

Revenue Management and the Use of E-Commerce to Increase Production through Global Distribution System Channels: A Case Study of Puerto Rico Hotels

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1.0 Summary

The purpose of this paper is to investigate the extent to which optimized GDS distribution practice is being utilized by the hoteliers in Puerto Rico. Performance of 3 hotels was evaluated and return on investment was calculated, followed by semi structured interviews with a sales and marketing directors' at each property. Also, an interview was carried out with a hospitality expert in e – commerce in order to find out hoteliers' knowledge, acceptance/resistance towards new, e – marketing concepts available to use within the hotel industry. The results indicate that hotels which participated in GDS media campaigns achieved significantly higher GDS revenues and higher market share, gaining a competitive advantage against its competitive set. However, many financial decision makers within the industry are not necessarily hospitality experts, for example property owners, and because of lack of knowledge and inexperience are resistant towards e - commerce investments such as GDS media campaigns.

2.0 Context, Aim & Objectives

2.1 Context

Douglas *et al.* (2008) emphasize “distribution is increasingly recognized as a critical source of competitive advantage in the marketing mix as it has become too difficult to hold onto a competitive edge via product, pricing and promotional strategies.” The impact of technological change, notably the introduction of various online channels help to respond to the preferences of different market segments however, disadvantages may include loss of margin and potential loss of identity and control. Developing an effective distribution system in an increasingly competitive market requires careful assessment of these different factors to evaluate the performance of individual channels and the distribution mix as a whole. Cornell University (2010) identified in their research that approximately 40% of bookings come from brand.com website, 30% from Global Distribution Systems (GDSs) used by travel agents and online agents, and the rest 30% from a mix of other sources. The importance of effective GDS channel distribution management is crucial, however “it is often the least one management knows about and fails to maximize revenues through this channel.” (Raven *et al.*, 2011). Although GDS has been compared by some to “dinosaurs– once powerful, but now on

the road to extinction” it still accounts for 30% of total hotels’ production today. Tauck *et al.* (2003) are in the opinion that “understanding the electronic reservation process and using various GDS marketing features will allow hoteliers to market their products more effectively through those systems.” The literature review identifies some of the potential reasons why revenue managers fail not utilize GDS channels to their full potential; such as lack of staff continuity, limited understanding and misperceptions of e – commerce, lack of expertise in the hotel industry. “Earlier studies have shown most tourism enterprises use a combination of direct and indirect channels to distribute their products to domestic and international visitors, but whether managers have a comprehensive picture of the performance of the different channels they use and are able to evaluate systematically their distribution mix is another matter.” (Pearce *et al.*, 2006). Development and implementation of enhanced distribution practices requires more systematic measurement of channel performance and a better understanding of the factors that influence this, especially incremental revenues that can be achieved.

This project will aim to find out whether production through GDS channels can be optimized in order to capture incremental revenues. Three hotels chosen for the case study are located in Puerto Rico: Sheraton Old San Juan, Intercontinental San Juan and Marriott San Juan. Puerto Rico has been aggressively branding itself a no-passport destination with a \$36 million advertising campaign on the U.S. mainland, and the U.S. Virgin Islands has labeled itself as "America's Caribbean". Americans account for more than half the tourists in the region overall. A 2005 study commissioned by the Caribbean Hotel Association found the passport rule change jeopardized as much as \$2.6 billion in tourism revenue and 188,000 jobs in the region. Due to this, significant competitive advantage has been achieved against other island in the Caribbean.

2.2 Aim

To investigate how effective management of Global Distribution Systems can potentially contribute to revenue optimization for enhanced internal firms' performance.

2.3 Objectives

- To identify the nature of relationship between revenue optimization and e – commerce
- To investigate GDS media campaigns
- To evaluate whether investments in GDS media campaigns can provide a return on investment

3.0 Literature Review

Some industry professionals have defined revenue management (RM) as:

“The combining of people and systems in an attempt to maximize revenue by coordinating the processes of pricing and inventory management.”

(Reed R., and Bojanic D., 2006)

Others prefer:

“The act of skillfully, carefully, and tactfully managing, controlling, and directing capacity and sources of income, given constraints of supply and demand.”

(Tranter K., Stuart – Hill T., and Parker J., 2009)

Each definition contains useful perspectives; however conducting literature review it is clear there is not a universal agreement with the revenue management definition (which could be a good subject for further research). Nevertheless, Hayes and Miller (2011) claim most industry professionals agree that the revenue management process can be defined by four significant characteristics:

- It is an active, strategic process requiring extensive, tactical, and insightful decision making
- It requires a focus on buyers and predicting buyer demand in response to strategic pricing decisions
- It entails the effective management of available product inventory to maximize potential revenue
- Its primary goal is increasing a business' income

The earlier industry used term *yield management* was a demand based revenue management strategy, first initiated by commercial airline companies. Sanchez and Satir (2005) define yield management as an *“integrated and systematic approach to revenue maximization via manipulating rates offered to the customers in light of forecasted demand and supply patterns.”* However, authors appear to have taken no account of costs, a common feature of many yield management and pricing studies but one which is clearly important when *“yield management is seen in terms of increasing profitability rather than simply revenue maximization”* (Douglas et al., 2007). Hayes and Miller (2011) stress *“instead of a focus on Revenue per Available Room (RevPAR), revenue optimization focuses on Gross Operating Profit per Available Room (GOPPAR).”* One of distinctive hospitality industry challenges in

comparison to others is that it has to manage both hard and soft supply constraints. A hard supply constraint is a restriction on product availability that, in the short run, cannot be remedied at any price; while a soft supply constraint can at some cost allow for additional product availability. This means it is increasingly important to focus on forecasting demand, distribution channel management, internal communications, and training staff in modern revenue management concepts and strategies. Although all of the aspects mentioned above are crucial for effective RM, the following research will focus on electronic distribution channel management because *“distribution is increasingly recognized as a critical source of competitive advantage in the marketing mix as it has become too difficult to hold onto a competitive edge via product, pricing and promotional strategies.”*(Douglas et al., 2007).

Whilst revenue management focuses more on data collection, segmentation and forecasting, revenue optimization suggests *“how to sell your product and to whom to sell your product.”* (Cross, 1997). Because further research focuses on how electronic distribution channels can be optimized for effective product distribution, the use of the term revenue optimization is more appropriate in the context of this project.

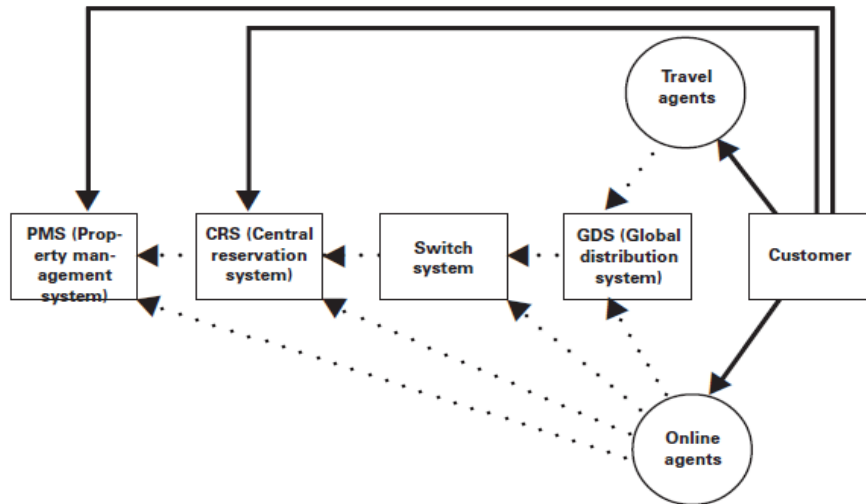
Pearce and Tan (2006) establishes *“multichannel distribution systems involving direct and indirect channels are used to respond to the preferences of different market segments, reduce costs, and take advantage of technological change.”* In fact, Werther and Ricci (2005) reported as early as 2005 that *“tourism had become the top industry in terms of online transaction volume”*.

TravelCLICK (2011) is of the opinion that e-commerce provides hotels with an opportunity to build their brand, market and distribute their products more effectively through online and other electronic channels such as Global Distribution Systems (GDS) and online agencies. Traditional business hotels could have three primary distribution channels: hotel direct, central reservation systems and travel agents. Recently, internet – enabled company websites and various online travel agencies have become additional channels. For example, hotels now have an easy method to distribute additional room inventory by creating last minute offers to sell it on the Internet via my website or third party channels such as Expedia, Orbitz, Travelocity etc. However, as important as Online Travel Agents (OTA's) are, it is also considered a very expensive distribution channel, taking an average of 25% of total revenues generated for room sales and may include potential loss of brand identity and control;

however “*OTA’s are popular with travelers*”. (Toh *et al.*, 2011). Therefore, Raven (2011) adds that “*hotels, particularly the smaller ones, must get onto OTA’s to gain exposure*”.

DeKay *et al.* (2011) conducted a research in order to identify how hotels can sell room inventory while maximizing net room revenues – chiefly, by steering customers to their own sites, rather than OTAs. Although their research was geographically limited to 11 properties in Seattle area, the recommendations made for hotels’ websites were as follows: “maintain a best – rate guarantee, optimize the website search engine (SEO), mine data from customer profiles to provide custom offers, retain premium rooms for sale on the hotel website, offer discounts or other promotions to customers who book on the hotel website, offer incentives for returning guests who book on the hotel website, avoid giving loyalty points for OTA bookings, and enrich the hotel’s website with information”. Cornell University research (2010) identified that approximately 40% of bookings come from brand.com website, 30% from GDS used by travel agents and online agents (see Exhibit 2.1) and the rest 30% from a mix of other sources.

Exhibit 2.1

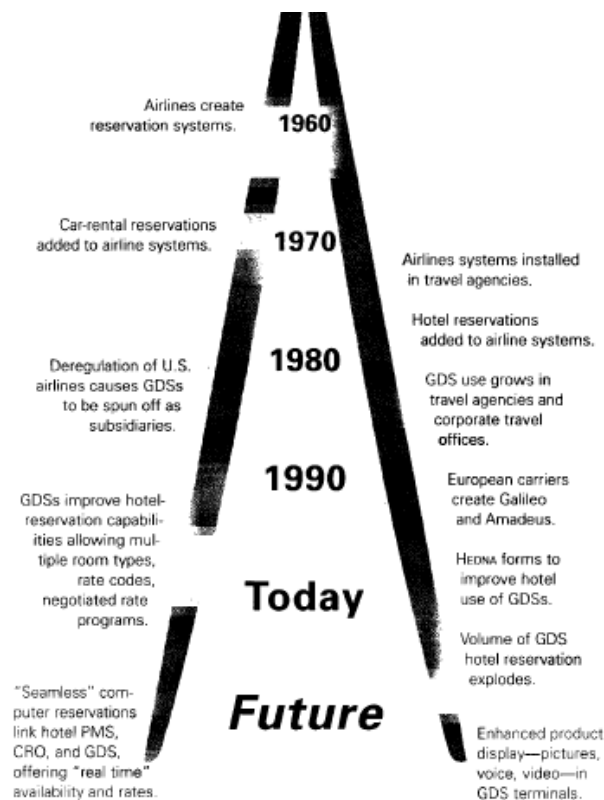


(Cornell Hotel and Restaurant Administration Quarterly, 2002)

Although GDS accounts for approximately 30% of bookings made today, “it has been compared by some to dinosaurs—once powerful, but now on the road to extinction”. (Mintel, 2011).

Emmer *et al.* (2003) explain “travel agents’ computer systems, which were referred to as computer reservation systems (CRSs) for years, are now called global distribution systems (GDSs) because of their global marketing reach”. The four GDSs – Amadeus, Galileo, Sabre and Worldspan – have been referred to as “the backbone of the modern travel distribution system” (Stearns, 2000), however it is still one of the most traditional distribution systems used by travel agents. It was originally created to distribute airline seats; however, with the evolution of the travel and lodging industry, it also became one of the most important distribution channels for hotels. They have processed more than 1 billion air bookings each, and another 250 million for hotels, cruises and other non-air content, generating over US\$6 billion in revenues. Sabre and Amadeus own the largest civilian data-processing centres in the US and Europe respectively. The volume of global transactions through the GDS has risen 4% year-on-year to 343 million. Worldwide, the GDS reaches some 230,000 points of sale (Mintel, 2011). Figure 2.2 shows the evolution of Global Distribution Systems for the travel and hotel industry.

Figure 2.2



(Cornell Hotel and Restaurant Administration Quarterly, 2003)

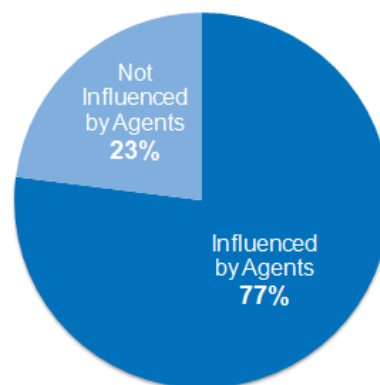
“Sabre dominates in the US market with a 40% share, Worldspan accounts for 30%, Galileo has 20%, and Amadeus has 10%. Amadeus dominates the European market with more than half of travel agency air bookings”. (Mintel, 2011). However, travel is a global business and even in Europe, Amadeus must compete with low prices coming out of the US market. For example, British Airways signed up with both Sabre and Galileo.

Raven *et al.* (2011) emphasize “GDS is one of the most important distribution channels in hotel industry, however it is often the least one management knows about and fails to maximize revenues through this channel “. Unlike the website or travel agencies, information about GDS is not at managers’ fingertips but production that hotels could receive through it is crucial. Lieberman (2003) has identified in his research that “achieving success with revenue management requires far more than having the right technology”. Lack of staff continuity, limited understanding and misperceptions of revenue management and e – commerce, inability to read financial reports generated by technology and act upon them were identified as the main issues.

For the first time in many years, the rebound of offline travel bookings is outpacing the growth of online travel bookings. Corporate travel budgets are expected to jump by 4.5% in 2012 (Intel, 2011). While bookings will not reach the record highs of 2007, things are improving. With the growth of offline travel, now may be the time to take advantage of GDS opportunities.

Most corporations have negotiated rates with travel agencies such as Travel Focus; however, travel agencies also use the GDS system to book reservations for the leisure travelers. The methodology is pretty much the same; except that leisure travelers and travel agents have more flexibility of choosing the hotel or travel product they want. This is one of the reasons why hotels should optimize their presence on the GDS channels. Table 2.3 shows that 77% of travel agent's recommendations influence a traveler's choice of hotel.

Over 75% of customers are influenced by their travel agent
(% of GDS Bookings Influenced by Agents)



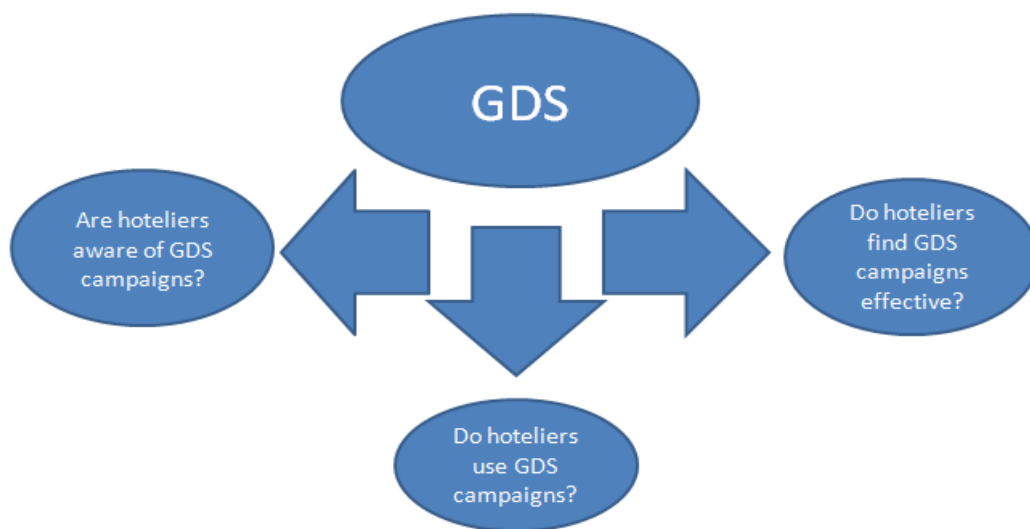
(Phoenix Travel, Leisure and Entertainment, 2009)

In 2007 TravelCLICK introduced first graphical ads influencing travel agents at GDS point of sale (PromoSpots). Graphical PromoSpots advertising enhances agent decision – making by providing visuals of hotel properties and supplement information, such as hotel location in relation to major intersections and local landmarks, in a user – friendly layout. This GDS advertising tool is designed to drive higher conversion rates and increase travel agent bookings.

Tauk *et al.* (2003) concludes “*understanding the electronic reservation process and using various GDS marketing features will allow hoteliers to market their products more effectively through those systems*”.

The concepts discussed earlier and the data used for evidence require further investigation. Therefore, Model 1 was designed to identify primary research focus areas:

Model 1 Primary Research Focus Areas



Based on the model, primary research efforts will be focused to identify whether hoteliers are aware of GDS campaigns. If hoteliers are aware of GDS campaigns, it needs to be researched whether they use them and find them effective. This will enable the researcher to confirm or critique literature review findings and propose future research recommendations.

4.0 Method of Investigation

The aim of this research is to investigate whether effective management of Global Distribution Systems can potentially contribute to revenue optimization for enhanced internal firms’ performance. Although in the literature review there were identified possible optimization tools for GDS such as graphical PromoSpots offered by TravelCLICK, this matter needs further investigation.

A semi – structured interview, which is a qualitative method of investigation, has been scheduled via Skype with a representative of TravelCLICK, director of sales and marketing for the Caribbean, in order to find out more detailed information about GDS campaigns, prices, potential benefits to the hotel and possible return on investments (ROI). Semi – structured type of interview will enable researcher to act upon interviewee’s answers and ask questions where necessary in depth. In the literature review, it was identified that hoteliers clearly “*lack expertise and knowledge in new e – commerce marketing concepts*”. (Raven *et al.*, 2011). Therefore this interview will aim to investigate whether primary research findings will match literature review findings and what challenges e – commerce experts are overcoming when doing business with hotels in Puerto Rico.

Puerto Rico has been aggressively branding itself a no-passport destination and has a great amount of traffic coming to the country. This has helped the country to achieve significant advantage against other island in the Carribbean and it is important to know whether hoteliers’ are taking full advantage of e – commerce practices and are optimizing their incremental revenues.

The model designed for primary research focus areas shows clear question areas. In order to identify hoteliers’ awareness and knowledge of GDS media campaigns, the best method of investigation is semi – structured, in – depth, interviews. In a qualitative study, the respondents must have a good knowledge about the subject. Ritchie (2003) emphasizes “*We accept that the social world does exist independently of individual subjective understanding, but that is only accessible to us via the respondents’ interpretations (which may then be interpreted by the researcher)*”. For this reason, interviews have been scheduled only with a person that is responsible for hotel’s sales and marketing activities on the property level and is a professional in that field in order to avoid misinterpretations and enhance the validity of the research.

The person to be interviewed at Sheraton Old San Juan is G. Armando Emanuelli, director of sales and marketing. At Intercontinental San Juan it is Willie Chin, regional director of sales and marketing for Intercontinental in the Caribbean and at Marriott San Juan it is Julian Cable – Treadwell, director of marketing. Due to hectic lifestyles of these hospitality professionals, structured interviews were designed due to time constrain and conducted via

Skype. Although the interviews were not permitted to be recorded, interviewees were happy to answer questions and discuss areas of investigation in depth.

All 3 properties chosen for investigation are chain, branded hotels and share approximately same size and location. One common feature of these properties is that they all use/ have used GDS media campaigns offered by TravelCLICK and are able to provide feedback for their performance and effectiveness. After long negotiations with directors of sales and marketing, it was agreed to send GDS media performance reports (for research purposes only) directly to the researcher's email since it is a private property data and is not available publicly. One of the objectives of this research is to find out how that performance is measured and whether it is easy to understand and monitor. Lieberman (2003) has recognized in his research that one of the reasons why *“revenue management staff is often failing to get the most from revenue management is because of inability to read complicated reports and act upon them”*.

GDS media campaign performance reports are presented for each property and critically analyzed, followed by the analysis of primary data, collected from the interviews with TravelCLICK representative and sales and marketing directors from the hotels. Primary data is also compared and related to the literature review in order to verify literature findings.

5.0 Findings and analysis

5.1 Findings and analysis of the interview with a TravelCLICK representative

During the interview, main challenges were identified that e – commerce expert experience when doing business with hotel management in the Caribbean:

“Lack of knowledge of marketing and e - commerce concepts, fear to invest in something new and lack of professional expertise in reading and understanding the tools to measure their production and success. Inability to make decisions based on data analyses and results. Some hospitality professionals lack the knowledge of the basic concept of distribution and

some don't even know what GDS channels are and how to profit from emerging opportunities that are presented in the market".

These findings totally agree with Lieberman's (2003) statements proposed in his studies that hoteliers "*lack expertise and knowledge in new e – commerce marketing concepts*" and "*are unable to read complicated reports and act upon them*". This kind of situations drives the results of these hotels down producing disloyal practices such as price wars and in some occasions dragging down RevPAR in the destination.

TravelCLCIK representative also explains:

"Depending on the market, GDS media investment such as Sabre SpotLight (SSL) for preferred positioning may be as high as \$25,000 USD (NYC). These prices are often perceived as a high cost by the hotel management if they don't have a clear idea of the value proposition of the subscription. Part of the business process is to educate executives on key e – commerce aspects which are extremely time consuming. Sometimes investments don't get approved because the owner of the property is the one making the decision and he/she is not necessarily always hospitality professional".

This once again, agrees with the literature, where it identifies that "*GDS is one of the most important distribution channels in hotel industry, however it is often the least one management knows about and fails to maximize revenues through this channel*". (Raven et al., 2011)

During the interview, it has been identified:

"There are 2 ways to improve GDS performance: through GDS preferred positioning and GDS Media campaigns. Preferred positioning is a paid service hotels can buy in order to show amongst the first listings in a GDS screen. Traditionally, GDS systems can display only up to 14 listings per screen and depending on the destination, several preferred positioning are available for sale. Therefore, by consistently showing on the first position, the hotel increases its visibility and the chances to be selected for a more detailed search and the potential to obtain a booking is higher".

The trick here appears to be the understanding that hotel audience in this case is not the customer calling to the travel agency, but the travel agent looking at the screen(s). Travel agents, like many other sales people, have monthly goals to achieve and as a result, the more sales they make the more rewarded they get. This also represents a challenge since they receive many calls during a business day. The statistics on how travel agencies select the hotels for their clients show that *“agents consistently pick their hotels from the first page and first positions”*. (Intel, 2011).

This means the more information the hotel provides to the travel agent, the chances to obtain a booking increases:

“Other way hotels provide extra information is by publishing electronic ads (GDS Electronic Media) that are visible on the GDS screens when travel agent is searching for a specific destination. Depending on the platform or system (Sabre, Amadeus, Galileo or World Span) these messages may be text or graphic”.

Examples of agent’s screen shots are provided in Appendix 1 and 2. Interviewee states further:

“Hotels participating in preferred positioning and/or GDS Electronic Media distribution in the Caribbean obtain as high as 9:1 returns on investment. Preferred positioning is highly demanded and is almost sold out in main Caribbean destinations such as Puerto Rico. Investment on preferred positioning (if available) may vary from \$2,000 up to \$17,000 USD in Sabre and \$1,500 and \$1,500 to \$3,000 USD in Amadeus for an annual contract.”

TravelCLICK has developed a tool to help hoteliers understand their options and opportunities based on GDS production. This tool or report is called Hotelligence or HT360:

- HT360 lets the hotel gauge their production based on fair share comparing the hotel production against the production of a competitive set (CompSet) as an aggregate
- Hoteliers can see the total production of the market they are affiliated or located in
- Hoteliers can see individual and CompSet GDS production by each one of the GDS channels

- By looking at specific results, the hotel can visualize if the investment on GDS media is giving them any advantage over the CompSet”

5.2 GDS media campaigns’ performance analysis

Sheraton Old San Juan

In the case of the Sheraton Old San Juan, the hotel grew its total GDS revenues by 11.3%, the CompSet grew 3.8% and the destination SJU grew 5.4%. The results are illustrated in table 6.0 which is a HT 360 report. The hotel production shows an obvious advantage over the CompSet and the market.

Table 6.0

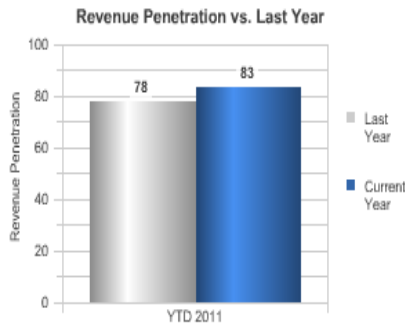
Sheraton Old San Juan Hotel

Booking data updated as of Dec 31, 2011

Your Revenue Penetration

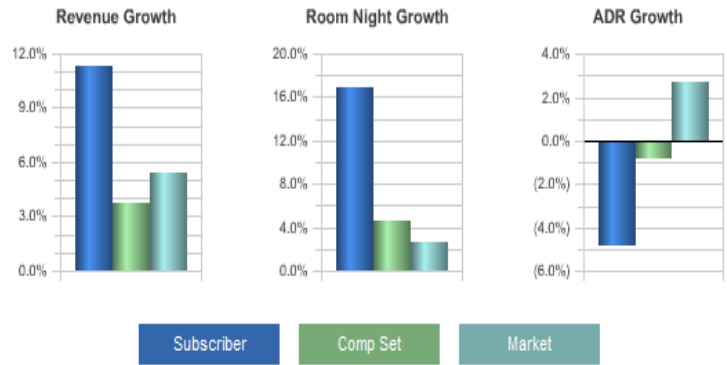
YTD 2011 Rank	YTD 2011 Rank
6 of 9	6 of 9

	YTD 2011	YTD 2011
Revenue Penetration	83	83
Last Year	78	78
Variance vs. Last Year	5	5
Revenue Surplus/ (Opportunity)	(\$256,079)	(\$256,079)



Your Performance for YTD 2011 vs. YTD 2010

	Revenue			Room Nights			ADR		
	Current	Last Year	Growth	Current	Last Year	Growth	Current	Last Year	Growth
Subscriber	\$1,282,642	\$1,151,979	11.3%	8,484	7,254	17.0%	\$151	\$159	(4.8%)
Competitive Set	\$20,394,100	\$19,650,156	3.8%	125,635	120,046	4.7%	\$162	\$164	(0.8%)
San Juan	\$51,778,392	\$49,121,251	5.4%	291,993	284,472	2.6%	\$177	\$173	2.7%



Subscriber Comp Set Market

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Analyzing the report further, (table 6.1), it is clear that this hotel has obtained most of its production via Sabre (74.3%). The hotel invested more than \$40,000 USD in a Sabre GDS media campaign and \$16,000 USD in Sabre preferred positioning (Sabre Spotlight) aimed to get more Sabre bookings. The percentage of growth in Sabre revenues for 2011 was 43.8%. No doubt the GDS Campaign and the Sabre Spotlight preferred positioning has helped in the efforts to obtain good results. However, the report also shows opportunities in all other channels not invested or covered by the GDS efforts planned by this hotel sales team. These results correspond with Tauck *et al.* (2003) statement in the literature review that “*understanding the electronic reservation process and using various GDS marketing features will allow hoteliers to market their products more effectively through those systems*”.

Table 6.1

		Room Nights								
		Bookings	Room Nights	Growth	Room Night Penetration	Rank	Penetration Variance	Market Share	Rank	
ALL	Subscriber	3,287	8,484	17.0%		89	6	9	6.3%	5
	Competitive Set	41,925	125,035	4.7%		101		(1)	93.7%	

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		Room Nights								
		Bookings	Room Nights	Growth	Room Night Penetration	Rank	Penetration Variance	Market Share	Rank	
Amadeus	Subscriber	204	440	(11.3%)		113	4	(5)	8.0%	7
	Competitive Set	2,282	5,067	(7.1%)		99		0	92.0%	
Galileo	Subscriber	615	1,413	(21.4%)		66	5	(19)	4.7%	5
	Competitive Set	9,803	28,873	2.7%		103		1	95.3%	
Sabre	Subscriber	2,282	6,305	43.8%		102	5	26	7.3%	5
	Competitive Set	25,934	80,401	5.4%		100		(2)	92.7%	
Worldspan	Subscriber	186	326	(43.4%)		40	7	(38)	2.8%	8
	Competitive Set	3,838	11,294	10.6%		105		3	97.2%	

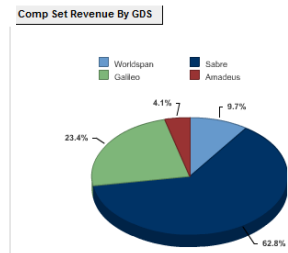
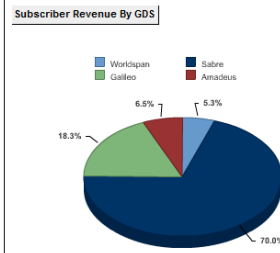
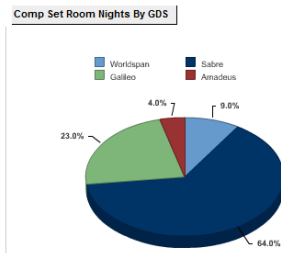
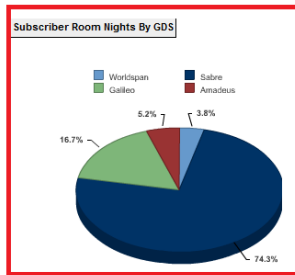
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		Revenue							
		Revenue	Growth	Revenue Penetration	Rank	Penetration Variance	Market Share	Rank	
ALL	Subscriber	\$1,282,642	11.3%		83	6	5	5.9%	5
	Competitive Set	\$20,394,100	3.8%		101		(0)	94.1%	

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		Revenue							
		Revenue	Growth	Revenue Penetration	Rank	Penetration Variance	Market Share	Rank	
Amadeus	Subscriber	\$83,144	(2.4%)		127	4	8	9.0%	7
	Competitive Set	\$840,944	(10.3%)		98		(1)	91.0%	
Galileo	Subscriber	\$234,413	(19.2%)		66	5	(17)	4.7%	5
	Competitive Set	\$4,776,327	3.2%		103		1	95.3%	
Sabre	Subscriber	\$897,655	33.3%		92	4	19	6.6%	5
	Competitive Set	\$12,801,781	4.4%		101		(1)	93.4%	
Worldspan	Subscriber	\$67,530	(34.7%)		47	7	(29)	3.3%	8
	Competitive Set	\$1,975,048	8.6%		104		2	98.7%	

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Intercontinental Resort and Casino, San Juan, Puerto Rico

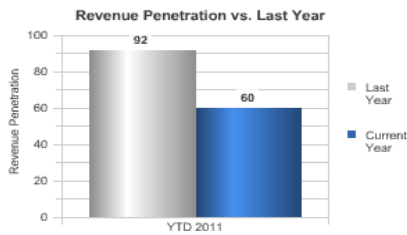
During 2010 (table 7.0) this hotel invested close to \$40,000 USD in Sabre GDS advertising in the form of Sabre Spotlight Preferred positioning and GDS Media Advertising. They decided to suspend the investment for 2011 and to date (December 2011) they have lost 32.1% of their GDS revenues down to \$1,944,043 from \$2,864,845 USD in 2010.

Table 7.0

Your Revenue Penetration

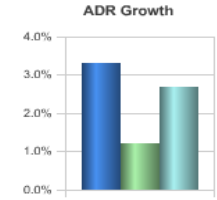
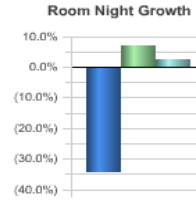
YTD 2011 Rank	YTD 2011 Rank
6 of 7	6 of 7

	YTD 2011	YTD 2011
Revenue Penetration	60	60
Last Year	92	92
Variance vs. Last Year	(32)	(32)
Revenue Surplus/ (Opportunity)	(\$1,288,779)	(\$1,288,779)



Your Performance for YTD 2011 vs. YTD 2010

	Revenue			Room Nights			ADR Last Year		
	Current	Last Year	Growth	Current	Last Year	Growth	Current	Last Year	Growth
Subscriber	\$1,944,043	\$2,864,845	(32.1%)	11,141	16,962	(34.3%)	\$174	\$169	3.3%
Competitive Set	\$24,950,118	\$23,024,915	8.4%	125,905	117,611	7.1%	\$198	\$198	1.2%
San Juan	\$51,778,392	\$49,121,251	5.4%	291,993	284,472	2.6%	\$177	\$173	2.7%



Subscriber Comp Set Market

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Further analyses of their results (table 7.1) show the majority of the lost comes from the Sabre Channel which is down almost 44% compared to the same period in 2010.

Table 7.1

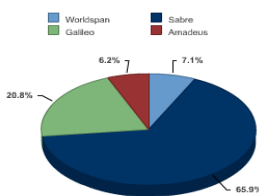
ALL		Room Nights							
		Bookings	Room Nights	Growth	Room Night Penetration	Rank	Penetration Variance	Market Share	Rank
	Subscriber	3,827	11,141	(34.3%)	68	6	(37)	8.1%	6
	Competitive Set	40,304	125,905	7.1%	104		5	91.9%	

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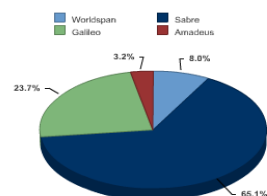
Amadeus		Room Nights							
		Bookings	Room Nights	Growth	Room Night Penetration	Rank	Penetration Variance	Market Share	Rank
	Subscriber	265	690	5.3%	121	2	14	14.6%	4
	Competitive Set	1,582	4,043	(8.9%)	97		(2)	85.4%	
	Subscriber	785	2,313	5.9%	60	6	(1)	7.2%	6
	Competitive Set	9,638	29,799	8.3%	105		0	92.8%	
	Subscriber	2,337	7,346	(43.9%)	68	6	(53)	8.2%	6
	Competitive Set	25,808	81,932	6.5%	104		7	91.8%	
	Subscriber	440	792	(23.3%)	60	5	(27)	7.3%	5
	Competitive Set	3,276	10,131	15.7%	105		4	92.7%	

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Subscriber Room Nights By GDS



Comp Set Room Nights By GDS



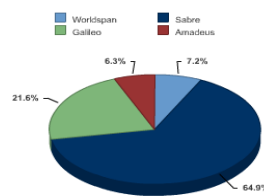
ALL		Revenue						
		Revenue	Growth	Revenue Penetration	Rank	Penetration Variance	Market Share	Rank
	Subscriber	\$1,944,043	(32.1%)	60	6	(32)	7.2%	6
	Competitive Set	\$24,950,118	8.4%	105		4	92.8%	

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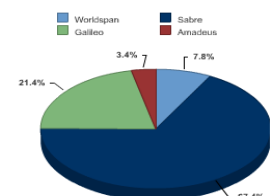
Amadeus		Revenue						
		Revenue	Growth	Revenue Penetration	Rank	Penetration Variance	Market Share	Rank
	Subscriber	\$121,994	(1.7%)	105	4	6	12.6%	5
	Competitive Set	\$842,477	(8.6%)	99		(1)	87.4%	
	Subscriber	\$420,430	0.8%	61	6	(6)	7.3%	6
	Competitive Set	\$5,345,871	11.8%	105		1	92.7%	
	Subscriber	\$1,261,996	(40.7%)	58	6	(42)	7.0%	6
	Competitive Set	\$16,812,066	7.7%	106		6	93.0%	
	Subscriber	\$139,623	(29.0%)	56	6	(30)	6.7%	6
	Competitive Set	\$1,949,704	14.3%	106		4	93.3%	

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Subscriber Revenue By GDS



Comp Set Revenue By GDS



Marriott San Juan, Hotel and Casino, Puerto Rico

Here is another good example of GDS result improvement caused or affected by GDS Media (table 8.0). It is clear The Marriott San Juan Hotel and Casino took a penetration approach to the market and by reducing rates they wanted to capture incremental revenues via room night growth. To do so, they

resourced to GDS advertising in the form of Sabre Spotlight, Amadeus Instant Preference and GDS Media Advertising in Sabre to be able to advertise their new rate structure. Not only they managed to maintain the number 1 ranking in their CompSet but also obtained a 16.1% in revenue growth.

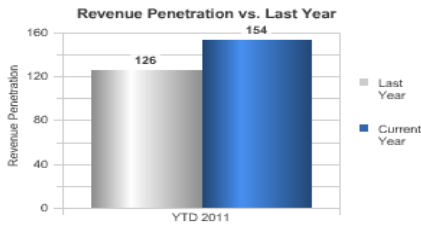
Table 8.0

Marriott San Juan Resort and Casino
 Booking data updated as of Dec 31, 2011

Your Revenue Penetration

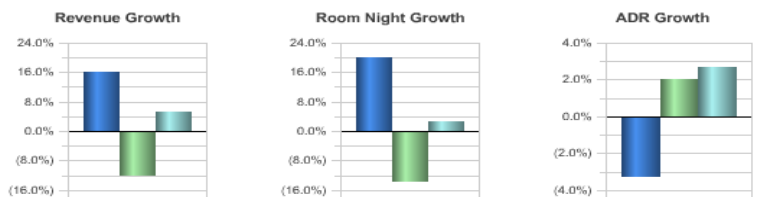
YTD 2011 Rank	YTD 2011 Rank
1 of 5	1 of 5

	YTD 2011	YTD 2011
Revenue Penetration	154	154
Last Year	126	126
Variance vs. Last Year	28	28
Revenue Surplus/ (Opportunity)	\$2,085,923	\$2,085,923



Your Performance for YTD 2011 vs. YTD 2010

	Revenue			Room Nights			ADR		
	Current	Last Year	Growth	Current	Last Year	Growth	Current	Last Year	Growth
Subscriber	\$5,962,458	\$5,135,546	16.1%	32,261	26,884	20.0%	\$185	\$191	(3.2%)
Competitive Set	\$12,718,748	\$14,481,020	(12.2%)	74,984	87,100	(13.9%)	\$170	\$166	2.0%
San Juan	\$51,778,392	\$49,121,251	5.4%	291,993	284,472	2.6%	\$177	\$173	2.7%



Subscriber Comp Set Market

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While they grew in all the channels, the major growth was obtained on the channels in which they invested the most (table 8.1).

Table 8.1

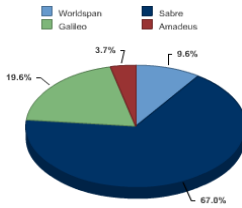
		Room Nights							
		Bookings	Room Nights	Growth	Room Night Penetration	Rank	Penetration Variance	Market Share	Rank
ALL	Subscriber	9,696	32,261	20.0%	145	1	31	30.1%	2
	Competitive Set	24,686	74,984	(13.9%)	88		(8)	69.9%	

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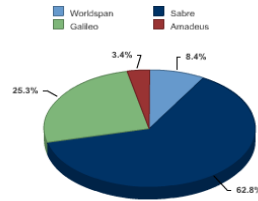
		Room Nights							
		Bookings	Room Nights	Growth	Room Night Penetration	Rank	Penetration Variance	Market Share	Rank
Amadeus	Subscriber	444	1,198	5.3%	153	1	29	31.8%	1
	Competitive Set	1,047	2,575	(21.8%)	86		(8)	68.2%	
Galileo	Subscriber	1,886	6,338	23.1%	121	2	21	25.0%	2
	Competitive Set	6,348	19,008	(4.1%)	95		(6)	75.0%	
Sabre	Subscriber	6,487	21,624	18.8%	152	1	36	31.5%	1
	Competitive Set	14,828	47,059	(18.6%)	86		(10)	68.5%	
Worldspan	Subscriber	879	3,101	29.3%	158	1	23	32.9%	2
	Competitive Set	2,363	6,334	3.0%	85		(6)	67.1%	

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Subscriber Room Nights By GDS



Comp Set Room Nights By GDS



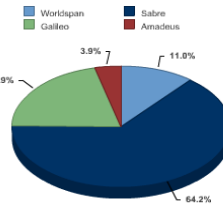
		Revenue						
		Revenue	Growth	Revenue Penetration	Rank	Penetration Variance	Market Share	Rank
ALL	Subscriber	\$5,902,458	16.1%	154	1	28	31.9%	1
	Competitive Set	\$12,718,748	(12.2%)	86		(7)	68.1%	

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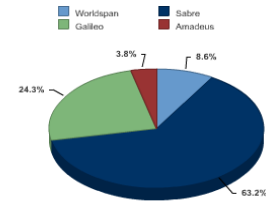
		Revenue						
		Revenue	Growth	Revenue Penetration	Rank	Penetration Variance	Market Share	Rank
Amadeus	Subscriber	\$230,172	(1.7%)	155	1	21	32.1%	1
	Competitive Set	\$487,669	(20.4%)	86		(6)	67.9%	
Galileo	Subscriber	\$1,246,394	23.5%	138	1	23	28.7%	2
	Competitive Set	\$3,096,669	(3.8%)	90		(9)	71.3%	
Sabre	Subscriber	\$3,829,180	13.2%	156	1	29	32.3%	1
	Competitive Set	\$8,035,070	(15.7%)	85		(8)	67.7%	
Worldspan	Subscriber	\$656,713	28.9%	180	1	29	37.4%	1
	Competitive Set	\$1,099,334	(1.8%)	79		(8)	62.6%	

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Subscriber Revenue By GDS



Comp Set Revenue By GDS



5.3 Interview Findings with Directors of Sales and Marketing

Table 8.3 provides with brief thematic analysis of interview findings with directors of sales and marketing. More in depth analysis along with discussion are available in section 6.0.

Table 8.3 Thematic Analysis of interview findings

	Sheraton Old San Juan	Intercontinental Resort and Casino	Marriott San Juan, Hotel and Casino
Hoteliers are aware of GDS campaigns	Yes	Yes	Yes
Hoteliers use GDS campaigns	Yes	No	Yes
GDS efforts are used to attract corporate bookings	Yes	No	Yes
GDS efforts are used to attract leisure bookings	Yes	No	Yes
GDS campaigns help produce volume of the bookings	Yes	Yes	Yes
GDS is one of the most profitable distribution channels	Yes	No	Yes
Heavy investment is needed to effectively optimize GDS channels production	Yes	Yes	Yes
Hoteliers find GDS campaigns effective	Yes	Yes (depending on the strategy)	Yes

6.0 Further Analysis and Discussion

Sheraton Old San Juan, Puerto Rico

The location of the hotel is very distinctive and unique. The features that it offers are not the conventional services for a Sheraton hotel. It is located in the heart of old San Juan district,

which presents a challenge to attract corporate customers, since most corporations are located near Condado and Carolina districts close to the airport. Logistically, it also represents an advantage since Sheraton Old San Juan is the only hotel that is right in front of the port of San Juan – main docking facility for all major cruise ships. (See appendix 3 for hotel's website intro). One of the main features of the hotel is casino, owned and operated by the hotel. Taking into consideration the information above, the director of sales and marketing at this property emphasizes:

“We need to resource to a very agile communication/marketing system to let our potential customers know about our main sell features. E – Commerce enables us to do exactly that. Via our website we communicate to our leisure market and it is our B2C platform for communication. Our other strong strategy is to ‘showcase’ hotel’s main features through GDS. Regular GDS listings will not deliver the appropriate message to induce the sell”.

On all GDS's combined, up to the end of December 2011, the hotel sold more than \$1, 3 mil USD and went up 11% compared to the same period last year. Most of the growth was generated through Sabre and this was the channel in which the property has strategically invested more than \$50,000 USD with the goal of growing GDS occupancy and RevPAR. In the literature review, it was identified that *“Sabre dominates in the US market with a 40% share”*, therefore, such a large investment to Sabre channel was a strategically a right decision (Mintel, 2011).

Increasing ADR in 2011 was not an option for Sheraton Old San Juan because the opening of new properties in San Juan, Puerto Rico and significant demand during last quarter of 2010 prompted to produce a plan to grow revenues by increasing occupancy instead. Therefore, interviewee adds:

“GDS media advertising provided us with the right and convenient tool to promote our packages and value added offerings to millions of travel agents using the Sabre platform which produces about 75% of all GDS revenues for SJU”.

Intercontinental Resort and Casino, San Juan, Puerto Rico

The hotel is located right in front of the beach, in one of the best areas of the resort, known as Carolyna which is just 5 minutes away from the airport, 10 minutes from the main corporate hubs in the city and 7 minutes away from the entertainment and culinary district. Prior to the current director of sales and marketing tenure, hotel was heavily investing in e – commerce solutions such as Pay Per Click campaigns (Google add words) to drive traffic into their website and also GDS media advertising to reach out to the travel agents' communities. However, Mr. Chin has a different kind of strategy in mind:

“By investing heavily into the campaigns, we are producing volume, but not necessarily loyalty, which is my main focus for the next few years. By increasing our frequent guest base, we will continue grow more significantly in ADR rather than occupancy. I am aware of our

current GDS revenue losses however; I have a long term strategy in optimizing our revenues through other channels such as direct bookings.”

Whether Mr. Chin’s strategy is appropriate or not, there is plenty of other e – commerce solutions to help deliver his strategy. The implementation of Guest Management System (GMS) to segment his client base could help him deploy e – commerce strategy through, for example, e-mail communication to high producing guests inviting them to visit the hotel during special periods. However, due to budget restrictions caused by the loss in occupancy, opportunities appear to be limited due to cut backs in the marketing budget.

Marriott San Juan, Hotel and Casino

During the last years, Marriott and affiliates have been focusing its efforts in e – commerce. Director of sales and marketing at the property states:

“As a company and a brand we have realized that our best opportunities for rapid growth are in marketing and distributing our products electronically. It is well known in the industry that most profitable distribution channels are brand.com and GDS channels distribution. In my personal opinion, I believe OTA’s have already reached the peak of their potential as there is no more potential grow via OTA’s without scarifying profitability”

In 2012, Marriot San Juan focus is different: continue working in optimizing bottom line results by increasing distribution through brand.com and GDS channels. In order to do so, they are making heavy investments in Internet Marketing Solutions (IMS) such as web design, search engine optimization, social media, mobile website and booking engines for smart phones and tablets. Therefore, the property is aiming to increase their reach to travel agencies via their own website, by providing more personalized access to travel agents who want to obtain more information regarding specific details of the property:

“We will continue our investments in GDS media campaigns. Corporate clientele will be targeted through PromoSpots and leisure customers via graphical PromoSpots to be distributed on specialized GDS platforms such as MySabre.”

In regards to reading performance reports and business intelligence reports, Mr. Treadwell mentioned hotel’s staff is challenged and overwhelmed by the amount of information presented in the reports and in the past has been unable to take full advantage of those tools. However, as far as future strategy of the property, they have created a specialized e - commerce department to be more successful in this field.

7.0 Conclusion & Recommendations

The project aim was to investigate how effective management of Global Distribution Systems can potentially contribute to revenue optimization for enhanced internal firms’ performance. After thorough literature review analysis, it is clear that GDS still accounts for approximately

30% of total hotels' bookings made and is a very powerful distribution tool. However, not many hoteliers are aware of the importance of this channel and fail to produce incremental revenues. The findings of the interview with TravelCLICK representative confirm literature review findings, identifying biggest challenges when working with the hoteliers, such as lack of knowledge of marketing and e – concepts, fear to invest in something new and lack of professional expertise in reading and understanding the tools to measure their production and success. The biggest challenge was acknowledged to be the fact that often decision makers within the industry are not necessarily hospitality experts, for example property owners, which do not necessarily possess basic or essential hospitality business understanding.

2 ways of improving GDS performance have been identified: the use of GDS preferred positioning and GDS electronic media campaigns. Both options have been discussed in detail, identifying a possibility of 9:1 returns on investment within the Caribbean region. However, to obtain such a high ROI, heavy investment is advised, sometimes as high as \$40,000 per year. After detailed analysis of interviews with sales and marketing directors, controversial opinions about GDS advertising have been acknowledged. Although representatives of 2 properties in Puerto Rico have recognized GDS advertising as a great way of communicating with their leisure market (B2C platform) and attracting more corporate bookings, the representative of Intercontinental Resort and Casino Hotel views his hotel strategy in a different way, therefore doesn't find GDS advertising necessary. Mr. Chin aims to increase frequent guest base and grow in ADR rather than producing volume but not necessarily loyalty. This is a great point made by a hospitality professional which has not been identified or discussed in the literature review or with representative of TravelCLICK and could be a great area of investigation for further research. Perhaps even requiring the re – design of GDS electronic media campaigns and the way they operate in order to make them more applicable with a variety of different strategies or deploy a combination of e – commerce tools such as GDS campaigns to attract new customers *and* implement guest management system to communicate with those particular customers in order to increase loyalty.

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Appendices

Appendix 1 – Travel Agent’s Screen Shot Examples

The screenshot shows the Sabre Red workspace interface. The main area displays a list of hotels with columns for hotel name, rate, and range. Below the list, there are promotional offers (JP*1 and JP*2) highlighted with a red box. A blue callout box labeled "Text PromoSpots" points to this red box. Another blue callout box labeled "Graphical PromoSpots" points to a graphical offer in the bottom right corner, which includes a "15% commission" and "NEW PACKAGES!" text.

ACTUAL RATES	RATE ASSURED	DIST	M/C	AMENITY	RATE RANGE
1 SL SWISSOTEL MERCHANT COURT	115W	P F DR			W219 - 977*
2 SC SHANGRILA SINGAPORE	12W	IP F DR			W313 - 1237*
3 YR RAFFLES HOTEL SINGAPORE	105W	IP F D			W469 - 6352*
4 NY GRAND HYATT SINGAPORE	12W	IP F D			W342 - 750*
5 SL SWISSOTEL THE STAMFORD	115W	IP F D			W293 - 814*
6 YX MARINA BAY SANDS	98	IP D			W276 - 691*
7 HI HOLIDAY INN ATRIUM	125W	IP F R			W143 - 268*
8 CN CONRAD SINGAPORE	11W	IP F D			W294 - 2565*
9 MO MANDARIN ORIENTAL SINGAP	105W	IP F D			W373 - 4479*
10 FF PAN PACIFIC ORCHARD	12W	IP F DR			W208 - 412*
11 SI SHERATON TOWERS SINGAPOR	11W	IP F DR			W256 - 447*
12 ML ROYAL PLAZA ON SCOTTS	11W	IP F D			W218 - 667*
13 FK THE FULLERTON HOTEL SING	115W	IP F D			W332 - 814*
14 YX CONCORDE HOTEL SINGAPORE	11W	IP F D			W179 - 466*

SEE JP*1 PARK HOTEL GROUP 10 PCT OFF BAR/2NT MIN-15 PCT ADV COM
SEE JP*2 **RAFFLES SINGAPORE - 10PCT OFF - 30 DAYS ADV PROMO

15% commission
NEW PACKAGES!
PARK HOTEL GROUP

Appendix 2 - Travel Agent's Screen Shot Example

MySabre Microsoft G

Home Destination Details Agency eServices

File Edit View Keys Tools Options Help Travel

1 Sabre - (Area A)

HOTLAS/16NOV-SMT2<<
 CAESARS PALACE LAS VEGAS *51799* UPGRADE TO *AUGUSTUS TOWER*
 FOR 100USD UPGRADE TO *PALACE TOWER* FOR 50USD
[Click Here or Type P91](#)
 ** DOUBLE CLICK ON HOTEL NAME FOR MAPS AND PHOTOS **
 QUALIFIERS - LAS/16NOV-SMT2/C-USD/RC-U,C,F,P,S,R,I
 V ACTUAL DATES DIST N/C AMENITY DATE RANGE

1	HI HOLIDAY INN EXP STES HEND	7E	F S F	W88 - 149
2	HY HYATT REGENCY LAKE LAS VE	12E	I P F D	129 - 449
3	YO CANDLEWOOD SUITES LAS VEG	2N	I P F	W94 - 134
4	YX THEHOTEL	1NW	F B	W409 - 409
5	UZ WYNN LAS VEGAS	3N	F F D	399 - 850
6	MV MGM GRAND HOTEL CASINO	1NW	F F D	W299 - 1200
7	YX MANDALAY BAY RESORT AND C	1NW	F B D	W309 - 309
8	HR RIO SUITE HOTEL AND CASIN	3NW	F F D	340 - 529
9	HI HOLIDAY INN EXPRESS SUITE	11N	F D	W88 - 119
10	YX VENETIAN RESORT HOTEL CAS	3N	F F D	W299 - 679
11	FS FOUR SEASONS LAS VEGAS	1NW	I P F D	435 - 2500
12	HI HOLIDAY INN EXPRESS AND S	103N	F F	W72 - 109
13	HR HARRAH'S LAS VEGAS	3NW	F F D	170 - 175
14	PH GREEN VALLEY RANCH RESORT	6SE	I P F D	W239 - 600

I-HSPD P-POOL S-FREE SHTL F-FITN R-FREE BKST D-DINE R-FREE PARK
 PP*1 HR SMR SIZZLING LAS VEG RTS*HARRAH'S*RIO SUITES FR 600SD
 PP*2 LW 12945*CAESARS*DLX FR 1200S*NEW UPSCALE TWR PLUS 100

Graphical PromoSpots

agent 59
 Save \$150
 on packages to
 South America

Marrriott
 Special Promotions
 Click Here

Text PromoSpots

Appendix 3 – Sheraton San Juan Website Intro (B2C communication platform)

The screenshot shows the website's reservation interface. At the top left is the Sheraton Hotels & Resorts logo. The top right contains user options: "Hello, Sign In", "1-800-325-3635", "Help", and "Language". A navigation bar includes "Reservations", "Special Offers", "Our Community", and "Starwood Preferred Guest". The main header for the "Sheraton Old San Juan Hotel & Casino" includes the address "100 Brumbaugh Street, San Juan, Puerto Rico 00901, United States", a "Map" icon, and phone number "(787) 721-5100". It also features links for "Contact Us", "Announcements", and "Visit Our Site", along with the time "9:40 AM". A secondary navigation menu lists "HOME", "PHOTOS", "ROOMS", "LOCAL AREA", "FEATURES", "DINING", "MEETINGS & EVENTS", "OFFERS", and "REVIEWS". The central banner displays two images: an outdoor dining area with a large cruise ship in the background, and an indoor dining room with tables set for a meal. Below the images is a reservation form with fields for "Check in" (MM/DD/YYYY), "Check out" (MM/DD/YYYY), "Rooms" (set to 1), and "Adults per Room" (set to 1), followed by a "Book Now" button. A "HOME" link is positioned below the banner, and a descriptive paragraph states: "The Sheraton Old San Juan Hotel & Casino is situated in the heart of historic and romantic old San Juan. We are ideally located on the waterfront, just a few moments from the docking point of grand cruise ships."