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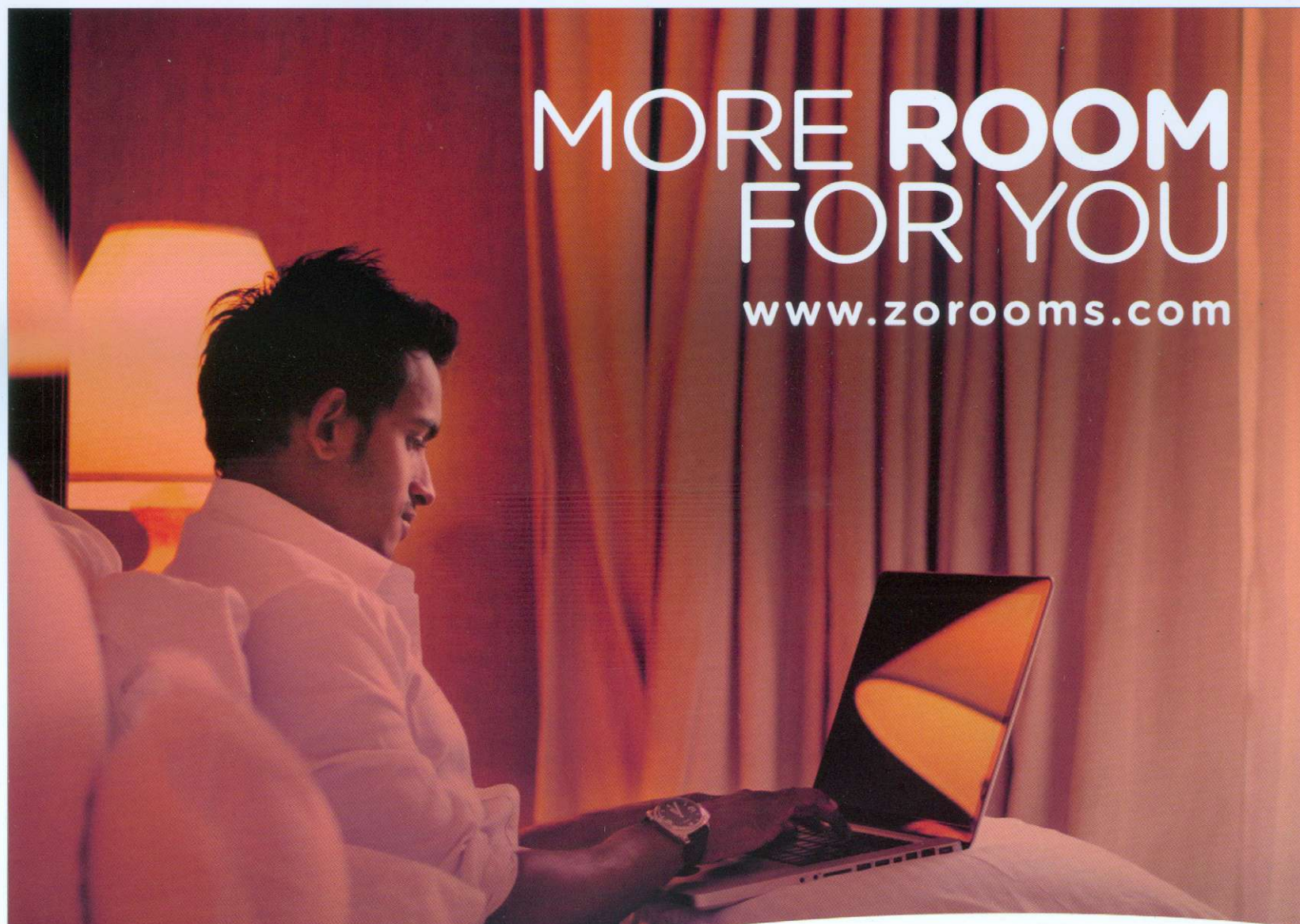
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Harmonising 'Hotels-Tour Operators' businesses

The growing discourse between the tour operators and hotels has been widened due to so many factors including growth of OTAs, higher remunerations to FTOs and consistent fall in profit share to hotel revenues from B2B segment. The hotels are also perplexed with maintaining sound occupancy with decent growth in their topline. The overall conundrum, in turn is bringing about dynamic changes in DMCs and hotels approach and helping both in many ways to reinforce their business relationship.

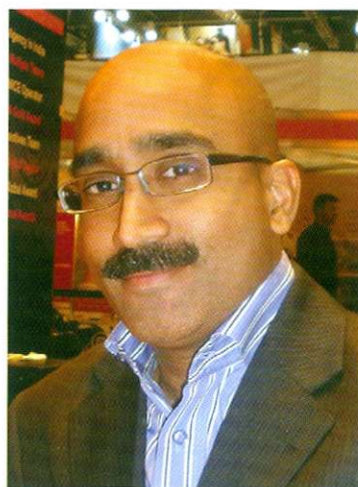
VivekSethi

India has been a largely segmented travel market, where hotels and tour operators for long have cherished a bond so strong that it is reminiscent to the friendship between the two male protagonists Jay and Veeru in the epic Bollywood movie called Sholay. Today, like in any other field, technology led online travel companies have put this unbreakable symbiotic relationship under stress. On the top of it, the sales from traditional distribution channel built around tour operators keep falling although still a significant chunk; there is enhanced inclination of hotels to go direct, which further stresses the relationship between hotels and tour operator companies.

Today, the growing discourse between the tour operators and hotels is a subject matter of open and occasionally fierce debate. Although, there is no final verdict out and both sides still want to nurture their relationship, yet the fissures seem to be growing every passing day. The Indian Association of Tour Operators (IATO) at its annual conventions had been devoting a complete session to bring stakeholders from both sides together to dwell on the ways to restore the glory of the relationship as shared in the past.

During the recent, 31st IATO convention, Rohit Kohli, Joint Managing Director, Creative Travels, who took over the baton to instill better understanding among the two sides on critical issues highlighted that, "There is lack of transparency and that's growing between the tour operators and hoteliers. None of them feel confident about sharing the true picture and state of business with each other."

Here, Jaideep Khanna, Director Regional Sales, South West Asia, IHG was prompt to highlight the lack of a clear enforceable code of conduct between the hotels and tour operators. He also presented a window of hope that could lead to the improvement of business sentiments among the two. "The hotels are also



Rohit Kohli

perplexed with maintaining sound occupancy with decent growth in its topline. They also need sound relationship with travel trade and bankable partners, especially when there has been numerous new hotels that have come under various categories under world-class international and national chains. In fact, there are many organised hotel chains that are willing to enter in long term relationship with the tour operators and not hesitant to lock prices for two to four years in futures, especially in the MICE segment."

Going ahead, the story of frayed relationship among the hotels and tour operators tends to get bitterer when it comes to the instances of higher compensation being accorded to foreign tour operators. The national tour operators find direct dealing of hotels as another stumbling block in evolving long term relationship with hotels on a mutually profitable note; whereas the hoteliers have their own justification in following such a rational.

According to Subhendu Bandyopadhyay, General Manager – Sales, Sinclairs hotels, "One of the reasons that foreign tour operators are able to derive better terms from hotels is on account of the fact that they bring business from various countries where hotels will find it difficult to set up their own sales outlets. Therefore, a higher



Pankaj Mathur

commission paid to them is not only as a commission but also to handle various administrative works of hotels relating to the overseas customers."

Echoing similar sentiments, Pankaj Mathur, General Manager, The Suryaa, New Delhi, "The reason they are the prime source of getting the business and also the expenses made by them to secure the business is much more than the DMC's or the hotel as they do all the marketing, promotion, and the trade fairs, etc."

Filling in much required optimism here, Khanna remarks hold great significance as he pointed out that as a practice the rates available with its foreign counterparts is at most times higher than the ones commanded by the regional DMCs.

All said and done, it's not that tour operators have lost all their relevance due to the falling share of the revenues hotels drive from them. Innovative planning and building relationship with certain chains based on tour operator's core competency still makes them preferred partners of many hotels, which will always continue to be the order of the day. As per Bandyopadhyay, "Tour operators are an important distribution channel for hotels. The advantage with tour operators is that they directly interact with customers and answer their various queries with regard to a particular destination or a circuit. In many cases, their relationship

with travellers is of a personal kind and there are cases of credit being offered to them. For this reason, there is a category of customers who would make bookings with the tour operators. Though the overall business from tour operators is falling, their contribution still remains significant. As for corporate bookings, they offer flexibility which in many cases hotels is unable to meet."

"Leisure is the back bone of any hotel. Any hotel cannot survive without the support of leisure travelers in today's time. We are in a location wherein the corporate have started moving out to Gurgaon and Noida and the Airline has totally moved out to Aero City hence our dependability on leisure is increased a lot. At the moment, we have 35-40% of the total business share from this segment. Tour operators help us in getting leisure travelers; therefore, they play a very important role in our business," Mathur also agrees.

"We have to work closely with tour operators and make sure that they should not take advantage of us. FTO's don't want to deal directly in India with the hotels and they are using local DMC's. It's practically impossible for us to reach out to all the FTO directly and cover all the markets worldwide so we have to be with the local agents to get more business for our hotel," he added.

Elaborating on a new trend, Bandyopadhyay said, "Hotels now are normally using tour operators in markets where they are unrepresented. For smaller property owners, however, there are situations where they would like to tie up with tour operators having national network to promote sales."

"Tour operators are now facing a major challenge because of competition from online travel agents (popularly known as OTAs). Earlier travel operators used to substantially mark-up net hotel rates but now as the rates are on display in OTA portals it has become difficult for tour operators to charge higher rates. Similarly, depending on the clout of tour operators, hotels do extend some benefits or 'extras' to tour operators. FAM tours are now becoming extinct. Many hotels now offer a 360° tour of its property on the website. In fact, to meet this challenge, some of the large tour operators are setting up their own portals to offer online booking," he added.