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Hugh R. Milchem et Ann Pollock

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DESTINATION CENTRAL RESERVATION SYSTEMS: CRITICAL ISSUES IN SERVICE LAUNCH AND OPERATIONS

Hugh R. Milchem and Ann Pollock

Hugh Milchem
is a business manager with BC
TELECOM and is responsible
for the Discover British
Columbia reservation service
partnership with Tourism BC.
(e-mail: hmilchem@helix.net)

Ann Pollock
is a Principal in The Strategy
Group - a management
consulting organization that
specializes in strategic tourism
development.

Destination Central
Reservations Systems
(DCRS) provide access to
tourism products in a specific
region, to a specific
market.

The tourism products
offered are most often
accommodations and simple
packages (accommodation
and activity, e.g. skiing).
The specific region
may range from a resort to

an entire country. The specific market could be regional,
national, international or global. In many cases the DCRS is
allied with a more broadly based information service which
dispenses publications and advice on the region's tourism
products and services.

DCRS are not new to Canada but in recent years there has
been a significant increase both in the level of interest and in
the number of new installations. The area has also been
characterized by a number of failures and consolidations.

This paper briefly summarizes some of the history, discusses
the critical issues and provides some perspectives on how
these systems are evolving. While the paper deals with
issues of a general nature, much of the specific information
has been gleaned from the British Columbia experience.

Emergence of DCRS

DCRS are an offshoot of the older airline-based CRS which
were introduced in the 1970's, largely as productivity tools
for travel agents. Airline CRS have been oriented to business
travel and their search functions were driven by airport
codes and city-pair relationships. Their technology has tended
to limit usage to highly trained specialists. Transaction
and listing fees have often proven too expensive for the
many, smaller leisure operators that populate the industry.
Traditionally, destination marketing organizations have
focused on building generic awareness of a destination and a
desire to travel to it, but were unable to sell any products.
But with increased emphasis on marketing accountability
and the need to track results, they require improved sales
monitoring mechanisms. Hence the emergence of DCRS
which are designed to meet the needs of a large number of
geographically dispersed small to medium sized tourism
enterprises.¹

Overview of Province-wide DCRS in Canada

The longest running province-wide DCRS in Canada is Check
Inns in Nova Scotia which began operations in 1972. Check
Inns provides a range of services to the tourist, including
accommodations and packages. Services are provided
through a call centre and selected visitor information centres.
A trial of (limited) service via the Internet is currently
underway.

In 1993 three other province-wide services emerged: CRIS
Ontario, Reservation Quebec and Discover British Columbia.

CRIS Ontario launched a pilot operation limited to southeast-
ern Ontario. The service was married with the Ontario
Ministry of Tourism's information service and delivered
through the Ministry's call centre. In 1994 the Province invited
proposals from interested parties to develop and out-
source the tourism information fulfillment and reservation
operations. The Province is currently in negotiations with the
successful proponent and the original CRIS pilot has not
been extended to the full Province nor has it been actively
promoted during this ongoing transition.

Reservation Quebec - was a private corporation that
launched a reservation service addressing the Province of
Quebec. The service was loosely coupled with the Province's
information service in that callers could be call-forwarded to
Reservation Quebec. The service initiated a storm of contro-
versy within the tourism industry in Quebec - in particular
with travel agents and inbound tour operators. Although
Reservation Quebec achieved reasonable sales in its start-up
period (based on comparisons to other services) the part-
ners shut down the service in early 1994.

Discover British Columbia is a partnership between the BC
Ministry of Small Business, Tourism and Culture and BC TEL
Advanced Communications launched a province-wide reser-
vation service in the fall of 1993. The service was tightly
integrated with the Ministry's existing North American-wide
toll free information service. Through a range of cooperative
agreements Discover British Columbia shares and jointly
sells inventory formerly sold independently by Tourism
Victoria, Tourism Vancouver and the Whistler Resort
Association. The consumer identity of the service is Super,
Natural British Columbia's One Call Accommodation and
Reservation Service.

At the time of writing we are aware of at least four other
provinces that are actively evaluating whether to establish
such a service. In addition to these province-wide initiatives,
others are proposing DCRS to address multiple provinces or

even national services. At the other end of the scale there are numerous smaller services addressing individual resorts, convention centres and major cities.

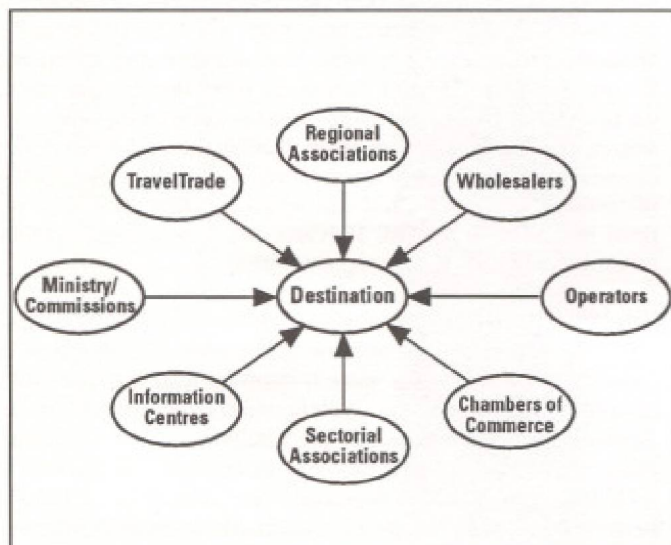
The generic primary objectives of DCRS can be stated as:

- To make it easy for the (target) tourist to experience the complete range of (destination) tourism opportunities"
- "To encourage and facilitate regional tourism and economic development in (destination)"
- "To facilitate the promotion of (destination) as a preferred tourism destination for visitors from the (target) market"

Building momentum for the service

Given the objectives stated above there are a large number of industry stakeholders and interested parties that need to be informed, involved and consulted during the service build and pre-launch phase.

Diagram 1 - Industry Stakeholders



Each of the stakeholder groups identified in diagram 1 has an important role to play in ensuring that the service is successful. Associations will communicate with their membership regarding the merits of the service and will table issues of concern to their members with the DCRS principals. In a province-wide service the Ministry of Tourism or Tourism Commission is often a key partner in the service, not least because of their role in promoting the destination. Other key groups include others involved in visitor servicing and can include chambers of commerce, convention bureaus and information centres.

We found the most effective way to gather the input and concerns from these groups was via a Steering Committee. Although consensus on all issues is likely an unattainable goal, the forum provided a means to chart the best way forward and all had an opportunity to raise their issues. The investment in time and effort paid off in a smooth implementation.

Service design and marketing considerations

The tourist user of a DCRS is looking for a quick, easy and convenient way to access information and effect reservations for their tourist destination. Their perception of a DCRS is affected by a variety of factors, notably:

- ease of access and use - the service must be convenient, efficient and available. As with other industries (e.g. Banking), DCRS will need to change with the time to adapt to changes in customers expectations of where, when and how they would like to use the service.
- completeness of the coverage - a service that has only 10 hotels in a major city is of dubious merit. Similarly, a BC-wide service that has properties only in Vancouver and Victoria is of limited value. Finally, a service which provides only hotels is of less value than one that provides a full range of accommodation, and that, in turn, is of less value than one that also includes activities and attractions.
- pricing of the inventory - the prices in the service must be competitive and not routinely undercut by consumers going directly to the operator.
- accuracy of the product information - inaccuracies lead to mismatched expectations with a resultant impact on the perception of the DCRS value.

The tourism operator is looking to maximize the yield from their business. In the case of the accommodation sector, they have many channels open to them:

- Direct (own channel)
- Chain reservation system
- Travel Agents
- Global Distribution Systems (GDS)
- GDS Intermediaries (e.g. pseudo chain systems for independent hotels)
- DCRS

Each of these channels has an associated price structure comprising any, all or multiples of promotional costs, sales commissions, membership fees, transaction fees. For some channels these fees can easily total 25% of the value of the booking. Therefore it is vital to the operator to understand which channels can really improve their bottom line by bringing in incremental business, or by bringing in the same business at a lower cost.

Service operational considerations

The operator or investor in a DCRS must satisfy the needs of the tourism industry served and the prospective tourists. For the DCRS to succeed it must achieve a number of critical success factors:

•Sufficient consumers must access the service

The key to this is consumer awareness of the existence of the service. The easiest way to achieve this is to tap into an

existing source of consumers that are already interested in the product. This is the approach that was used by most of the provincial services launched in Canada where an existing, toll-free enquiry service was extended to include a reservation capability. In addition, these existing services normally have an effective mail fulfillment program and it is relatively cost-effective to use this to send out promotional material on the new service.

Building awareness from scratch via traditional marketing is a very expensive proposition. BC's history with paid media suggests that for every investment of \$100 in promoting an offer (for product or information) with a 1-800 call to action, only one person will call. If 25% of these callers make a buy decision, the cost per buy is \$400. In order to cover the cost of this marketing initiative at industry standard commissions the service would need to have an average sale of \$4000 per customer to break even. These economics dictate that the DCRS can not afford to do its own paid media; instead it needs to be part of an integrated program paid for by the primary beneficiary which is the tourism industry (through operators, regional associations, tourism commissions, and government ministries). We have found unpaid media, in particular references in travel guides and articles to be a more effective source of business, yet again this requires that the DCRS be closely allied with a destination marketing organization.

The volume of calls is dependent on two factors; the strength of marketing support and the nature of the message associated with the service. Since the beneficiaries of the reservations are the entire industry it is appropriate for them to share in the marketing of the service by including the DCRS contact number as part of their "call-to-action". When allied with a destination marketing organization, the way the service is primarily positioned (Information or Reservations) will drive consumer expectations and thus results.

The new media (for example Internet) provide some potential for changing these economics although at this time there is little empirical data to prove the hypothesis.

- **Accesses must be converted to sales in a proportion that renders a profit possible**

Profitability of a DCRS is dependent on the volume of accesses and the proportion of sales to information requests. Depending on the channel used to reach the consumer the cost of sales varies:

- for a 1-800 North American-wide service the costs are typically approximately \$1.00/minute when toll costs and call centre costs are factored in. A typical reservation call to such a service could last eight minutes. If the service also dispenses information the volume of information calls becomes critical because although shorter in duration, there are typically many more of them. In Canada we are unaware of any combined service which achieves better than a 1:3 ratio of reservations call to information calls over the course of a year.

- for electronic channels (kiosks, Internet, interactive television) the economics of consumer access conversion are more favourable but at the present time consumer penetration is low and other issues such as secure transaction handling are impeding take up.

The bottom line is that few, if any, DCRS can exist profitably unless the cost of information provision is shared among all the beneficiaries of increased visitation to the destination. The only exception we have identified is a situation in which the tourism product being carried is a scarce commodity, where demand exceeds supply and where the DCRS is the exclusive channel.

- **Sufficient inventory must be available to meet the demands of consumers**

Achieving sufficient inventory is primarily a marketing and performance issue. The key challenge is in ensuring that the DCRS has sufficient inventory in the busy seasons (when the operator may be able to "sell out" through direct channels) in return for its ability to bring in business in other periods of the year (when the operator needs the DCRS most). Our experience is that this requires education of the smaller operator on yield management techniques. The best overall driver of this, however, is performance of the service. If you can demonstrate you are consistently bringing business to operators, they will not close you out prematurely.

- **The system and procedures must be effective and adaptable**

The tourism industry has operators with a wide range of comfort with information technology and a wide range of financial resources. The system must cater to this range in terms of technological capabilities and ability to acquire the necessary interface equipment. While computer-to-computer links would be desirable, experience to date suggests a lower technology approach (e.g. facsimile) is better for the majority of operators today. The system and procedures must effectively handle a range of bookable products and activities and must be capable of adapting easily to new products. In its first 18 months of operation Discover British Columbia adapted to accept reservations for (amongst others): hotels, motels, B & Bs, campgrounds, trains, limited entry hikes, rafting trips, museums, skiing and ferries. In the case of certain products (especially accommodations) the system must be capable of providing equitable rotation to prevent booking bias.

Access to a computerized, easy to retrieve source of product information to support the counseling and sales functions and the ability to capture useful market intelligence round out the requirements.

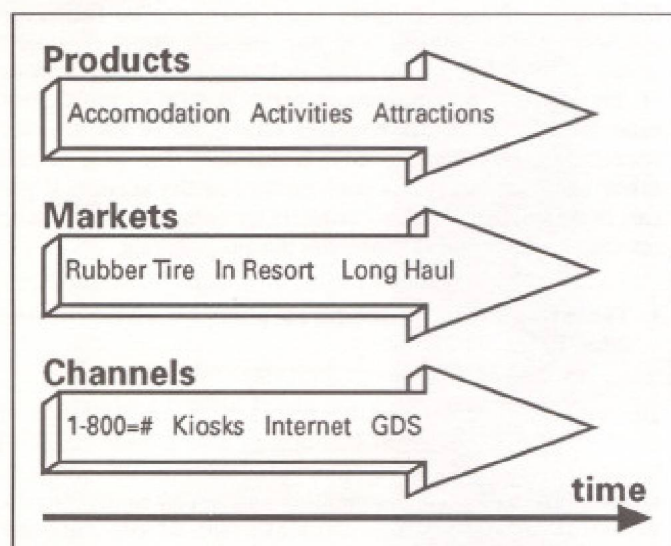
It is also important the overall system environment be capable of evolving to new means of delivering services, for example, interactive voice response, Internet and kiosks and new opportunities for automation, for example computer/telephony integration.

- The right organization structure/relationship must be in place

There is natural and necessary symbiotic relationship between destination marketing organizations and operators of DCRS such that they are operated by one organization or they involve very close partnerships. Most destination marketing organizations have a responsibility for responding to prospective visitors' information needs. The addition of a reservation service adds value through the potential to convert interest into sales and makes better use of resources already invested in non-revenue generating information provisioning. Conversely, since the DCRS has to handle a large number of information calls, it can rarely operate as a stand alone service.

Service evolution strategies

Diagram 2 - Service Evolution



In order to meet the evolving needs of the marketplace and to provide a service which continues to grow in value for the tourism industry and tourists, the service must expand in several dimensions, as shown in diagram 2.

The product dimension is critical. While the service can start with a single product (e.g. fixed-roof accommodation), it starts to be more valuable as it expands to other forms of accommodation, attractions and activities. Ultimately the service could include links to other services for such items as event ticketing.

Careful consideration must be given to the target markets. In British Columbia the service was initially targeted at the "rubber tire" market from adjacent states and provinces. With the addition of multimedia kiosks, we are now targeting guests once they are in the resort. Once we have the appropriate links to GDS and business arrangements with travel agents and operators, the long haul market can be pursued.

Many existing DCRS use 1-800 calling to a call centre operator as their channel to the tourist. As technology evolves

and gains acceptance by the consumer, additional approaches can be implemented. In British Columbia a range of technologies has been used including interactive voice response systems, multimedia kiosks, and direct links to travel agents and tourist information centres. We are planning Internet links for later this year and eventually see the service being offered as part of a suite of home shopping services.

Conclusions

From our experiences in B.C. and from discussions with other services we have identified a number of common ingredients for success:

- High level of industry involvement in the planning process with representation from all stakeholder groups
- Business approach that leverages industry marketing to drive access to the service
- Funding formula to address information fulfillment cost
- Effective communication program with the industry to build momentum
- Management information systems that provide feedback on the effectiveness of promotional programs
- Business model that ensures all entities involved in delivering the service are rewarded based on the success of the service in its primary goals

In ideal circumstances, the DCRS should be viewed as one of several channels to market and as an integral part of the marketing mix. Not only can a DCRS function as a sales tool but it can contribute substantially to research and management by gathering intelligence on consumers and their preferences. With close attention to the above critical ingredients we believe that destinations can implement successful DCRS and realize the benefits from providing this valued service to consumers.

Notes

- 1 The Impact of Information Technology on Destination Marketing EIU Travel and Tourism Analyst No 3 1995

Hugh R. Milchem est gérant d'affaires chez BC TELECOM et responsable des relations avec l'industrie pour le service de réservation Discover British Columbia.

Ann Pollock est associée au The Strategic Group — une firme de conseillers en gestion stratégique dans le développement touristique.