparks & Browning, 2011). Mobile applications can therefore be deemed as an all-rounded information sources that give a hotel a good platform for accessibility as well as global rating. There are many other advantages that hotels gain from mobile applications. For the hotels that develop these applications with the sole focus of gaining a competitive advantage, they can always customize the applications to ensure that they provide a unique experience to their customers. Positive reviews accessed online via mobile applications, unlike word-of-mouth that may be limited to a certain social area, are a great tool for a global reach to customers (Sparks & Browning, 2011; Wei et al., 2012; Heller, 2011).

3. METHODOLOGY

This study adopted the use of review of existing data and literature on the financial gains of developing and using mobile applications for the marketing of hotels. By looking at the financials of revenue generation from the mobile application reservations by customers, a detailed evaluation would be made on the advantages and impact of mobile applications and the viability of developing them will be detailed. This method of research was adopted because it could be the most viable method in detailing the impact of the use of mobile marketing in the hotel industry. Data from select annual reports of various hotels shall be used to analyze the amount of revenue that was generated from mobile reservation and access sales. Other articles shall also be reviewed to reveal the impact that mobile marketing has had on hotel exposure to potential customers and if there were any increase in customer numbers from mobile based online systems.

According to DeMicco (2009) the hotel industry is one of the greatest users of new technology. A case study of the Mandarin Oriental Hotels financials after the implementation of the mobile applications for their marketing has been reviewed in order to ascertain the actual impact of Smartphone applications on hotels.

Regards to the Mandarin Hotel Review, the Mandarin Oriental Hotel developed and used their mobile application called the MO hotels that was mainly designed for the iPhones and iPods etc and could allows customer to view hotel details such as room features, the services that the hotel offered as well as the hotel amenities. Besides these, the MO Hotels application enabled customers to make, modify or even cancel reservations, locate the hotels services as well as special offers, make service calls e.g. for a spa appointment or for a dinner reservation, the hotel chain international telephone contacts to customers making connection
travels etc, and a list of surrounding attractions in all the locations that the hotel was. This one stop information bases was a great source for customers looking for information on the hotel chain and that led to the increase in enquires to the hotel and an increase in the number of reservations and guest numbers. This on the other hand increased the hotels probability of continually increasing in the number of guests and eventually reflected in the increase in the hotels revenue generation charts (Mandarin Oriental Hotel, 2011b).

The implementation of the MO Hotels application by Mandarin Oriental Hotels may have seemed like a great gesture since the revenue generation in the years ranging from 2008 to 2010 seemed to have increased tremendously. From the hotels annual reports it was determined that its gross profit for the year that ended on 31st December 2008, the hotels gross profit was $205.5 million, however after the implementation of the Smartphone application there were tremendous increases in revenue generation in the late 2010 (Mandarin Oriental Hotels, 2011a).

4. ANALYSIS OF THE RESEARCH RESULTS

It is empirical to note that from the financial results above, it could be concluded that the Mandarin Oriental Hotel financial growth was as a result of the implementation of the Smartphone application that drove the mobile marketing and sales revenues to be higher than in the previous years. Mandarin Oriental Hotels case then draws from similar trends in other hotels such as the Hilton Hotel, Intercontinental Hotel whose annual financial reports for the same period posted positive returns after the implementation of their Smartphone applications especially for reservation.

5. RESEARCH CONCLUSION

The development of mobile applications by majority of hotels may seem so simple, however, when it comes to the actual investment in the research and development that would go into such a venture, a hotel has to evaluate all the return-on-investment prospects before venturing into one (Hughes, 2009; Wang & Wang, 2010). Mobile applications have however been one of the greatest tools for customer base increase especially for big hotels such as the Hilton Hotel that posted 100,000 reservations through the mobile applications (Heller, 2011). It can be concluded then that the cost of developing a mobile application for the marketing of hotels is a viable venture that not only is cost saving but also one that offers efficiency and effectiveness in generating revenues from customers.

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