



Channel Management Explained

The Ultimate Guide for Independent Hoteliers



Introduction

When we consider the core elements – the technological backbone or digital heartbeat of a hospitality brand - we often focus on the Property Management System (PMS), Customer Relationship Management (CRM), and Revenue Management System (RMS). After all, the PMS serves as a hotel's central hub for managing day-to-day activities (such as check-in and out), while the CRM empowers hotels to cultivate lasting relationships with guests, and the RMS optimizes revenue streams through functions like dynamic pricing and demand forecasting.

While these systems are undeniably fundamental (non-negotiable) parts of any hotel's operational ecosystem, another indispensable platform should be considered – and prioritized – with equal weight: a Channel Manager (CM).

Hotel channel management software is essential for effectively distributing room inventory across various online platforms. It guarantees timely updates, consistent pricing, and enhanced online presence. The right channel manager helps hotels efficiently manage their distribution, improve their online visibility, and increase bookings and revenue.

After reading this guide, you'll feel prepared to start your channel management system search and knowledgeable on how to identify which one fits your needs.



Effective management of channels is fundamental to the success of every independent property.

Consider these points:

- According to Hotel Tech Report, **the most important systems for day-to-day operations** are property management systems, revenue management systems, and channel managers.
- An impressive **86% of hoteliers** deem these systems essential for everyday operations.
- This figure highlights the **crucial importance** of channel managers in the hospitality sector.
- A channel manager does more than just manage online distribution channels; it is an **integral part** of a hotel's daily operations.
- A channel manager **plays a significant role** in efficient hotel management by automating various tasks and ensuring consistent inventory management across all channels.

Chapter 1:

The Importance of Channel Management in Daily Operations

A channel manager functions as the central control system that orchestrates room inventory distribution across various online channels. In the world of hospitality, it's easy to recognize why a platform with this function is so integral to business. Guest bookings are made through a myriad of platforms, and as a result, hotel brands require the real-time synchronization of room availability, rates, and reservations. Performed manually, this is a daunting, error-prone task.

However, with the power of automation harnessed by an intuitive platform, optimizing the complex web of distribution channels becomes simple, streamlined, and utterly transformative from a revenue standpoint. In fact, CMs have emerged as the preferred (not entirely secret) strategic weapon leveraged by a growing number of independent hotels to navigate the hyper-competitive hospitality market better while appealing to more guests. In simple terms, a CM serves as the linchpin in the contemporary hotelier's toolkit, facilitating seamless, efficient, and revenue-optimized distribution strategies.

Efficient channel management can significantly enhance your business by:

- **Boosting revenue** through greater exposure of your room inventory
- **Expanding your market reach** and enhancing your potential for bookings
- **Simplifying operational processes** and enhancing overall efficiency
- **Increasing your conversions**
- **Eliminating the risk** of double bookings and under-booking
- **Driving more direct bookings**



Chapter 2:

How Does a Channel Manager Work?

If you decided to open up a small business that sold hand-poured, luxury candles, you would have to choose which medium (or path to purchase) you would offer to your customers. They may have the option to visit your physical storefront to buy a candle in person or to visit a partner store carrying your products. If you offer an e-commerce experience, they might opt to order online or place an order via a social media platform like Instagram. Each pathway in this scenario is a channel – and every channel needs to be managed, whether you're selling a physical product (like a candle) or a service (like a vacation).

In a perfect world, travelers would always book their flights and accommodations directly through their selected provider; however, we know this isn't the case. Instead, the hospitality industry finds itself in the grips of a rather complicated ecosystem of distribution channels, and a channel management system exists to plug each of these channels into the motherboard, so to speak. Once a hotel enters its inventory information and pricing parameters in a CM, it will interface with an array of booking channels, including the hotel website, online travel agencies (OTAs) such as Booking.com, Trivago, TripAdvisor and Expedia, wholesalers, tour operators, and global distribution systems (GDS).

Channel management is a strategic approach in the hospitality industry that involves:

- **Managing** online distribution channels to sell your hotel inventory.
- **Networking** with various agents worldwide – online travel agents (OTAs), retail travel agents, Meta Search Engines (or aggregators), and Global Distribution Systems (GDS).
- **Maximizing** your hotel's visibility and reach to potential guests.

Once this interface is established, the CM will provide real-time updates regarding room availability and rates, so when a guest makes a reservation through any channel, the hotel's inventory is automatically adjusted across all other platforms. This process is swift and seamlessly increases bookings/revenue, saves time, and prevents overbooking while ensuring pricing accuracy and consistency across all channels. As you can imagine, this is exceedingly important in today's landscape; brand reputation carries significant power in the eyes of the modern guest, and a CM is another way hotels can empower their guests with accurate information.

Going one step further, a CM also offers hoteliers the ability to implement dynamic pricing strategies by analyzing market trends, leveraging demand forecasts, and considering competitor pricing. With rates that are adjusted and optimized in real-time, independent hotels can remain more competitive with OTAs and competitor properties.

Chapter 3:

Finding the Right Channel Manager for Your Property

As the hospitality technology landscape becomes more innovative and competitive, hoteliers often face a paradox of choice; they know they need specific platforms, but how do they choose the right one? After all, you aren't just selecting the technology when adding a CM to your technology stack - you're partnering with the vendor that created that platform.

When looking to invest in a channel manager, hotels should consider a variety of factors, including but not limited to:

- Ease of use
- Cost and Return on Investment (ROI)
- Platform compatibility
- Scalability and flexibility
- Channel connectivity
- Reporting and analytics
- Integration with your PMS
- Automation and real-time rates/availability
- Pooled inventory
- Centralized content management
- Security protocols
- Vendor reputation for customer service/support

When considering the price points of various channel management platforms, hoteliers should consider not only the upfront cost but also the pricing structure. Is it a one-time fee? Are there costs associated with implementation or system maintenance/upgrades in the future? Is the pricing structure tiered? Hoteliers should be encouraged to seek out the platform that best aligns with their budget and needs; however, it's essential to recognize that initial pricing does not always encompass all associated costs and fees.

As with any new platform or application, it is imperative that the CM a hotel chooses is intuitive, easy to use, and able to integrate with the property's existing technological ecosystem seamlessly. Since the CM was built to facilitate connection across platforms, it simply cannot do its job if it cannot integrate with (and, in turn, exchange data with) other core hospitality platforms like the PMS. CM platforms built with interoperability and the end-user experience in mind will help prevent inventory management errors while maintaining operational efficiency and improving staff productivity.

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One of the critical indicators of success within the world of hospitality is growth, and with growth comes change. With this in mind, scalability and flexibility are crucial considerations for adopting any new platform, especially a CM. As the needs of a hotel evolve (such as the expansion of inventory, integration with additional channels, or the adoption of emerging technologies), the CM must be able to accommodate those changes and grow with the hotel's long-term business trajectory.

Another pivotal factor to consider is the breadth and diversity of channels supported by the platform. A robust channel manager should seamlessly connect with a wide array of online distribution channels, including all the major OTAs, Metasearch Engines, Wholesalers, Tour Operators from around the world, and a hotel's official website. This comprehensive connectivity ensures a global reach and maximizes a hotel's exposure to potential guests. Reporting and analytics functionality is also crucial, as hotels can glean highly valuable (and actionable) insights from real-time reports on key performance indicators, booking patterns, and revenue trends.

Of course, platform security protocols are another important consideration – especially in this increasingly privacy-conscious age. With this in mind, hotels should seek out CMs that clearly detail their compliance with industry standards, such as the Payment Card Industry Data Security Standard (PCI DSS). Moreover, hoteliers should prioritize aligning with CM providers with a stellar reputation with other hospitality brands and offer continued, responsive customer support throughout the partnership.



Chapter 4:

Developing a Hotel Distribution Channel Strategy

Your hotel's distribution strategy involves strategizing to book rooms profitably through various channels. It should be tailored to your hotel's pricing, target audience, location, marketing capabilities, and other factors.

To create the right strategy for your hotel, please consider a few key things:

- **Identify your business goals.** Most hotel distribution strategies aim to enhance visibility to the ideal guests, leading to increased bookings. Your strategy should align with your sales goals and desired metrics.
- **Understand your target audience.** Your brand will resonate more with certain demographics and customer types. Tailor your distribution strategy to maximize visibility to your intended market. Different channels cater to different audiences; for example, phone reservations are more popular with an older demographic, while social media bookings attract a younger crowd.
- **Evaluate critical metrics across various channels.** Based on your hotel's goals and objectives, assess important metrics across your distribution channels. Some channels offer greater visibility but have higher costs or lower profit margins. An effective strategy balances visibility, profitability, and brand messaging optimization.
- **Continuously test and refine.** Your distribution strategy should be dynamic. Regularly experiment with new channels, refine existing ones, and ensure your main channels yield profitable outcomes.



Conclusion

The role of a channel manager in the current hospitality landscape cannot be overstated. By leveraging the power of a reputable, intuitive CM platform, hotels can expect to simplify once-cumbersome operational processes, minimize errors, drive more revenue, enhance their distribution strategies, improve staff experience, and fortify the guest booking experience. In this technology-driven era, a new-age, intuitive CM platform should be considered a fundamental, non-negotiable part of any hotel's revenue management and distribution strategy and a vital determinant of a hotel's success in the ever-evolving hospitality landscape.



About Us

DerbySoft's mission is to make the travel business easier through industry-leading technology that empowers travel industry services. The company supports technology for Connectivity Services at the CRS and PMS levels, Marketing Services that use machine learning and rich data to drive high-performing marketing campaigns, and a Content platform that collects, manages, and distributes quality hotel content with many more industry-leading technology services coming soon.

DerbySoft's technology empowers the travel industry around the globe. Headquartered in Dallas, Texas, USA, DerbySoft serves partners in 197 countries around the world. To learn more about the company's services and how to work with DerbySoft, visit [DerbySoft.com](https://www.DerbySoft.com).