YOUR MAGNIFICENT SELLING MACHINE

by Robert Camastro

According to TravelCLICK's ChannelTRAK, CRO conversion rates for the major hotel chains average 38 percent, giving the hotel a 1 in 2.6 chance of making a sale when the phone rings. Conversely, according to industry analysts, conversions on the Web average about 8 percent. What would you want your chain to get: the Web hit or the phone call?

While witnessing the proliferation of the Internet as a powerful distribution channel, many hospitality executives can't help but wonder, and hope, if this wonderful technology will finally lead to the elimination of those pesky relics of distribution's past – central reservations offices (CROs). With their fingers anxiously gripping the eject levers of their hotel call centers, these people feel that their Internet channel just can't grow fast enough. After all, the Internet is the preferred purchasing medium for today's young shoppers – the industry's future customers.

As if some hotel CROs weren't big enough losers in the eyes of their proprietors, they also stand very little chance of recovering from their dejected status. Given the natural tendency for managers in all walks of business to focus on one priority at a time, the attention given to the Internet as a distribution channel has sucked all the oxygen out of the air in terms of development dollars and bright ideas for other channels. With few hospitality executives interested in resuscitating their CROs, these once proud institutions seem destined to continue rusting away.

It's not as if people didn't try to help. For years, call center technology vendors and consultants have been queuing up solutions that promise improved labor utilization by consolidating or automating this, that and the other thing. These vendors tell an impressive story complete with cool acronyms like GUI, ANI, CTI and the ubiquitous CRM. Unfortunately, they tend to get more utilization out of their acronyms than they do out of labor. All of these vendors sell the same thing — reduction in staffing and improved efficiency. Translation? Get rid of some perfectly good employees and force the poor souls that remain to work harder. How else would utilization improve in a labor-intensive function? This sounds like a plan, but there is one fatal flaw. It is all too common for agents in the traditional call center to think of themselves as being between jobs. With a lack of a long-term commitment to their employer, they are seldom in any mood to work harder because someone in management needs better utilization. It almost seems silly to think they would.

Is your distribution strategy maximizing sales or just minimizing cost?

Could this situation get any more desperate? It appears as though we should all thank goodness for the Internet and our young Web browsers. After all, we can count on them to point and click the hospitality industry into future prosperity, right? Well, maybe not.

While many industry leaders woefully gape at their CROs through Web-colored glasses, some very talented marketers and engineers are ignoring the conventional and cooking up a new archetype for tomorrow's hotel call centers. Motivating them to pursue this cause is the logical answer to a simple test question: If a customer is going to make a booking after both visiting the Web site of one hotel chain and calling the CRO of a second, what would you want your chain to get: the Web hit or the phone call?

Before you answer, consider the fact that according to TravelCLICK's ChannelTRAK, CRO conversion rates for the major hotel chains average 38 percent, giving the hotel a 1 in 2.6 chance of making a sale when the phone rings. Conversely, according to industry analysts, conversions on the Web average about 8 percent. That would equate to about 1 chance in 13 among Web browsers. Now, getting back to the question. If your answer is the "phone call," you may be interested in reading on. If your answer is the "Web hit," you should definitely read on.

If a hotel's Web site is picking off one sale for every 15 hits, what is happening to the other 14 shoppers?

Despite the fact that a hotel is significantly more likely to close a deal at the CRO than on the Web, the industry continues to push hard to shift as much business as possible to the Internet channel. Although the fascination with the Internet is driven by many techno-societal factors, none of them would matter if distribution through the Web weren't so darn cheap. An Internet sale costs $1 compared to a CRO sale that costs $8. That would get anyone's attention. The question is whether the price differential between these contending internal channels is being given more weight than it deserves. Is the allure of a $7 cost-of-sale windfall encouraging a collective state of mind that is clouding the better judgment of industry leaders?

If the CRO is an outlet store that carries a hotel's brand name, the Internet is a department store that carries everyone's brand name. It is so easy to surf from one site to another on the Web that it is almost impossible for a hotel to distinguish itself. The third-party online travel agencies, which carry all brands, epitomize this condition. The Web is also the natural habitat for the comparison shopper. These creatures are nameless, stealth-like and always in control of their own whereabouts. As long as they are on the Web, they are in a safe zone where they have no chance of coming face to face with a sales person. Is this what the industry wants – a sales channel where a hotel has a tough time gaining a competitive advantage and where customers are virtually anonymous? Or does this, in fact, represent the worst-case scenario for anyone trying to sell anything? These seem like reasonable questions. Yet, many hospitality companies drive their customers to the Internet indiscriminately, and without trepidation.

Some hotels even take this practice to the extreme. When a customer calls a hotel's toll-free number, it is not unusual for them to be greeted by a recorded message encouraging them to hang up and use the hotel's convenient Web site where they may find special rates only available online. Imagine that! After they successfully get customers to call the distribution channel where they have a 1 in 2.6 chance of closing a sale, they encourage them to hang up and move on to the channel where they have a 1 in 15 chance.

Put another way, when they are only a few minutes away from closing a deal over the phone, they send the customer off to the Web where they are only a few keystrokes away from losing it. Is this a strategy, or is that $7 savings spiking the Kool-Aid? There has to be a point on the distribution cost curve where the advantage of the Web is handily overtaken by needless dilution. How can a hotel maximize sales when they are directing their customers to the most communal marketplace ever invented? There are better ideas.

If a hotel's Web site is picking off one sale for every 15 hits, what is happening to the other 14 shoppers? Some are repeaters and some may never buy, but others end up coughing up the credit card number to the other guy's site. This seems like a huge waste of perfectly good sales leads, but what can be done about it? After all, isn't this how Internet shopping works?

But what if the hotel designed its Web site to encourage or even provide incentives to its Web shoppers to call the CRO? You read that right – pre-qualify and motivate Web shoppers, and then get them talking with the CRO – the much more efficient of the two selling channels. How many incremental sales might the hotel pick up then? One in 15? Two in 15? Three, maybe more? Pick a number. They are all winners. This approach is, of course, notably out of phase with today's thinking, but isn't this how sales is supposed to work? Start with a rough list of prospects, qualify them down to a group of hot prospects and hand them off to your best closer. This really isn't a new idea.

Before we start sending calls to the CROs, however, we need to do a little makeover work on these operations. We can start by changing some attitudes.

Probably the quickest way to get hotel executives lathered up is to engage them in a conversation about labor cost at their CROs. The empirical wisdom on this topic is that labor is absolutely out of control. Actually, this is really not true, particularly with today's progressive call centers. According to the U.S. Department of Labor, Bureau of Labor Statistics, the Consumer Price Index has grown by 211 percent over the past 25 years. During that same period, new hire call center wages have grown by only 14 percent. This actually makes CRO labor an almost benevolent cost component for the hospitality industry.

We also need to think differently about how we define call center efficiency, a term that strikes fear into the heart of any customer who likes to make purchases by telephone. Hotels have tried to forge a path to efficiency by consolidating their CROs into ever-larger centralized centers. This technique actually works in theory, but its benefits are inevitably muted by its natural tendency to produce unmanageable recruiting, training, morale and quality problems. CROs have also gotten very good at playing "hide the agent" – a game where the CRO sees how many touch-tone entries the caller will tolerate before hanging up, and before actually speaking with a real person. This technique has given an unfortunate new meaning to the term high-touch service.

Among today's progressive CROs, however, the days of mega centers and ID numbers have given way to small, less expensive neighborhood centers where people work in a communal environment and even from their homes. Innovative ways of locating and networking call centers have opened new North American labor markets with a near limitless supply of qualified and motivated workers. These CROs do not rely on software and hardware to handle their calls. Their customers are greeted by real people, providing real service and making real sales. It's refreshing.

Hospitality executives who have been awaiting an opportunity to jettison those pesky CROs may want to invest some time in discovering what has changed since they first formulated their opinion about these magnificent selling machines. As we appreciate the strengths of the Internet as a low-cost distribution channel, we need also to acknowledge its weaknesses. The Internet and CRO channels should not be positioned as contenders for internal distribution superiority, but rather as partners on a mission to maximize sales.

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