

# Innovative eHospitality Concepts

## Case: Omena Hotelli



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# **Introduction**

The rapid development of ICTs and especially the Internet has revolutionized the way of conducting business in almost all industries including the traveling industry. This phenomenon includes new innovative business concepts such as online retailers (e.g. Amazon), online content providers (MSN.com), online brokers (DLJ Direct) and several others (Eisenmann 2003). The travel industry has taken apart in this evolution and new ICT enabled competitors are entering the market. These new players are questioning the ordinary ways of conducting business as their efficiency and cost advantages threaten to conquer market share from old settled companies. During the last years, this development has also spread into the hospitality industry where accommodation service providers have been encouraged by the success of low-cost carriers such as Ryanair and EasyJet. Even though the eHospitality concept is in its infancy, some innovative companies have entered the market. One of them is the Finnish Omena Hotelli, which will be given the main focus in this paper.

## **1. Case: Omena Hotelli**

### **1.1 Business Model**

Omena Hotel's business model is to offer high quality accommodation for a reasonable price. This model allows Omena Hotels to reach previously untargeted market segments (i.e. families and students who normally use friends' hospitality for accommodation purposes). The main concept is to offer just the room to spend the night in, not the additional services such as restaurants and lobby service. The Omena hotels are located in the direct city centre in order to provide close access to central locations and services. "...the traveller's motives and interests lie - almost without exception - outside the hotel" (Omena hotel website). The central location of the Omena hotels supports this fact and gives all Omena's customers the possibility to choose whatever of the services offered in the city centre (e.g. restaurants, cinemas, museums).

The visitors of the Omena hotels will not need to spend as much in transportation expenses as when staying in a hotel in the vicinity of the centre. This will be highly valued by families with children who wish for example to take a stroll around the city. The train stations and other

transportation possibilities are found also in the centre, these are often used by business travellers.

Additional services such as breakfast, internet and pay-tv are offered to customers such as business professionals for an extra fee. Noteworthy is that these services are not bundled in the hotel room, this way a customer doesn't have to pay for something he doesn't want thus creating significant customer value.

The main market segments are (Anckar 2003)

- 1) Price conscious customers such as families, sports associations and youth
- 2) Business Customers

The main cost drivers for Omena are naturally the establishment of hotels, the rental fees (which are typically high in the city centre), marketing and website creation and maintenance. These are more or less of fixed nature. Omena Hotels have decided to outsource services such as cleaning, catering and security. These costs are of variable nature, which allows Omena to effectively adjust the cost according to current demand on the hotel rooms hence transferring a part of the risk to the subcontractors. Since the own personnel is kept to a minimum through internet reservation and outsourcing (security, cleaning and catering) the costs are also considerably lower and more adjustable and predictable than for a hotel operating in the ordinary way.

The main source of income is naturally the hotel room fee (currently 55€) and from providing the optional services such as breakfast.

The stated suggests that since the main portion of the costs are of fixed nature Omena can significantly benefit from a growing revenue base as the customers increase and more hotels are established. For example the expenses for a massive marketing effort can be effectively spread on several Omena hotels in the same manner as other big hotel chains do. If Omena opens a new hotel location the website reservation system can be updated easily at an extremely low cost to offer rooms in this new hotel. This is characteristic for strong scale economies.

The following section is from the Omena Hotel website

***A modern accommodation organization***

*Omena Hotels is a new hotel chain, which offers high-class accommodation at a rate that is significantly lower than the general price level. What is new in Omena's way of operating is that the hotels have neither reception personnel nor a reception desk, and thus no check-in or check-out procedures. All possible work*

*tasks have been completely automated using IT. The company has no sales offices. Instead, all customers book and pay for their rooms on the Internet. Having completed a booking, the customer receives a booking confirmation, which includes the room number and a personal door code that is valid throughout his stay.*

### **A rational choice**

*The Omena concept builds on the comprehension that:*

*...the traveler's motives and interests lie - almost without exception - outside the hotel. The client picks a hotel at the destination - the destination is not chosen because of a hotel.*

*...a hotel may offer superior customer service and greater security than a hotel operating in a traditional way - even if there are no reception personnel.*

*Our promise is to offer travelers high standard accommodation at prime locations - in town centers - at a truly affordable rate.*

The principles of marketing suggest that all customers are rational (Kotler 2003) and will only consume a product as long as the perceived marginal value is higher than the marginal cost. Ergo, the customers do not want and more importantly will not pay for something he or she doesn't necessarily want (e.g. reception personnel, breakfast). The quoted section above clearly proves that Omena has taken this fact seriously and unbundled the services of a hotel in order to offer a more differentiated product. This innovative business model allows Omena to generate significant added customer value throughout the whole value chain.

## **2. How customer value is created**

The value chain for Omena Hotels can be analyzed using the original value chain suggested by M.E. Porter (1980). "Although the value chain model is mainly associated with manufacturing products, service and in particular tourism and hospitality organizations can draw useful conclusions provided that they appreciate the differences in their processes" (Buhalis 2003)

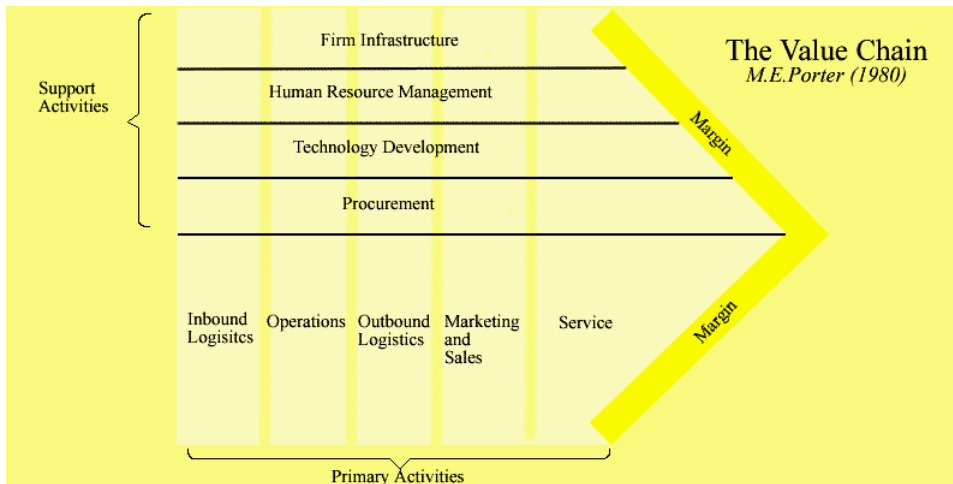


Figure 1; Value Chain by Porter (adopted from [www.marketingteacher.com/Lessons/lesson\\_value\\_chain.htm](http://www.marketingteacher.com/Lessons/lesson_value_chain.htm))

## **2.1 Primary Activities**

### **2.1.1 Inbound Logistics**

Being a service provider Omena lacks significant inbound logistics once the hotel is established and in operation. However, the replacement of clean linen and toiletries can be considered as such. It is evident that in the establishment face of a hotel the logistics have to function flawlessly in order to get the hotel up and running as fast as possible since the hotel will not be generating revenue until it's completely ready.

### **2.1.2 Operations**

Since many of the main operations in Omena are highly automated, (e.g. the customers conduct the reservation themselves on the website, no information and lobby services) the costs are extremely low. As stated, the operations of security and cleaning are outsourced but Omena has to ensure that these activities are properly done since it is of high importance for their reputation. If a room is un-cleaned when a customer arrives, he is probably going to be upset with Omena, not the subcontractor who is responsible for cleaning. Nevertheless, the remaining operations have to be conducted carefully and efficiently. For example, the payment online is an issue that creates uncertainty and raises questions about security. That is why the payment has to be done in a straightforward manner offering complete transparency in the process to ensure that the transaction is completed. Once Omena achieves to build a brand through marketing and market presence and evidently successfully completed business-customer transactions it can minimize the uncertainty perceived by the customer.

### **2.1.3 Outbound Logistics**

In the case of Omena the customer comes to the product and not the other way around. This suggests that Omena has no significant outbound logistical activities.

### **2.1.4 Marketing and Sales**

This is maybe the most important area to focus on for Omena. As being, the new player on the market without a strong and history-filled brand name Omena has to invest aggressively in marketing in order to attract its target segments. The Omena concept is a new innovative model, which can be supported by using fresh new ideas and manners to promote the product. Omena has evidently used an advertising agency to build their coherent visual identity, which reaches from the website to the ads in the newspapers. This is important to generate discussions and curiosity amongst the customers. As long as there are only a few hotels the marketing expenses can be very high since there is no large base to divide the expenses on. However, we have to remember that word-of-mouth-referrals are highly valuable and they are only generated through good customer experiences. At this point of immaturity (i.e. there is only a few hotels) a massive marketing campaign cannot be carried out since the expenses would be too high in comparison to the pay-offs.

### **2.1.5 Service**

Omena has automated several of the ordinary services offered at a hotel. However, Omena offers 24h customer service through telephone in case of problems encountered during the reservation process, payment, the actual hotel stay and so on. It is important for the customer to know that there is a place to get assistance. The optional services such as the breakfast and internet can be of high importance for some customers. These services are also preordered through the online reservation system. In the actual hotel, there is also a computer system, which can be used to reserve a room or other services. The service activities are fundamental when building up a positive customer experience hence increasing the customer retention rates.

## **2.2 Support Activities**

### **2.2.1 Procurement**

This function is responsible for all purchasing of goods, services and materials. In the case of Omena it is evident that Omena has tried to reach operational benefits through intensive outsourcing. This can allow Omena to gain advantages in means of lower costs and higher quality of service. The procurement also involves the renewal of hotel room furniture and

other essentials such as sheets and electric appliances. These small factors are of vital importance in gaining customer satisfaction. In addition, the online reservation and payment system can be considered as a way to improve the total quality of the product.

### **2.2.2 Technology Development**

This support activity has been the biggest differentiator for Omena Hotels. Omena has effectively done market research in order to identify processes, which can be automated using technology. Omena faces significant competitive advantage because of its high implementation of IT in all processes. The online reservation system, the automation of door lock systems and security cameras offer great benefits in reduced costs and contribute to a better product. The reservation system also offers great possibilities in the field of customer relationship management. Omena can easily collect customer records from generated databases. This enables them to offer directly targeted marketing to important customers and predict demand and trends on its hotel rooms.

Moreover, the total automation of the payment process significantly cuts the invoicing costs since no physical cash is transacted. Also accounting systems can be integrated offering real-time financial information, which is of high value for the management.

### **2.2.3 Human Resource Management**

Since Omena has extensively used automation in all its processes, the personnel can be kept to an extreme minimum and no big organization for HRM is needed. The few key positions in the Omena organization have to be carefully filled with professionals who can manage the rapid changes of the hotel business environment and handle the growth, which Omena is facing: the aim is to open 40 Omena hotels during the period 2003-2007 and gain a market share of 4% (Anckar 2003). This growth will evidently also need a growing work force and at some point, an HR department has to be formed to manage the growing staff especially if Omena decides to endure international markets.

### **2.2.4 Firm Infrastructure**

The automation of the customer transaction offers Omena possibilities by employing Management Information System (MIS), which can be used for strategic planning as described in the Technology Development activity. Additional information can be acquired from hotel market and travel market trends, which have to be followed carefully in order to assess the future demand and expansion. Furthermore, the communication in the Omena organization can be effective due to the minimal number of employees.

## **2.3 Marketing mix to add value**

Omena hotels have put together a concept, which relies on an effective combination of marketing mix in order to affect the market and deliver added value in all the variables of the mix; price, product, place, promotion.

### **2.3.1 Price**

The price is the most important differentiator and creator of added value in the Omena business model. All operations have been adjusted to support this main goal. The competitive price allows people who normally do not use hotel services to enjoy high quality accommodation. Companies conducting frequent business trips can make significant savings in travel expenses by using Omena's services at affordable prices instead of the mainstream hotel chains.

The Omena hotel rooms are designed to occupy four persons in a single room for the price of 55€ at all Omena locations. This price can be spread on the occupants and the corresponding price per person is 13.75€ which is considerably lower than the normal hotel room market price. For example a stay at the Ilves hotel in Tampere (a double standard room) costs 150€ (25.1.2004 <http://www.sokshotels.fi/>) this price of 75€ per person is 6 times more expensive in comparison to Omena. Even if the Omena room is occupied by only two persons the price of 27.5€ per person is still inexpensive. However, the low price may also generate negative perceptions amongst consumers. Some people may think that a low price means a low quality product.

The static pricing policy of Omena can also generate problems, which are discussed thoroughly later in this paper.

### **2.3.2 Product**

Omena offers a complete accommodation service which can be considered as the product offered and delivered to consumers. It is the Omena "product" which satisfies the necessities and wishes of customers. The Omena hotel rooms are standardized and meet high quality standards. Consumers will know what they get every time they use Omena hotels' services regardless of the location. This will increase customer satisfaction as their search cost (i.e. time spent searching) of a hotel decrease. They know the product before they consume it.

In addition to the normal hotel room appliances Omena has invested in offering e.g. a microwave oven, big screen TV, coffee machine, eiderdowns and a cordless keyboard. These will certainly generate value to some consumers.

Moreover the possibility to adjust the Omena experience according to the consumers needs (you can order internet access, breakfast) is of value. The customers can tailor-make their overall product and experience. Also the ease of making an Omena reservation and the quick check-in and check-out procedures without the hassle of hotel keys makes the whole stay as convenient as possible. This will be highly valued by business professionals with tight schedules.

### 2.3.3 Place

Omena offers purchase of it's services by means of information technology, more specifically through it's corporate website and reservation system. Evidently, the correct functioning of the website is vital for Omena in order to create new reservations and generating revenue. Therefore, the website should be considered as a business critical process and failure of the system should be prevented in advance regardless of the costs. In case of failures a functioning back-up plan (e.g. a mirroring extra server) should be implemented.

### 2.3.4 Promotion

The advertisement campaign of Omena is still in its early stages and has not yet taken off at full extent. But Omena has already shown innovative marketing ideas such as parking a Omena hotel mini van in front of competitors' hotels (Anckar 2003) and the associations made with the popular board game Monopoly. The advertisement has successfully built up a positive



brand image for Omena. The customers of Omena benefit also from the positive brand effects as they feel better about choosing Omena as their choice of accommodation. Even though, the brand has been successfully built the Omena concept is not widely known which suggests that additional marketing efforts has to be made.

*Figure 2; Omena ad  
(www.omena.com)*

An innovative example of an Omena online ad can be found on

[http://www.sanomawsoy.fi/verkkomedia/mainosmuodot/mainokset/nelonen\\_omenahotelli\\_dhtml.html](http://www.sanomawsoy.fi/verkkomedia/mainosmuodot/mainokset/nelonen_omenahotelli_dhtml.html)

### **3. Omena website evaluation**

The Omena hotel website has been professionally designed and implemented. The coherent and simple layout welcomes the user without confusing him/her with unnecessary animations and information. The pages are well structured and due to their light design they load very quickly even with slower connection speeds. We tested the site with a 56.6 Kb modem and the site loaded considerably fast and the whole reservation process was successful. The site has been constructed with simple HTML, CSS and Javascript which are supported by all browsers. We tested the site also with a diverse set of internet browsers (Netscape, Internet Explorer, Konqueror, Mozilla) and found that the site worked perfectly with all of them.

The site has been clearly divided into five main sections. Because of this all the information can be easily accessed with just a few mouse clicks. For example the customer service support telephone number can be found in just one click from the opening main page. We conducted a small test where we tried to find certain information such as (prices, contact information, hotel room availability) and the required time to find this information was only 2 min for a first time user. This can be compared to the time of 5 min for the same information for the Sokos Hotels website (<http://www.sokoshotels.fi/>).

The most important function of the site is obviously the reservation system. The process has been made as clear as possible to make it fast and simple thus avoiding people to choose another hotel just because they could not finish the reservation. The process is a 7 step straight-forward procedure which takes approximately 3-4 minutes. This is very fast if you compare to time spent in a travelling agency or using a telephone service.

When making online reservations and purchases the question of trust and convenience is usually brought up. Omena offers a wide range of possibilities to pay for the reservation. Especially the possibility of payment using the SOLO service is surely appreciated by young people who usually don't have a credit card such as VISA. Omena also shows the brand logos of the accepted credit card companies and banks. The presence of these well-known and respected brands increase the trust perceived by the customers as they are about to make their reservation.

The online presence of Omena hotels can be effectively measured by testing the amount of received hits in online search engines such as Google and Yahoo!. When inserting the search parameters "Omena hotelli" in Google the total amount of hits was 40 and the first hit was the actual Omena hotel official website. Omena Hotels has also decided to invest in multiple

domains (www.omena.com and omenahotelli.fi) which increases to some extent the possibility for a consumer to find their website.

## **4. Competitor Analysis**

In order to identify competitors to Omena one must research which other accommodation service providers operate in the same target segments (i.e. business travellers, price conscious consumers (youth, students etc.)). As a whole the Omena concept is unique and there is no identical concepts offered on the Finnish market. There is a new venture done by Hesburger to reach price conscious customers by offering cheap accommodation in Hesehotelli establishments. The Hesehotelli brand and accommodation service is distinct from Omena's (e.g. the hotels are situated in the same building as the Hesburger restaurants and the room reservations are made at the counter). As having partly the same target segments Hesehotelli can be considered as a direct competitor to Omena and Hesburger actions should be monitored.

Similar concepts can also be found on international markets such as the Formule1 based in France and e-hotels in Japan. However, these players are not currently on the Finnish market and expansion to Finland is unlikely in the near future.

Also the big hotel chains offer nowadays reservation systems online but they are often a compliment to the manual process and not a substitute as in the case of Omena. Furthermore, the other hotels/hostels have staff and the usage of ICTs have not been taken to same extent as in Omena. On the Finnish market the biggest players are Sokos and Restel hotels. These hotels attract business customers hence compete with Omena. They also offer company deals and discounts (e.g. Sokos hotels bonus-card) which leads to higher customer loyalty and higher retention rates. Once a consumer has received points he is less eager to change company; increasing customer stickiness. Another competitive advantage for these hotels is that they also offer accommodation in all major cities; companies can rely on the same chain in every city.

The big chains also attract price conscious customers with off-season special deals. During the off-season big chain's price levels are quite competitive compared to Omena. This fact includes them to Omena's competitors also in the target group of price conscious customers. The figure below demonstrate that there is a big variation of hotel room utilization rates between on and off-season.

#### 4.0.1 Hotel room utilization rates in Finland

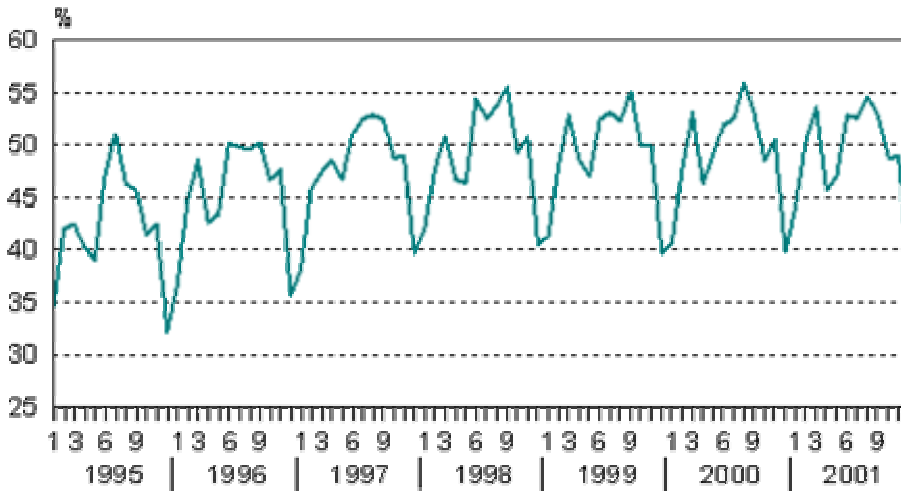


Figure 3 (source [www.tilastokeskus.fi](http://www.tilastokeskus.fi))

This figure suggests that Omena is surely also going to face similar off-season periods. Static pricing of Omena will probably be a problem during off-season.

### 4.1 Competitor online reservation systems

Big hotel chains have also established online reservation systems. The big chains have significantly more revenue to invest in ICTs including online reservation systems. As stated, big hotel chains offer the option to reserve online more as a complement to their offline reservations, not as a substitute. It's a way for them to provide added value for their customers. They have not yet focused on the possible cost advantages that it may offer and ordinary ways of conducting reservations is still mostly used. If compared to the airline industry the hospitality use of ICTs is still in its infancy.

By doing a quick comparison between big Finnish hotel chains' reservation systems we found out that several systems were lacking functionality, ease of use and professional design. For instance, Rantasipi hotels offer a system which seems to work fine until the payment which has to be made in the hotel reception. To get a room reservation was pretty quick but the check-in/out procedures were still present. However, the price offered was fairly competitive (Cumulus hotel in Turku 78€ for 2 persons standard room). We also did a similar comparison of Sokos hotels. Their functionality was better and a reservation could be completely made online including the payment. Their price was a bit higher i.e. 92€ for a room at Hamburger Börs in Turku. The reservation process still required several clicks and was not as fast as

Omena's. Another drawback was the fact that only credit cards were accepted. Omena also accepts online payment with Solo, which is very appreciated by youth, students and other people who don't have credit cards.

#### **4.1.1 Innovative concepts**

Omena has implemented a lot of the innovative ideas from low-fare airlines. For example the usage of online reservation and payment, no real tickets, minimum personnel, no physical cash transactions gives Omena significant cost advantages. However, there are still some ideas that Omena could perhaps use such as Ryanair's and Easy Jet's flexible pricing policy. But because the Omena prices are already taken to an extreme minimum the flexibility should be offered by other means than price discounts. For instance, Omena could offer free additional services such as internet usage and pay-tv during low-seasons. This way Omena could hang on to its static pricing and its benefits but also handle variations in room utilization rates.

Furthermore, Omena should conduct more aggressive marketing campaigns and try to generate public discussion like Ryanair's CEO Michael O'Leary has done. It's of high importance to achieve that when someone thinks of a cheap accommodation they think of Omena, as when thinking of cheap air-tickets Ryanair is people's first thought.

#### **4.1.2 Opportunities adjusted from other businesses online**

The usage of ICTs gives Omena the possibility to easily target international markets through the website by providing information in several languages. Material can be easily translated to attract foreigners. At the moment Omena offers information in Finnish, Swedish and English. It could prove lucrative to add languages such as German, Spanish, Russian, Italian and French to attract these growing market segments.

Another opportunity can be bundling Omena hotel rooms with other related products such as low-fare airline tickets, tickets to festivals and events etc. Youth and student can for example be targeted by placing an ads on festival homepages (e.g. Down By The Laituri, Ruisrock, Pori Jazz...). An interesting comparison is that a tent place at Ruissalo camping during Ruisrock costs around 40€ for four persons while a room at Omena hotel in the city centre will cost 55€ also for four persons.

For instance Ryanair and EasyJet use efficiently CRM-technology (Customer Relationship Management) to predict future demand, trends, patterns and to target ads to important

customers. This can be done by analysing information gathered from customer reservations, payments etc. By using similar technology Omena could enhance benefits from suggested flexible pricing.

## **5. Technological solutions**

When building an online presence and more specifically an online reservation system for a hospitality organization there are mainly three possibilities. Buy a commercial off-the-shelf system, build the system within the company or rely on a subcontractor. All of these alternatives have advantages and disadvantages which have to be considered.

### **5.0.1 Option 1: COTS-systems**

COTS-systems (=Commercial off-the-shelf systems) can be purchased at a reasonable price and offer great functionality. These systems should also be relatively bug-free since there are already organizations using them. However, a big drawback is that post-purchase customization can be very expensive or impossible. Previously these COTS-systems were quite expensive but nowadays cheap PHP/MySQL COTS-systems can be found on the market. Even though reliable, cheap and functioning systems can be found it must be kept in mind that COTS-systems can never be exactly what the company wants. Furthermore, maintenance and upgrading can be very expensive and compatibility with other systems is limited.

*IMS COTS system*

IMS [Voyager® Multi-Property, Multi-Hotel Reservation System](#) 1595USD

[www.ims-cart.com](http://www.ims-cart.com)

- *Instant online reservation facility through your website with no ongoing commissions and no monthly fees.*
- *Instant purchase and auto-generated email confirmation*
- *Occupancy and availability management*
- *Analysing tools: revenue reporting, and room occupancy analysis*
- *Make it easy to do changes on the web content.*

### 5.0.2 Option 2: Building the system yourself

The use of open source software such as PHP, MySQL and Apache is ideal for the online reservation system. The software can be downloaded for free and the current versions are fast, effective and powerful. There are many advantages in building the system yourself. For example, the system will be fully customizable and you will get exactly what you want. It is also easy and cheap to update and maintain a system built in-house. The big disadvantage with these systems is that the initial development costs can be significant (almost always too high for a single hotel or small chain). Also in-house expertise is required and the development takes a lot of time.

### 5.0.3 Option 3: Rely on a subcontractor

This option is similar to building the system yourself but it may be an option for hotel chains lacking the proper IT-knowledge. The final price will also be considerably higher than in option 1 and some of the customization advantages found in option 2 may be lost.

### 5.0.4 Web hosting services

In order to get the chosen system up and running a web hosting service has to be selected. A possible and very price competitive solution is offered by *B-one webhosting* ([www.b-one.net/](http://www.b-one.net/))

#### ***B-one hosting package***

- *Price per month 5.65USD*
- *Web space 500*
- *Transfer/month 12 GB*
- *Webmail - POP3 - IMAP - SMTP*
- *Virus- and spam filter*
- *FTP-login ASP - PHP4 - MySQL*
- *Statistics*
- *Daily backup*
- *Free mail support within 24 hrs.*
- *Setup fee 13.80USD*

When it comes to web hosting reliability is a big question. The website and the reservation system are critical for hotels relying on online reservation systems and no reservations are created if the system is down. For instance, Sonera's web hosting can perhaps offer higher reliability but for a considerably higher price.

## **5.1 How to improve online presence**

An important issue for eHospitality organizations and Omena Hotelli is to optimization of their web presence. An extensive article on how to optimize a company's web presence written by Paul Boutin can be found on Webmonkey.com. Sections 5.1.1, 5.1.2 and 5.1.3 are adjusted and modified from this article.

### **5.1.1 Getting the search engines to crawl the company site**

#### **1. Cleaning up the URLs**

The problem with most e-commerce sites today is that their product pages are dynamically generated. While Google will crawl any URL that a browser can read, most of the other search engines balk at links with "?" and "&" characters that separate CGI variables (such as "artloop.com/store?sku=123&uid=456"). As a result, many individual product pages don't show up outside of Google. For example information about the Omena hotel in Tampere is found under <http://www.omena.com/hotelli?hid=584037>. A far better strategy is to follow the lead of Amazon and rewrite the dynamic URLs in a syntax that search engines will crawl without facing problems.

Here is an example of how amazon has rewritten the URL:

*amazon.com/store?shop=cd&sku= B00004WFIZ&ref=p\_ir\_m&sessionID= 107-6571839-6268523*

*to*

*amazon.com/exec/obidos/ASIN/ref= B00004WFIZ/ref=pd\_ir\_m/107-6571839-6268523*

Amazon's application server knows the fields in the URL are actually CGI parameters in a certain order, and processes them accordingly. Omena should research the possibilities of transforming their URLs in the same manner as Amazon has done.

#### **2. Submitting the site**

In order to reach the widest range of customers the corporate website should be submitted to as many search engines and directories as possible (e.g. Yahoo, LookSmart Lycos, Hotbot, and Netcenter categories)

### 3. Make a Crawler Page

It isn't necessary to submit every page on the site to the search engines. It is only necessary to ensure that all sub pages can be accessed by following links from the front page. This can be achieved by making a "crawler page" a.k.a. a site map that contains links to every sub page wanted to be found by search engines. The page TITLE info should be used as the link text — this helps improve the site score in search engine ranking. Gladly, Omena has already implemented such a page.

#### 5.1.2 Getting the site properly ranked

When optimizing website ranking the HTML tags that matter are TITLE, and the META tags KEYWORDS and DESCRIPTION. These have to be carefully chosen in order to get the best results.

The TITLE tag should be short and comprehensive because it is shown as the topic in the search engine results. KEYWORD Meta tags are widely used for optimizing the search results as they correspond to matching search query keywords.

A properly done keywords selection could look like this:

```
<META NAME="keywords" content="Pablo Picasso, Pablo, Picasso, painting, cubist, painting, ceramics, collage, Spain, Guernica, Paris, 20th century, Girl Before a Mirror">
```

The search results for "Omena hotelli" on Google and Yahoo! Search engines were contradictory. On Yahoo! The Omena site was ranked as first while Google ranked it as ninth in order. This result reveals the difference in used search algorithms in Yahoo! and Google search engines. In order to get a higher ranking in Google Omena should get more relevant links from other sites. This can be done by making special deal with companies offering related products online. It is important to get lots of links to the Omena site from domains that a lot of other sites link to. This is how Google determines relevance when ranking search results. People searching for cheap accommodation without knowing the Omena brand might search with the query "halpa hotelli Tampere" (=cheap hotel Tampere). The Omena site did not appear on the results page when doing this search in Yahoo! Omena should also clearly revise their KEYWORDS meta tags.

### 5.1.3 Getting people to click to the site

Few users will click on a page described as "Pablo Picasso Pablo Picasso Pablo Picasso art art art art" in search engine results. The TITLE tag should be used to specify the most likely search term that matches the page, and DESCRIPTION to provide a quick (50 words max) synopsis of the information on the page. By doing this the site will attract a lot more clicks.

*An example of a good TITLE and DESCRIPTION*

```
<TITLE>Artloop: Andy Warhol (Warhola)</TITLE>
```

```
<META NAME="description" content="American painter, born in Pittsburgh, and  
a leading figure in Pop">
```

When conducting a Google search for "Omena hotelli" Google returns the following:

[Omenahotellit](#)

*... Peruutusehdot nyt todella joustavat! Lue lisää. » Tampereen Omenahotelli avattu 1.10! in english. © 2003 **Omena** Hotellit Oy.*

*The same search using YAHOO!*

[Omenahotellit](#)

*Tampere ». Vaasa ». Oulu ( 02/2005)». Helsinki ( 02/2005)». Turku ( 04/2005)  
Lisätietoja tulevista Omenahotelleista. ». Vaasan **Omena** avataan 10.3.2004 -  
varaa jo nyt! ». Turkuun tulossa Omppu huhtikuussa 2005! ©. 2003 **Omena**  
Hotellit Oy*

[www.omena.com/](http://www.omena.com/) - 9k - [Cached](#) - [More pages from this site](#)

A quick examination of the HTML source code reveals that the DESCRIPTION tags are missing on all Omena website pages hence making the search engine results look like the example from Google and Yahoo! This can be very confusing especially for people making their first visit to the Omena website.

## 5.2 System proposition

When building the online reservation system yourself an additional and attractive functionality could be offered by placing all of the databases on a central www-server and accessing these via the corporate website. Of course, this system can also be added to existing systems. The

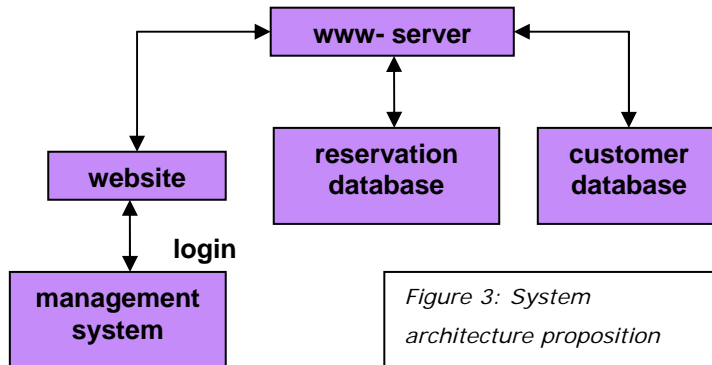
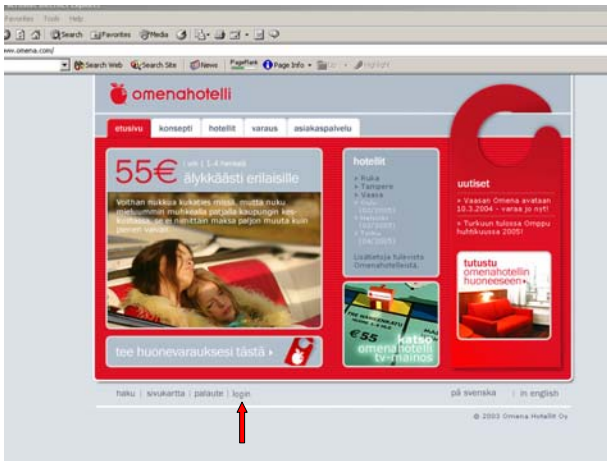


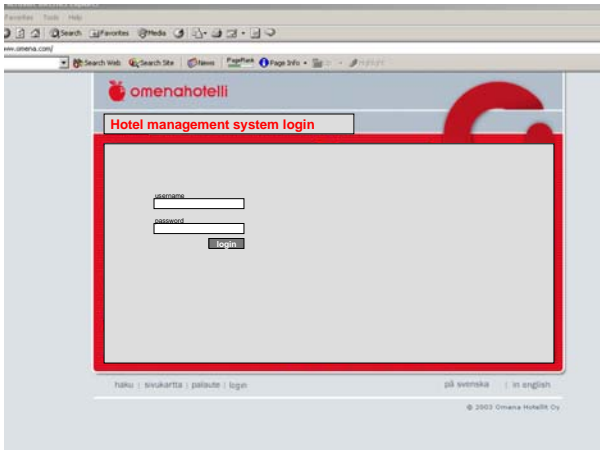
Figure 3: System architecture proposition

basic idea is that the information in the databases can be accessed through a browser interface. Browser interfaces are easy and cost efficient to use and implement and they allow 24-7 access from anywhere. Business critical information can be analysed and processed on the road giving the management team up-to date information about where the business is going (e.g. the actual room occupancy rate in a specific hotel).

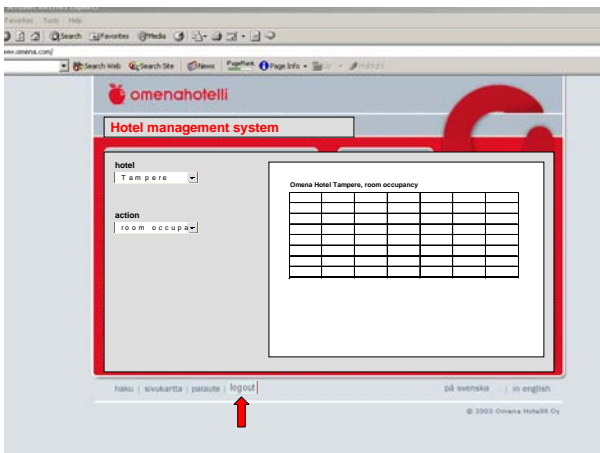
By placing all vital information in just one place security issues may arise. If there is a malfunction in the www-server neither reservations nor revenue are created. A defence strategy to prevent such failures may include mirroring the online reservation system to another server which can be taken into usage if needed. It must be kept in mind however that higher levels of security mean higher costs.



To access the management system authorized personnel could login from the Omena front page as shown in the picture with the red arrow. The login procedure could also be placed under a secret folder to prevent customers from getting confused.



The click on the first page leads to a secure login page where a username and password is required. Different usernames could also be authorized to access different information i.e. the cleaning company manager could only access occupancy rates while the CEO of Omena could access all information.



When a authorized username is entered the user can generate external views of the stored information in the databases. Different data mining tools can also be offered through this system or information could be transferred into separate advanced programs. The logout from the system is done by clicking the logout button (pointed by the arrow)

## 6. Business strategy

A logical approach to determine a company's current situation and future prospects is to start by stating the major goals and making an extensive SWOT analysis.

### 6.1 Major Goals (Anckar 2003)

The Omena hotel expansion strategy includes opening 40 hotels by the year of 2007. Another important long-term goal is to keep an occupancy rate of 65% and reach a market share of 4%. International expansion is not a current issue; the goal is to conquer first the Finnish market. In order to achieve these goals the issues discussed in the SWOT analysis must be addressed.

## 6.2 SWOT Analysis

<p><u>Strengths</u></p> <ul style="list-style-type: none"> <li>o Superior usage of ICTs</li> <li>o Low labour costs through ICTs and outsourcing</li> <li>o Carefully designed visual identity and brand</li> <li>o Standardized high quality product/service</li> <li>o Possibility to tailor-make experience</li> <li>o Competitive price -&gt; Cost leadership</li> <li>o Quick check-in and check-out procedures</li> <li>o Good internal communication</li> <li>o Growing demand for low-cost accommodation</li> <li>o Central location (all additional services near)</li> <li>o Well defined target segments</li> </ul>	<p><u>Build on strengths</u></p> <ul style="list-style-type: none"> <li>o ICTs can be further developed e.g. building a browser interface for accessing reservations databases giving 24-7 anywhere access to business critical information. Also CRM systems and one-to-one marketing possibilities should be researched. Datamining can reveal patterns and trends</li> </ul>
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<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> <li>o Low media presence</li> <li>o Weak online presence (hard to find on search engines)</li> <li>o Lack of awareness amongst prospective customers</li> <li>o Static pricing (especially during low-season)</li> <li>o Inability to deliver overall solution for businesses (no conference rooms, few hotels, no garage etc.)</li> <li>o Inferior service compared to big chains (no restaurant, bar, sauna etc.)</li> <li>o Questions about security</li> </ul>	<p><u>To handle weaknesses</u></p> <ul style="list-style-type: none"> <li>o Internet enables dynamic pricing according to demand, this opportunity should be revised in order to improve low-season occupancy. This is discussed in chapter 4.1.1</li> <li>o Launch a customer loyalty programme to create repetitive and loyal high profit customers (families) it must be kept in mind that the customers have to be offered some added value for being loyal customers. Provided added value doesn't necessarily have to cost anything extra for Omena (e.g. by providing free internet access occasionally for loyal customers) Discounting prices is not a profitable approach since Omena already has a minimum margin. (compare no-frills airlines)</li> <li>o Research solutions to better serve business professionals (e.g. transforming some rooms to conference rooms, providing garage possibilities etc.) compare to Silja Line where conference rooms are transformed into entertainment area during summer</li> <li>o Make special deals with companies to create a long-term business relationships</li> <li>o Improve searchability through adding and redefining meta tags (title, description) on website. Optimizing URLs as Amazon did</li> <li>o Security issues can be improved by stressing the safety in promotion</li> <li>o Omena should also consider move the reservation terminal from the hotel lobby and place it on the wall outside the building to prevent unwanted visitors inside the hotel premises. (compare to Otto ATMs)</li> </ul>
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<p><u>Opportunities</u></p> <ul style="list-style-type: none"> <li>o National/International expansion</li> <li>o Offering more optional value-adding services (automatic sms with door code sent to mobile phone. This way the consumer doesn't have to remember the code)</li> <li>o Customer loyalty programme</li> <li>o Research mobile reservation solutions or join hotelguide.com service</li> <li>o Partnerships with other service providers (e.g. Kotipizza, Cinemas, VR, ferry companies)</li> <li>o Cooperation with event organizers (Ruisrock, DBTL, Rantarock)</li> <li>o Scope to diversify into related market segments (singles, higher economic class individuals may choose Omena not for the price but for the convenience )</li> <li>o Economies of scale (spread fixed costs)</li> <li>o Option to change scale (during low-season close higher floors in order to save in heating costs)</li> <li>o Option to grow (expanding to new floors within the building)</li> <li>o Offer rooms for long-term business usage (apartments for extra visiting personnel)</li> </ul>	<p><u>Exploit opportunities</u></p> <ul style="list-style-type: none"> <li>o The suggested opportunities and their profitability in financial terms must be researched. After this selected opportunities can be realised.</li> </ul>
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<p><u>Threats</u></p> <ul style="list-style-type: none"> <li>o Major players may enter targeted market segment (compare to national airlines and low-fare airlines)</li> <li>o New competitors may arise (Hesehotelli)</li> <li>o Travel trends can suddenly change (e.g. because of terrorist activity or strong economical recession)</li> <li>o Rising rental expenses in city centres</li> <li>o Image threats (because of outsourcing)</li> <li>o Rising concern about security issues</li> </ul>	<p><u>To avoid threats</u></p> <ul style="list-style-type: none"> <li>o Monitor competition and react on changes. Customer loyalty programme increases retention rates -&gt;is a good defence against new players</li> <li>o To ensure predictable rental rates Omena can try to make long-time contracts on its hotel buildings</li> <li>o Through customer surveys the quality of outsourced service can be measured</li> </ul>
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## **7. Conclusions**

The level of ICT usage in Omena Hotelli is impressive. All processes have been re-engineered to take advantage of modern technology and by doing this significant cost advantages is achieved. Omena has concentrated on its core competency i.e. to provide high quality accommodation at reasonable prices. All other activities such as cleaning and security have been outsourced. Even though it may seem that the Omena concept is apt for success the SWOT analysis presented in chapter 6 suggests that there is still room for improvement. Some concern should for example be given to the static pricing policy which may jeopardize the business profitability especially during low-seasons. However, the current price levels are taken to extremes and the margins do not tolerate additional discounts. Instead, Omena should try to attract more customers not by lowering prices but by offering value-adding services (e.g. free internet and pay-tv etc.) during the low-seasons. Moreover, additional revenue can be created by offering e.g. mobile reservation, bundled product (with events, airline tickets etc.) and sending door the code by sms after the reservation is confirmed. This second approach intends to improve profitability by maximizing the income from each customer and not by getting high volume non-profitable customers by discounting the product price. Furthermore, special attention should be given to marketing and making the Omena brand widely known. A short period aggressive marketing campaign could generate many first-time visitors and positive experiences would give valuable word-of-mouth referrals.

The third big issue is launching a customer loyalty program. They have proven to be successful in many business areas and their benefits are obvious. Loyal customers could be given added value not by discounting prices but by the same manner as in handling low-seasons.

In order to succeed on the emerging ICT-enabled markets a company has to aim at constant evolvment and adapt to changing customer expectations. This is especially true for the newly born eHospitality industry and therefore also for Omena Hotelli.

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