In 1841, Thomas Cook arranged for a rail company to charge one shilling per person for a “package” that included rail tickets and food for the train trip. He then received a share of the fares actually charged to the passengers. The first travel agency was born.

Cook would likely never have conceived that his idea would eventually spawn the massive online travel agency (OTA) industry that exists today. Nor would he have imagined the changes and challenges of the OTA industry, from technology to personnel to the concept of rate parity.
The need for speed (and accuracy)
The development and management of rate parity, as most aspects of hospitality revenue management, have significantly evolved over the years, and continue to do so. Once upon a time, a hotel revenue manager’s function was to balance demand and supply inside the walls of his or her office. That office expanded with the rise of the Internet, but even when Travelocity launched in 1996, the term, “online travel agency” (OTA), did not yet exist. Rate parity was still not an issue.

Yet, in today’s fast-paced, web-centric business world, rate parity is one of the top concerns of every OTA. Rate parity—a strategic pricing concept—is the practice of assuring that consumers will find a consistent price across channels when shopping for a given hotel.

Over time, rate parity management has shifted from hotels to OTAs. In the early part of the 2000s, hotels were the first to ask for online rate parity. They saw it as a measure to help prevent third parties from deliberately undercutting their rates.

OTAs entered the rate parity story soon after, as hotel revenue management evolved, and properties started to introduce tiered pricing for different room types. OTAs understood the value in rate parity, and began including it in their negotiations with hotels brands.

From the OTA’s perspective, assuring rate parity among its providers is key to success. For an OTA to remain competitive, it must retain the ability to negotiate best rates with providers, and insure “best price” guarantees across the web. Since OTAs are dependent on their providers for the most competitive prices, they need accurate, fast information.

Mobile developments
Easier said than done. As Web technology advances and information flows faster than ever, OTAs face a real challenge in getting this information and in keeping up with the rates and rate changes their providers make. On a daily basis, an OTA might need to keep track of thousands—or hundreds of thousands—of individual rate changes.

Developments in mobile technology present another challenge. The mobile world is fast emerging as a major channel of choice for consumers to make reservations and conduct travel business. Strong (and ultimately, the surviving) OTAs will need to invest heavily in dedicated apps for mobile transactions while maintaining the capability to handle traditional online bookings.

OTAs will need to support, and track activity on, both mobile and traditional web channels. Guests today practice multi-channel booking. They may start the booking process at home on their personal computer, discuss choices the following day with co-workers at the office, and then complete the hotel booking on a mobile device during the ride home on the train. This requires that OTAs and hotel chains need to support each channel to insure the same rates—and insure guest ability to access saved, not-yet-completed itinerary and price information on his/her device of choice.

Meeting the challenge
It’s clear that OTAs—whether large or small—cannot rely on manual methods to monitor the thousands or tens of thousands of properties, rates, reviews and rankings they observe. Today, advanced revenue management and price intelligence systems exist to automate this function.

Price intelligence provides information on the product attributes that matter most, and does so at the most granular level. Advanced systems can provide individual sorting, filtering and report configuration for all available product criteria, exception reports, configurable alert notifications, time series analysis and meet/beat ratios.
When it comes to rate parity, those systems with reliable, robust, scalable and comprehensive data collection and data accuracy processes can help OTAs see exactly which properties are offering what rates. When a rate parity exception occurs, advanced systems can point it out clearly. They can even automate the follow-up process with an automatically generated message detailing the exception, and send it off to the designated provider.

Helping the provider manage the brand

By systematically catching each rate parity violation, the OTA can take appropriate action efficiently and accurately. In the process, the OTA can help hoteliers manage their rates—and brands—more conscientiously online. Specific benefits of automated rate parity management include the following.

• Assures lowest possible rate to the consumer – This assurance helps the individual hotel in knowing it is providing the best rates, thereby optimizing revenue.

• Increases OTA staff productivity – Advanced price intelligence systems eliminate the tedious, error-prone, manual process of rate monitoring, resulting in savings of up to 80 percent in time. OTA product managers can speak specifically to any rate exceptions.

Making the investment: criteria for rate parity management technology

OTAs looking to more fully automate and manage their rate parity function can look to some of the advanced price intelligence systems on the market today. Specific criteria to consider include the following.

1. Reliability of the data collection process – Systems in which the data extraction works on all websites—even highly dynamic ones using Ajax, pop-ups or JavaScript—will insure that they find all price and booking information, regardless of where it appears on a website or how it displays.

2. Speed of reconfiguration – When a website changes as a result of a re-launch or re-design, the intelligence system should be able to reconfigure the process in just a day or two.

3. Data accuracy – Systems should match each product attribute for every hotel from each competitor website, and gives the OTA direct access to these product attribute mappings. For any mapping errors detected, the OTA should be able to make the correction in an easy-to-use interface. Systems should save copies of each web page from which a rate has been extracted in a database so that the OTA always has a reference point for comparison.

4. Simplicity of dashboard reports that clearly highlight rate exceptions.

5. Automated exception reports.

6. Configurable templates – Systems can offer e-mail templates so that the OTA can configure them based on rate parity exception escalation levels. Depending on how often a rate parity violation occurs within a defined time period, the OTA can send a different message. This assures that the OTA deals with rate parity violations consistently, in a standardized manner.

7. Scalability of database and reporting infrastructure to handle virtually unlimited numbers of hotels.

8. SaaS-based system, using cloud computing (24/7 availability) to minimize IT resource requirements and total cost of ownership.
Automated rate parity management helps the OTA develop the brand for itself and the hotel.

• Allows better time management – OTA staff can focus time on the important task of developing and maintaining relationships with their providers. After all, the role of an OTA is to service the provider, not spend inordinate time enforcing rate parity.

• Facilitates fulfillment of provider contracts – All providers sign agreements with OTAs that include rate parity details. Accurate, efficient communication of information on rate parity exceptions makes it easy for a hotel to maintain its agreement, follow up and see what rates it needs to change. Helping hotels adhere to their agreements easily and simply also helps them lessen or eliminate risk of losing preferred status. For the hotel, that means eliminating the risk of losing substantial revenue.

• Improves brand management – Automated rate parity management helps the OTA develop the brand for itself and the hotel. One of the biggest detriments to enhancement of brand is a wide variation of rates across the web. When a consumer learns that she or he can find a better rate at an OTA booking site than at the property’s own site, that consumer’s perception of the brand is likely to fall. The property will face a challenge in getting the consumer to come back to its site and in developing (or re-developing) brand loyalty.

• Scalability – If an OTA works with just a few hotels, automating the rate parity function may not produce major benefits. But when an OTA moves up to hundreds, thousands, or tens of thousands of hotels, managing rate parity becomes a massive job. Advanced price intelligence systems with automated rate parity management provide substantial benefits in the way of savings.

Conclusion
Today, consumers know what the best rates in the market are. The challenge for the OTA is to insure that its rates truly are the best. Rate parity, once thought of as a footnote, sometimes considered an irritant to manage, is an important element in how every OTA will survive and thrive. Lack of solid information is a real threat to the OTA’s long-term business. Fortunately, advanced systems now exist to not only handle the task for OTAs, but also help providers optimize yield and enhance their brands in the process.