

HOTEL Yearbook 2017

FORESIGHT AND INNOVATION IN THE GLOBAL HOTEL INDUSTRY

SPECIAL
EDITION ON

DIGITAL MARKETING

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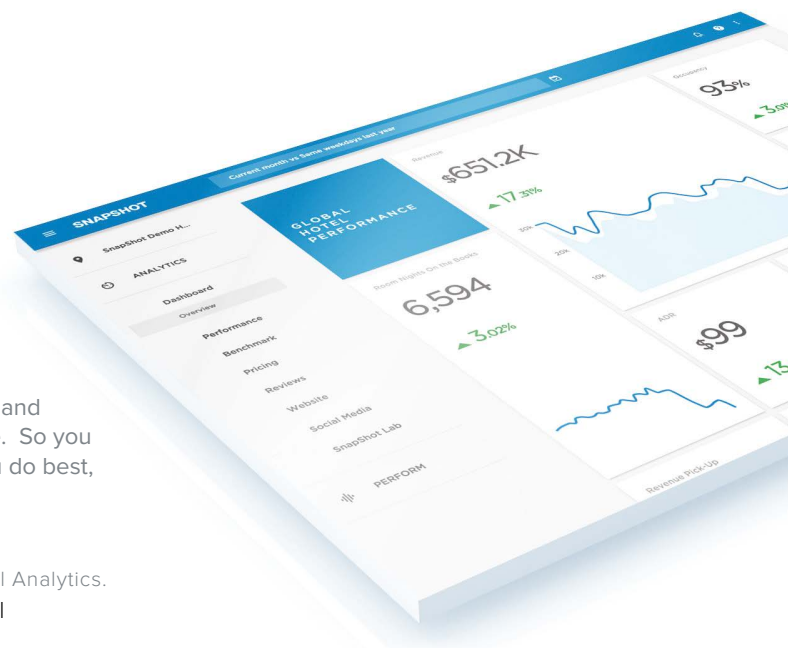
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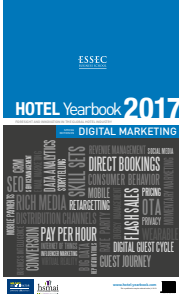


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FOREWORD

Dear readers,

In today's rapidly evolving world, few can deny the ever-increasing influence of digital on the hotel sales, marketing and distribution processes. Online, mobile, and now social, technologies now play a monumental role in how hotels attract and sell to their customers, and despite its already considerable importance, the role of digital only continues to explode.

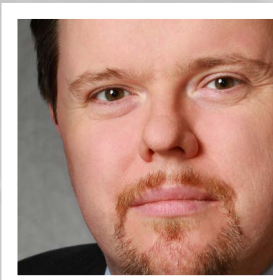
This makes having a thorough understanding of how best to exploit digital marketing and distribution an essential competence for today's hospitality managers. But with the environment changing so rapidly, how can non-digital experts ever hope to keep their knowledge up-to-date and relevant in the face of unprecedented change?

This need to stay current was one of my prime motivations for working with the Hotel Yearbook team to put together this special issue on Digital Marketing. In inviting contributors, I endeavored to get as diverse a mixture as possible – from small hotels to regional groups and global hotel chains; from industry practitioners actually walking the walk on a daily basis to consultants and academics who perhaps have a little more time to analyze and reflect on where future developments might be heading.

In all cases, those who have contributed are acknowledged experts on their subject area, and I have been more than impressed by the quality of what they have produced and the insights that they provide on where digital marketing and distribution are going. I would like to take this opportunity to thank them sincerely for their time and efforts, without which this publication would not be possible.

In helping to compile The Hotel Yearbook 2017 – Digital Marketing I personally have learned a lot. I hope that you get as much out of it as I did, and that the ideas and trends discussed help you to make sense out of your current, and future, digital marketing efforts,

Yours sincerely,



A handwritten signature in blue ink that reads "Peter O'Connor". The signature is fluid and cursive, with a long horizontal stroke at the end.

Peter O'Connor, PhD

Chaired Professor of Digital Disruption @ Essec Business School
Guest Editor-in-Chief

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BUSINESS SCHOOL

Marketing is a mindset

by *Suzie Thompson* 

The role of marketing is to grow your company, reputation, customers, and profits, writes Suzie Thompson, VP Marketing at Red Carnation Hotels. She shares with Hotel Yearbook readers her thoughts on how marketing is evolving, particularly within the highly dynamic hotel environment. Her take: marketing has changed more in the last two years than in the last fifty.

Firstly, marketing is a mindset, not a department. It is a business-wide management process that should influence every single function of the business, from the design of the product to the way in which it is delivered to customers.

Branding is at the heart of marketing efforts, because it defines your audience, values and establishes what makes you truly different. Brand, however, is a living thing that is based on the dialogue you have with your audience/customers and is ultimately influenced by everything your company does (and doesn't do).

Marketing in itself is often too focused on putting various tactics into separate boxes, concentrating on which channels, platforms and media to use, instead of seeing each as simply one aspect of an overarching strategic process. The result of this is often a series of disjointed and ineffective marketing campaigns and other efforts that frequently lead companies to question the return on their marketing investment in general. Content marketing, social media marketing, and search engine optimization, for example, are often viewed as entirely different entities, rather than integrated aspects of a holistic strategy that centers around creating compelling content for the customer.

Today marketing has shifted from one-off, campaign-led initiatives to an "always on" approach, where continuous communication with our audience has forced our businesses to become more consumer focused and less organization-centric. Thanks to the digital revolution, it is no longer about buying audiences, but about building ongoing trusted relationships with them. It is about acknowledging that audience and influence constantly and consistently cut across all channels, platforms and media, both online and offline, highlighting the need for a well-coordinated transversal approach.

Defining, enhancing and promoting your brand are all areas that can be improved through having a clear editorial position, where the objective is to publish valuable information uniquely tailored to your target audience(s). Having the right content can help enrich your brand and values, broaden awareness and encourage loyalty – but in reality, no one is waiting for your content, so amplification is key.

As organic reach continues to diminish, brands must incorporate both paid distribution and influencer outreach into their content plans if they are to reach their desired audience and score valuable SEO points. With today's wired consumers, it's becoming clear that owned media on its own will no longer suffice. Integrating



As Vice President of Marketing for The Red Carnation Hotel Collection, **Suzie Thompson** has worked in travel marketing for over 15 years, with previous positions held at Sabre Hospitality Solutions, lastminute.com and Intercontinental Hotels. She is actively involved in the travel industry and is a member of the HSMIA Europe Digital Marketing Advisory Board. Suzie was recognized as one of the “Top 20 Extraordinary Minds in Sales and Marketing” in 2013 and Red Carnation Hotels were named “Digital Winner” in 2015 by HSMIA.

both paid and the ever more powerful earned media into online marketing initiatives has become key.

Performance marketing continues to dominate customer acquisition, growing increasingly complex, competitive and expensive. It is vital that the marketer stay on top of new developments and takes advantage of innovative new ways to reach qualified potential guests. Understanding your audience is vital and in an online environment where everything is measurable marketers have to be open to testing, experimenting and changing in order to adapt to the tactics and strategies that are shown to work best. The marketer must also be technically proficient, possessing the ability to manipulate, analyze and understand data more than ever before.

Analytics is one thing, but how you interpret, and more importantly use, the data is quite another. Big data is irrelevant without big marketing: smart, targeted outreach to relevant shoppers, customers and potential leads. Data may well reveal who the audience is, but it won't tell you how you can influence them.


Considering all of these issues together, my conclusion is that marketing has changed more in the last two years than in the

last 50. It now requires a much more strategic approach where analytics and metrics provide vital evidence for the business that in turn empowers the highest quality of decision making to support growth and minimize risk.

In such a fast changing environment, marketers have to continually learn. They must develop their skills in managing technology, data insights, strategy and championing the customer, in order to future-proof their business. While at the same time always remembering that marketing is not a skillset, it's an ever developing, rapidly evolving and thoroughly fascinating mindset.

■

Hotels are racing with OTAs and metasearch giants to get to the top of the sales funnel

by **Patrick Bosworth** 

Whichever company sits highest in the sales funnel and interacts first, and most often, with a potential customer is the one that is most likely to win that person's transaction and make the most money. Where does that leave hotels? Duetto's Patrick Bosworth reports.

Nobody can say for certain where the arms race in hotel technology will take us. In only a few years, we might have artificial-intelligence bots booking all our hotel rooms, our voices directing all travel searches on multiple devices, and augmented reality overlaid on our glasses or contact lenses.

But I think it's clear where hotel brands, online travel agencies and metasearch players like Google are trying to reach: the top of the sales funnel. Whichever company sits highest in the funnel and interacts first, and most often, with a potential customer is most likely to win that person's transaction and make the most money.

The competition to create the most value for consumers helps organize and make sense of the latest moves and investments made by various companies in the hospitality industry.

Hotel brands spent most of 2016 aggressively advertising rates for loyalty club members and the benefits of booking directly. There's no higher position in the sales funnel than that.

It's also why OTAs like Expedia are intent on providing more services to hotel brands, like promoting loyalty rates and ancillary perks, or serving as a white-label booking engine. Ultimately, that is how OTAs get in front of more potential customers — and extract valuable data from them.

And Google? One recent estimate reported in Skift pegged Google's revenue from the travel vertical at a little greater than \$12 billion, with about half that amount coming from just four travel advertisers: Expedia, the Priceline Group, TripAdvisor and Airbnb.

Jockeying for position

But even Google is spending millions of dollars to innovate further in the travel space. That's because, even with its undeniable position at the top of the funnel and with revenues that dwarf even the OTAs' annual figures, Google faces its own threats.

If consumers start their travel planning somewhere else — be it on Expedia, Booking.com or a hotel's site — Google gets kicked off the funnel completely. It should be wary of the OTA duopoly. Expedia and Priceline are nipping at its heels, and they plan to do so with artificial intelligence, an area where Google has also placed major bets.

The most salient race going on in the multi-front competition for consumers' travel searches and bookings is in mobile, where everybody is trying to be first with the best digital assistant that a customer can control with a few clicks, or perhaps a few voice commands. But leaders at OTAs and other digital companies likely won't stop with just one mobile solution or app. The



About Duetto

Duetto delivers the most powerful Revenue Strategy solutions to the world's leading hotels and casinos, allowing them to better manage pricing, revenue and business-mix decisions with superior, actionable data. The unique combination of hospitality experience and technology leadership enables Duetto to provide new insights on pricing and demand as a true cloud-based software-as-a-service. With Revenue Strategy and Revenue Intelligence solutions that address the challenges of today's hospitality industry, Duetto helps hotels and casinos optimize profits and guest loyalty. Thanks to rapid marketplace adoption, Duetto is expanding in key markets throughout the Americas, Europe and Asia. More than 1,200 hotel and casino properties in more than 60 countries have partnered to use Duetto's Revenue Strategy and Revenue Intelligence platforms.

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more consumers adopt voice-controlled devices like Amazon's Echo, which are continually connected to all the information available online, the more travel companies will pursue an all-encompassing experience that spans across traditional computers, branded apps, messenger apps and wearable tech.

Where that leaves hotels

This drive for innovation has made scale more important than ever for hotels and is likely behind the consolidation we've seen among the biggest brands.

For a hotel to reach the top of the customer funnel, meaning to earn a direct booking, it needs data – and lots of it. Consumers are motivated to book directly with hotels that have loyalty programs adding value to the guests' stays, while providing high levels of hospitality. By tracking customers' preferences and spending habits, a hotel will know what to serve up in direct marketing or during the booking process.

As hotels continue to deliver that value proposition — the notion that, not only does the hotel offer the best possible rates to the individual who books direct, but also that the hotel “gets” that person — they very well can earn a lot more direct bookings over time. It's already worked for business travelers, but hotels still need to work hard to spur this kind of behavior in sporadic leisure travelers.

But that doesn't mean a hotel group should try to go head-to-head with Google or Expedia in the race to invent the future.

Even a hotel company as large as Marriott shouldn't expect to become a leader in artificial intelligence, virtual reality or whatever else is next in the global economy. The best they could and should do is to have nimble technology partners that can interface with all the new technology entering the hotel space.

The most important upshot for hotels is to make technology choices today that allow them that flexibility later on. Such an approach allows them to grow direct bookings over time without getting left behind on the next breakthrough technology sure to come from a giant tech company.

It also would free hotels to strategically focus on what they can control the most and what drives repeat business: their level of hospitality. After all, where the rubber meets the road is where the guest's head meets the pillow.

■

Back to the future!

by **Marion Roger** 

How can hotels generate more revenue out of the same space? Strategically oriented and technology-enabled, revenue management now targets such parts of the hotel as function space and restaurants, defining appropriate KPIs analogous to RevPAR in the rooms part of the business. Another avenue, writes Marion Roger of Dayuse, is to unleash RM technologies on so-called “micro-stays”, essentially monetizing vacant rooms during the day.

How can hotels generate more revenue out of the same space? Strategically oriented and technology-enabled, revenue management now targets such parts of the hotel as function space and restaurants, defining appropriate KPIs analogous to RevPAR in the rooms part of the business. Another avenue, writes Marion Roger of Dayuse, is to unleash RM technologies on so-called “micro-stays”, essentially monetizing vacant rooms during the day.

The “Holy Grail” of revenue management is a hot topic every year. Our industry is always looking at the way to maximize the amount paid by a guest for the room. Dr. Sherri Kimes, professor of Operations Management and former Dean at the Cornell School of Hotel Administration repeatedly reminds students of Robert Cross’ classic definition of RM: “Sell the right space at the right price at the right time to the right customer” to maximize revenue. And, everyone seems to agree: the tactical way to optimize pricing is through yield management.

Thankfully, both RM systems/software and best practices have increased in sophistication over the years, and hotel operators and consulting companies together have learned to use them to fine tune their price optimization. Top pros are looking in depth at the “real cost of sale” to attribute to room revenues. Naturally, the goal is to hit the jackpot or Holy Grail (defined by this author as “Cross’ classic definition kicked up a notch!”) Translation: getting the most money possible from the end user while simultaneously ensuring one has the lowest acquisition cost. Leading RM experts refer to it as: smart revenue strategy.

Many have rightly debated the difference between Revenue Management and Revenue Strategy and are, as Millennials describe it, totally “en pointe” when arguing that you must get revenue strategy right if you are “in it to win it.”

In case you’re wondering, revenue strategy has been described as “an integrated approach to customer acquisition and demand optimization with rigor in planning, analytics and execution” according to Cindy Estis Green of Kalibri Labs, one of the industry’s respected thought leaders in RM. Revenue Management, she has been quoted as saying, is “nothing more than price optimization.”

Estis Green has written and spoken extensively on this topic and evangelizes the belief that revenue strategy should be viewed in contrast with the short-term tactics that deliver daily revenue (i.e. revenue management). Specifically, she emphasizes that revenue strategy is about “proactively identifying, planning for, and tapping an optimal blend of sustainable revenue streams and making the needed resource trade-offs to enable margin growth.”

Here is why her perspective is so well thought out: The world we (and our guests present and future) live in is constantly evolving. The hospitality industry watches from the sidelines (sometimes in anguish) as new innovative business models upend and disrupt the way we have done things for decades. Sadly our industry often ends up functioning in a reactive (as opposed to proactive) mode! It’s a losing proposition to have to continually react to market factors and cover the expense of operations when you are doing things “the way you have always done things.”



We need to be “proactively identifying, planning for and tapping an optimal blend of sustainable revenue streams” to survive. The smartest way is by being innovative. Speaking of innovative, there was a semantic debate about innovation in hospitality... Is it technology, or can it be found in the proverbial ideas generated when one “goes outside the box?” This author is a strong proponent of the idea that innovation is defined as coming up with savvy ways to create new revenue streams that enable margin growth. Yet being innovative is so alien to us... in fact, one of the most endemic mentalities in the hospitality industry is the position, “This is this is how we always do things... Why are you suggesting we change?”

Let’s directly exploit the ideas first discussed in the ground-breaking research by Dr. Kimes in 2010 related to how RM principles can be expanded to latent assets. Specifically, she investigated what they thought RM would look like “in the future” and in which other parts of the hotel they thought RM would be applied. (Note: Fall 2016 she reopened this and is currently doing a follow up study).

Interestingly, her findings were prescient... Respondents “felt that in the future, hotel RM would be more strategic in nature, would be more technology-enabled and that it would encompass all parts of the hotel.” In particular, respondents “identified function space and restaurants as the most likely candidates for future applications of RM.” She went on to write about some of the potential KPIs that could apply that are fascinating. For example, in the same way that we depend on RevPAR, could the performance of function space be measured? She suggested we “measure by revenue per

available square foot (RevPASF) for function or meeting rooms” and “by revenue per available seat-hour (RevPASH) for the F&B outlets.” And one of the highlights of Kimes’ research was her observation that, like RevPAR, RevPASF and RevPASH can be calculated by day; but unlike RevPAR, RevPASF and RevPASH can be calculated by day part (in the case of function space) or hour of day (in the case of restaurants).

Disrupters impact our revenue strategies and until now we’ve only been able to watch money go elsewhere... For example, consumers book alternative accommodation options via sites such as AirBnB.com and vrbo.com, and before casting aspersions on disrupters, let’s examine how some positively impact hotel revenues. Companies like Bizly.com and Breather.com, both emerging players in meeting room or function space daytime usage, make it possible for consumers to buy segment usage of those assets and for the hotel to generate incremental revenue. The present marketplace also allows guests the option to purchase guest rooms for part of the 24 hour “time segment.” In fact, one of the hottest disrupters is the micro-stay marketplace. According to the New York Times, this is currently the biggest trend in the hotel booking space. Finding private space during the busy day to focus, or simply get away for a few hours, is a defiant act of self-care that more and more consumers are willing to pay hotels big money for. And savvy hoteliers and their RM staff, seeing an opportunity, are increasingly offering rooms and meeting facilities on sites like Dayuse.com or Recharge.co for daytime usage in fractional segments in an attempt to increase revenue.

↓

Before you do a double take, I invite you to take a quick Marty McFly trip and go back to the future where we meet the young Conrad Hilton. Hilton bought his first hotel in 1919, the 40-room Mobley Hotel in Cisco, Texas. He was a financially brilliant entrepreneur and did such brisk business that rooms changed hands as often as three times a day, and the dining room was converted into additional rooms to meet the demand (or as we like to say: generate pure incremental revenue!)

This was, and is once again, an innovative concept – and a profitable one at that. Although Kimes' research did not specifically discuss how to calculate revenue on the "day part" of guest room sales, given the trend and sophistication of some hoteliers this is an area worth a deeper dive.

Barak Hirschowitz, President of the International Luxury Hotel Association says, "Micro-stays are becoming more and more popular as hotels are catching on to the idea that they can make extra revenue by basically monetizing vacant rooms during the day." It's a great way for the hotels to keep busy, and many understand that a busy restaurant and busy spa builds momentum for more business from others at the hotel. Other experts agree: "Hotels needed ways to boost their revenue," said Michelle Grant, travel and tourism research manager for Euromonitor, a global market research firm. "So more of them started renting guest rooms for less than 24 hours." Day rates, in hotel parlance, have become micro-stays.

As you digest that last line, let's remember money is money! "Customers will pay to spend eight hours in a hotel where they can use the gym, shower, take a nap," Ms. Grant said, "rather than sitting on a hard plastic chair in a waiting room." Cruise passengers who arrive at 6am back into Miami's ports regularly rent a room for the day to relax in before they head out to the airport for an evening flight back to London or Madrid.

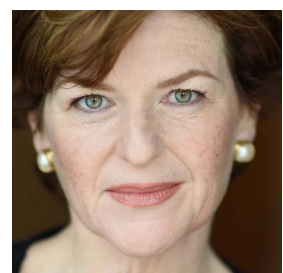
For hotels, it all comes down to generating more revenue out of the same space. "Hotels own a physical asset 365 days a year," said Bill Carroll, who teaches graduate-level courses in pricing at Cornell's School of Hotel Administration, "and they need to maximize revenue for every square centimeter 24 hours a day."

Given the hotelier's deep desire to make as much revenue from the asset as possible, the threats from alternative accommodation players as well as the reality that we live in a world where we can order what we want when we want, how we want and where we want, why wouldn't we be happy to take the incremental revenue this opportunity represents? Several companies are now jumping on the bandwagon, and one thing is becoming clear. Follow the money! At least one company has already made their production statistics public, showcasing that they have sent almost \$20 million in bookings to their partner hotels, demonstrating that there is solid demand. From a RM perspective, the experts agree: This is a space to watch closely.

In conclusion, remember that revenue strategy is about "proactively identifying, planning for and tapping an optimal blend of sustainable revenue streams and making the needed resource trade-offs to enable margin growth." As a true RM zealot, I leave you with the concept that tapping into the day segment revenue stream is sustainable and an incredibly valuable (albeit outside the box) way to generate top line revenue for the bottom line.

■

***Marion Roger** is General Manager, North America for Dayuse.com. Marion has over 25 years of eCommerce and electronic distribution expertise in the hospitality sector and is recognized as one of the most connected supply chain and revenue management specialists in the space. Her track record in strategic alliances and business development in the digital marketing arena has been built via two decades of experience in the hotel booking world, having held positions at leading OTAs, as well as with Internet booking widgets, GDS representation and channel management systems. A former board member of HEDNA and an active instructor of HEDNA U, she has a global perspective, forged after almost three decades with online travel startups and hospitality tech companies in Europe and New York City.*



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Inbound marketing: Opportunity for all, large and small

by **Philip Alford**  & **John Kennedy** 

Hotels are tasked with marketing across an increasingly fragmented media landscape to customers who have an unprecedented number of channels at their disposal to search for, review and buy products, services and travel experiences. Philip Alford of Bournemouth University and John Kennedy of Kennedy Andersson AB explain what that means for hotels: Buyers are now in complete control of the buying process, and marketing has to play by new rules to be effective, to attract rather than distract their audience.

With most buyers self-researching, visitors to your website have already entered a buying cycle – and according to research by Sirius, as many as 70% are already in your sales funnel without you knowing that they exist or what their needs are. Visitors are predominantly sourced through Google search (94% of consumers use Google in the buying process, according to AYTM), social media posts, consumer reviews (when researching places to stay on TripAdvisor, 80% of users read at least 6-12 reviews before making their decision), blogs, YouTube videos, and many other channels distributing content that is either consumer generated or curated.

An online visitor is searching for inspirational and genuine content to make an informed buying decision by answering questions or solving problems. Insights and customer data on digital behavior help companies target digital touch points. These digital moments along a typical buying journey are used to influence purchase behavior with educational content rather than continually being in selling mode. Google has identified the Zero Moment of Truth where, after the initial stimulus (which could be through digital or traditional media) and before experiencing

the service, the user engages with digital content to find more information to help purchase with confidence. According to Google research, Business-to-Business (B2B) researchers conduct an average of 12 searches before they engage with a specific brand's website. And increasingly, a lot of that content, engagement and search is being done on a mobile device.

David Beebe, Vice President of Global Creative + Content at Marriott International, captures the challenge: “There’s a shift in the way that brands and consumers connect today.

It’s no longer the brands controlling the message - consumers are deciding when, where, and how they interact with brands. Anything interruptive in nature that’s about ‘look at us’, people tune it out.”

Low cost & high impact inbound marketing can help ignite growth

The Internet and access to affordable technology (i.e. the Cloud) have gone some way to leveling the playing field in today’s competitive hospitality sector. Both smaller independent hotels



and larger hotel brands can use scalable marketing technology and an inbound marketing methodology to engage and nurture online visitors. Inbound tactics “pull” visitors into an improved user experience with creative content adapted to a pattern of behavior rather than the “one size fits all” approach seen in more traditional marketing. It is helpful to have a tried-and-tested methodology, so we will reference the RACE inbound marketing system designed by Smart Insights (see diagram) to provide an example of how hotels can attract users into the top of the sales funnel, nurture leads, convert sales and, crucially, engage brand advocates to post recommendations and reviews. This process involves a combination of owned media (e.g. website, blog, social sites), paid media (e.g. Google hotel ads) and earned media (e.g. reviews on TripAdvisor or mentions on Twitter). Having great content that is keyword optimized, targeting a particular stage in the buying cycle, is essential - but it may not be enough to drive site traffic. For example, Hilton Worldwide was able to drive a 12% higher ROI with Google Hotel Ads by engaging with customers at the point of search across desktop, tablet and mobile – whether in the search results pages or via Google Maps. Hilton applied granular, hotel-level bids based on business needs within each market, and were able to use the Google Ads bid adjustment

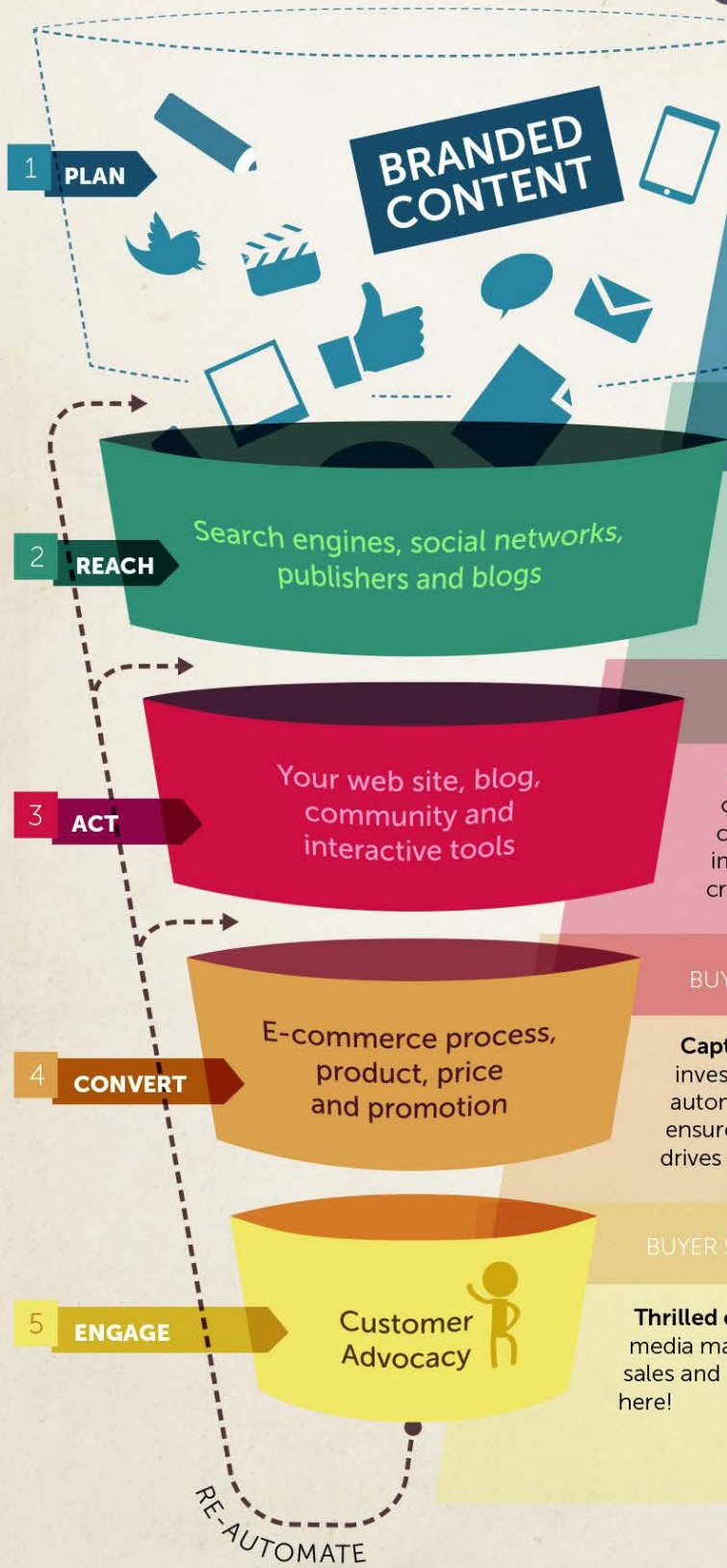
tool to optimize bids – for example, within a campaign, building in a 10% increase to the bid if the user is searching on a smartphone or using a certain search phrase.

However, this form of marketing is not the preserve of big players – independent hotels can run targeted campaigns and control costs by assigning maximum budgets, as well as being able to monitor, at a granular level, the effectiveness of the campaigns. This includes which keyword phrases and ads resulted in the user clicking through to the landing page on the website and the outcome – e.g. an inquiry or a sale. The level of data provided by digital marketing platforms allows the hotel marketer to track the user’s journey through the site.

From growing visitors to closing sales, the right marketing technology can offer a suite of tools to bring the sales & marketing funnel together with more control and less hassle. And with marketing automation there are numerous types of triggers, conditions, and actions to make nurturing campaigns specific to your leads.



The Smart Insights RACE Planning System for Digital Marketing



Build an agile, strategic approach to digital marketing

Competition is fierce online. To win you need to **Plan, Manage and Optimize** digital channels against defined targets, SMART KPIs and a focused investment in content marketing, digital media and experiences. We believe an integrated digital strategy is essential to define new Segmentation, Targeting and Positioning for your online value propositions.

BUYER STAGE: **EXPLORATION**

Publish and promote your content, allow sharing to other outposts, networks and influencers. Draw people to your content hub...

Key Measures:

- Unique visitors
- Value per visit
- Fans/Followers

BUYER STAGE: **DECISION MAKING**

Be worth finding via clear customer journeys and a content hub that is relevant, inspirational, useful and creates leads.

Key Measures:

- Leads/Lead conversion rate
- Time on site
- Shares/comments/likes

BUYER STAGE: **PURCHASE**

Capitalize on marketing investment using CRO, marketing automation and remarketing to ensure contextual relevance drives conversion.

Key Measures:

- Sales (on and offline-influence)
- Revenue/Profit
- Average Order Value

BUYER STAGE: **ADVOCACY**

Thrilled customers are key to social media marketing, social proof, repeat sales and referral. Start your marketing here!

Key Measures:

- Repeat Purchase (Lifetime Value)
- Satisfaction and Loyalty
- Advocacy

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The inbound marketing methodology is all about attracting qualified online visitors, to pull them in, rather than push them away with an interruptive style of communication that may suit your needs but not your audience's. Inbound marketing has the ability to track individuals over multiple digital platforms and build customer/business intelligence that could then be fed into your marketing, revenue management and yield strategy. So in effect integrating different systems that the guest touches to build a profile, a track record and performance insights.

It is essential that the hotel marketer implement a "test and learn" approach as part of their inbound marketing to ensure that users have a positive experience on owned media content. For example, using split A/B testing to determine what content and layout works best for a mobile user could make a significant impact on retention and conversion rates. Much can be gleaned through these remote data analysis methods, but ultimately, to find out specifically why users behave in the way they do, you need to ask them.

Your relationship with the user, when they have converted to a customer, doesn't end with the booking and the hotel stay – this is the opportunity to build a community of advocates, which is not just about those customers being loyal to your hotel, but increasingly about turning them into online influencers who will play a key role in bringing additional users into your funnel as part of a comprehensive inbound marketing program.

Underpinning all of the above is the importance of setting clear key performance indicators and being diligent in measuring them as part of a closed-loop cycle of inbound marketing.

■

Philip Alford is a Senior Academic in Digital Marketing in the Faculty of Management at Bournemouth University in the UK where he specializes in Digital Marketing. Philip works with a range of SMEs and micro businesses advising them on how they can develop more agile and data-driven digital marketing plans. He is a visiting professor at ESSEC Business School, France, where he has taught a range of marketing courses, both at MBA and executive education levels. He also teaches courses at the Management Center Innsbruck, and Zillertal Tourism School, in Austria.



John Kennedy is the CEO & Co-Founder of Kennedy Andersson AB, an inbound marketing agency and consulting practice helping companies grow that have complex sales processes (mainly in IT, telecoms, heavy industry and the service sector). His teaching and consulting interests focus on digital marketing and CRM, particularly applied to hospitality. He has also held a visiting position at the Essec Business School, MBA in Hospitality Management and worked at Hertz, Hilton and the Carlson Rezidor Hotel group.



Smart Data marketing in hospitality: The secret to maximizing direct bookings

by **Max Starkov**  & **Margaret Mastrogiacom** 

Your “best guest” shouldn’t be defined only based on past guest demographics, say Max Starkov and Margaret Mastrogiacom of HeBS Digital. Instead, you must consider travel consumers who are in-market and willing to consider and book your property today. This so-called Intent Data is vital. For Hotel Yearbook readers, Max and Margaret outline the steps to a marketing strategy driven by this type of data.

Many hoteliers assume that utilizing Big Data equals past guest data i.e. CRM Data. In our view, CRM Data is only the smaller part of the hotel’s customer engagement and acquisition strategy.

The more important part of the overall strategy – the one that will result in a much higher percentage of direct bookings – is Intent Data. By targeting and engaging travel consumers who are “in market” and planning to visit your property’s destination in the near future, Intent Data helps engage and acquire first-time guests, which generate the bulk of property room-nights.

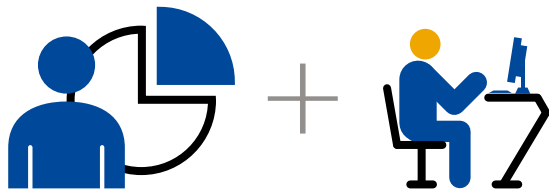
Smart Data marketing: Closing the 360-degree customer engagement, retention and acquisition cycle

CRM Data and Intent Data are integral pieces of any hotelier’s marketing strategy. If your strategy isn’t utilizing real-time “in-market” targeting that reaches potential guests – travelers who have expressed intent to travel now or in the near future to your destination – you are missing the opportunity to expand and “replenish” your existing customer base on an ongoing basis.



HeBSdigital

Smart Data Marketing: A 360° Approach



15-25%

Past Guests:

Target Using CRM Data

(Build Personas, Lookalike Audience)

75-85%

First-Time Guests:

Target Using Intent Data

(In-market Audience, Feeder Markets)

At HeBS Digital, we call the balanced utilization of both CRM Data and Intent Data “Smart Data Marketing,” which we use to help our clients “make the most” of past, present and future customer data.

Smart Data Marketing: Where to start?

Hotel marketers should start developing their Smart Data Marketing strategy by asking themselves the following question: What percentage of my guests are repeat guests and what percentage are first-time guests? Assessing this ratio will guide you on how to focus your marketing dollars.

More importantly, building propensity models based on CRM Data alone only reaches a small percentage of potential guests. HeBS Digital portfolio data shows that when you widen targeting to focus more on purchase intent than simply lookalike audiences based on past guest profile demographics, it increases return by as much as four times.

Where in the marketing mix does CRM Data provide the most value?

CRM Data is a great starting point for understanding your current customers and aiding in research to understand their online behaviors. It also provides great value when it comes to understanding who your most loyal customers are, how they behave online and what they love about your hotel brand.

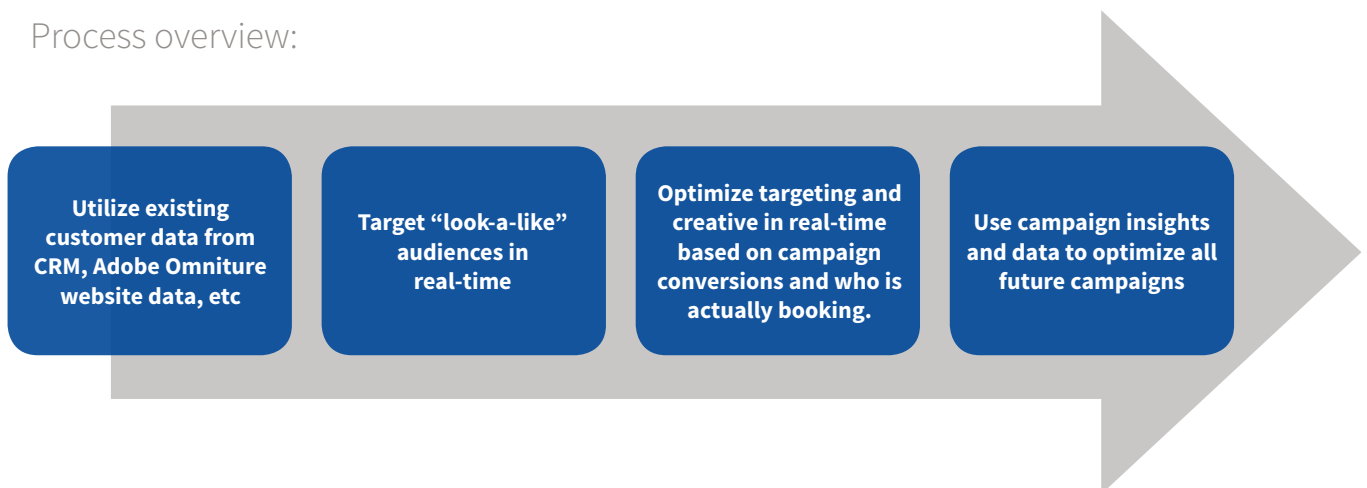
HeBS Digital utilizes CRM Data, first-party Intent Data, and website insights to build multichannel campaigns:



Here are our tried-and-true action steps to set your Smart Data marketing strategy on the path to success:

1. Utilize “owned data” in the planning and ideation phase of your marketing campaigns. Focus your propensity modeling based on who is actually converting once campaigns are live to drive optimal returns.

Process overview:



Where in the marketing mix does Intent Data provide the most value?

Your “best guest” shouldn’t just be defined by past guest demographics, but by travel consumers who are in-market and willing to consider and book your property today. Intent Data enables marketing campaigns to target and convert travelers who are in-market and have exhibited purchase intent.

2. Utilize CRM Data to build customer personas. This allows you to understand your target segment more intimately and gain better insight on their motivations, online behaviors, passion-points, and what ultimately connects them to your brand on both a functional and emotional level.



3. Utilize DMPs (Data Management Platforms) to identify customer personas and target lookalike audiences based on CRM Data. Make sure to also analyze data of who has converted in past campaigns and on what channels to build accurate personas and reach the right audience and demographics.
4. Utilize Intent Data-focused targeting strategies. Utilize in-market targeting throughout your marketing initiatives and lower funnel long-tailed keywords such as “Downtown Miami Hotel with Pool” across SEM, Google Display Network, and YouTube TrueView campaigns.
5. Partner with top travel ad networks. Utilize specialized travel ad networks and DSPs (Demand Side Platforms) to capitalize on first-party travel data to reach users in real-time throughout the travel planning journey.
6. Capitalize on DRM (Dynamic Rate Marketing) in your marketing strategy. Dynamic Rate Marketing allows you to access users researching travel to your hotel’s destination and display the best available rate for the exact dates of stay.
7. Integrate intent-rich programmatic advertising. Focus on programmatic partners that are intent-focused and have data quantifiers such as “moment scoring” that assigns a score to a user interaction to determine the likelihood that they will convert in that micro-moment.
8. Utilize data and insights for campaign optimization. Learn from campaign results and real-time insights to constantly optimize campaign messaging, targeting, marketing mix, and so on.

Overall, as you explore the role of CRM Data and Intent Data in your marketing strategy, the most important thing to remember is you don’t win new customers with data, you win new customers with the right data strategy. Capitalizing on customer micro-moments throughout the booking funnel with cost-effective marketing requires the right partners, planning, and strategy.

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About HeBS Digital

Founded in 2001, HeBS Digital helps hoteliers drastically increase direct bookings and lower overall distribution costs by deploying industry best-of-breed digital technology, consulting and marketing. The firm has pioneered many of the “best practices” in hotel digital marketing and website revenue optimization, as well as a range of industry-first digital technology applications, winning more than 400 prestigious industry awards for its digital marketing and website design services, including numerous Adrian Awards, Davey Awards, W3 Awards, WebAwards, Magellan Awards, Summit International Awards, Interactive Media Awards, and IAC Awards. A diverse client portfolio of top-tier major hotel brands, luxury and boutique hotel brands, resorts and casinos, hotel management companies, franchisees and independents, and CVBs are benefiting from HeBS Digital’s direct online channel strategy and digital marketing expertise.

www.hebsdigital.com



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The pioneering spirit

Digital is metamorphosing hotel operating structures

by *Sophie Perret*  & *Peter O'Connor* 

With travel becoming increasingly digital, existing relationships are being disrupted, write HVS's Sophie Perret and Peter O'Connor from ESSEC Business School. Digital is facilitating the introduction of new and innovative business models, many of which will have far reaching consequences for how the sector operates and the future role of hotel brands.



Although less prominent than in the U.S. market, hotel chain penetration continues to grow throughout Europe. Traditionally the business relationship between the chain and the real estate owner has taken one of three forms – a lease, a management agreement or a franchise contract. These fundamentally differ from each other in terms of depth of involvement. With a lease, the chain assumes financial risk, while with a management contract it merely actively participates in day-to-day operations by running the property, while with a franchise it merely provides standardized operating procedures. In all cases the main value comes from the property's use of the chain's brand and the resulting reach and visibility that this brings.

However, with travel becoming increasingly digital, existing relationships are being disrupted. Digital is facilitating the introduction of new and innovative business models, many of which will have far reaching consequences for how the sector operates and the future role of hotel brands.

From the owner's perspective, having a major hotel brand involved in their property traditionally brought several advantages. Firstly being associated with the brand contributed positively to the hotel's revenues, giving the hotel higher visibility and profile among consumers, and in many cases allowing it to charge a price premium and achieve higher occupancies than it might otherwise achieve operating as an independent. Secondly, signing up typically gave access to a global sales and distribution network, making the property bookable by corporate customers with negotiated rates, as well as through the brand's portfolio of call centers, website(s) and other points-of-sale, giving it access to a portfolio of distribution channels too costly and / or complicated to profit from otherwise. Lastly, signing up allowed the property to leverage the brand's loyalty program, allowing it to be marketed to those customers who typically book the brand properties so as to benefit from the loyalty program's membership advantages.

In return for these admittedly quite considerable advantages, hotel owners typically paid a pretty penny, both in initial sign-up fees and conversion costs to permit them to join the brand in the first place, as well as an extensive range of ongoing, typically revenue based, costs. These include royalty fees for use of the brand's trademark, logo and service marks; marketing contributions (traditionally a percentage of rooms or total revenues) as well as performance-based reservation fees for bookings driven through brand controlled distribution channels. Taken collectively, these fees typically make up a considerable percentage of revenues, but given the proliferation of franchise agreements and management contracts globally, until now have clearly been perceived as representing good value by owners.

Unfortunately for hotel brands, the growth of the digital economy is upsetting the distribution apple cart, with the portfolio of benefits traditionally provided being attacked from all sides, causing many hotel owners to reflect on the cost / benefit of chain membership. The digital revolution is also causing many of the brands themselves to question exactly what range of services, and in what format, and with which business model, they should offer to their member properties? For example, one ongoing development has been the proliferation of "Collections" – schemes that allow properties to benefit from many of the advantages of being part of the brand without incurring many of the costs or restrictions associated with actually flying the flag on the property. Typical examples include Hilton's Curio, Marriott's Autograph Collection and Luxury Collection (formerly Starwood), and Choice Hotels International's Ascend, where in each case properties can sign up and benefit from being part of a global chain at a fraction of the cost and hassle of "real" membership. Accorhotels has gone a stage further, allowing carefully selected and vetted independent properties in specific locations where they need additional room inventory to profit from their web and mobile distribution systems on a cost-per-reservation basis, without any of the pretence that they are actually in some way joining the chain. Paid on a performance rather than a fee basis, in effect this means that Accorhotels' business relationship with these properties is much closer to that of an Online Travel Agent than what we traditionally have understood to be a hotel chain.

And the traditional brand / owner relationship is also under attack from other quarters. Membership organizations (such as Leading Hotels of the World, Best Western and Worldhotels) are reinforcing their affiliation offering and essentially providing a similar portfolio of services to that of the mainstream brands, typically for a lower cost. Similarly, on the other side of the value chain, technology companies (such as Sabre Hospitality, Trust International and SiteMinder) are broadening their product offering, including, for example, comprehensive online marketing services, sometimes even on a cost-per-performance basis, as part of their portfolio of services. Even the OTAs are getting in on the game, with companies such as The Priceline Group, through its subsidiary Booking.com, providing independent hotel properties with their own "direct" website as well as indirect distribution through Booking.com's network of consumer-facing OTA, affiliates and white-label websites in return for a cost-per-performance commission for any business delivered.

Thus we are seeing severe blurring at the edges of the value propositions of the major players in the hotel distribution space. While brands will undoubtedly continue to add value, what exactly constitutes a hotel brand, as well as how much and in what manner a hotel property should pay for being a part of it, is rapidly being distorted. And with online sources becoming increasingly influential, with the global OTAs continuing to capture increased market share, with increased brand proliferation while consumers become increasingly brand agnostic at the same time, it's clear that the future of hotel chains as we currently understand them is being called into question.

Which of the developing formats comes to the fore still remains to be seen, but it's in an increasingly digital landscape, the traditional business model currently being practiced by hotel chains needs to rapidly adapt, or risk being overrun.




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***Peter O'Connor**, Ph.D. is Professor of Information Systems at Essec Business School, where he also serves as Director of the Global MBA and the MBA in Hospitality Management (IMHI). His research, teaching and consulting interests focus on technology, distribution, e-commerce and e-marketing particularly applied to the hospitality sector. He previously held a visiting position at the Cornell Hotel School, and worked in a variety of positions within hospitality. His most recent achievement has been to launch the first MOOC on Hotel Distribution Revenue & Demand Management.*

***Sophie Perret** is a director at the HVS London office. She joined HVS in 2003, following ten years' operational experience in the hospitality industry in South America and Europe. Originally from Buenos Aires, Argentina, Sophie holds a degree in Hotel Management from Ateneo de Estudios Terciarios, and an MBA from IMHI (Essec Business School, France and Cornell University, USA). Since joining HVS, she has advised on hotel investment projects and related assignments throughout the EMEA region, and is responsible for the development of HVS's business across Europe. Sophie completed an MSc in Real Estate Investment and Finance at Reading University in 2014, and is in the process of becoming a RICS certified surveyor.*

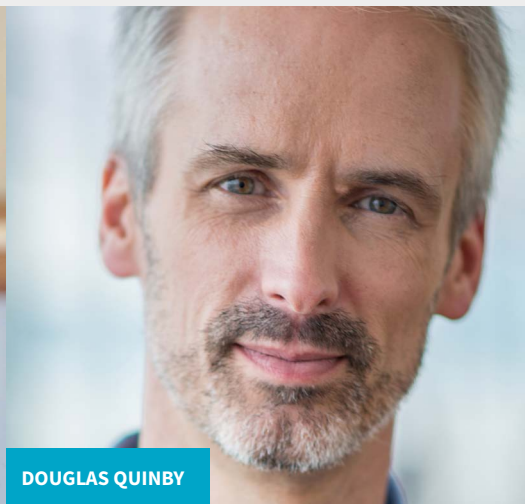
Online Travel Agents: Winners in a hyper-dynamic marketplace

by [Alice Jong](#) , [Douglas Quinby](#)  & [Lorraine Sileo](#) 

Few would deny that OTAs have become a force to be reckoned with within the travel distribution landscape. From humble beginnings, two companies, The Priceline Group and Expedia Inc., have grown to become the acknowledged global giants of the travel distribution space through a combination of organic growth and a series of mergers and strategically timed acquisitions. However, as Alice Jong, Douglas Quinby and Lorraine Sileo of PhocusWright explain, in such a highly dynamic and vibrant environment, even their dominant role is being gradually challenged by a series of new players arising in the East as well as by rapidly shifting business models.



ALICE JONG



DOUGLAS QUINBY



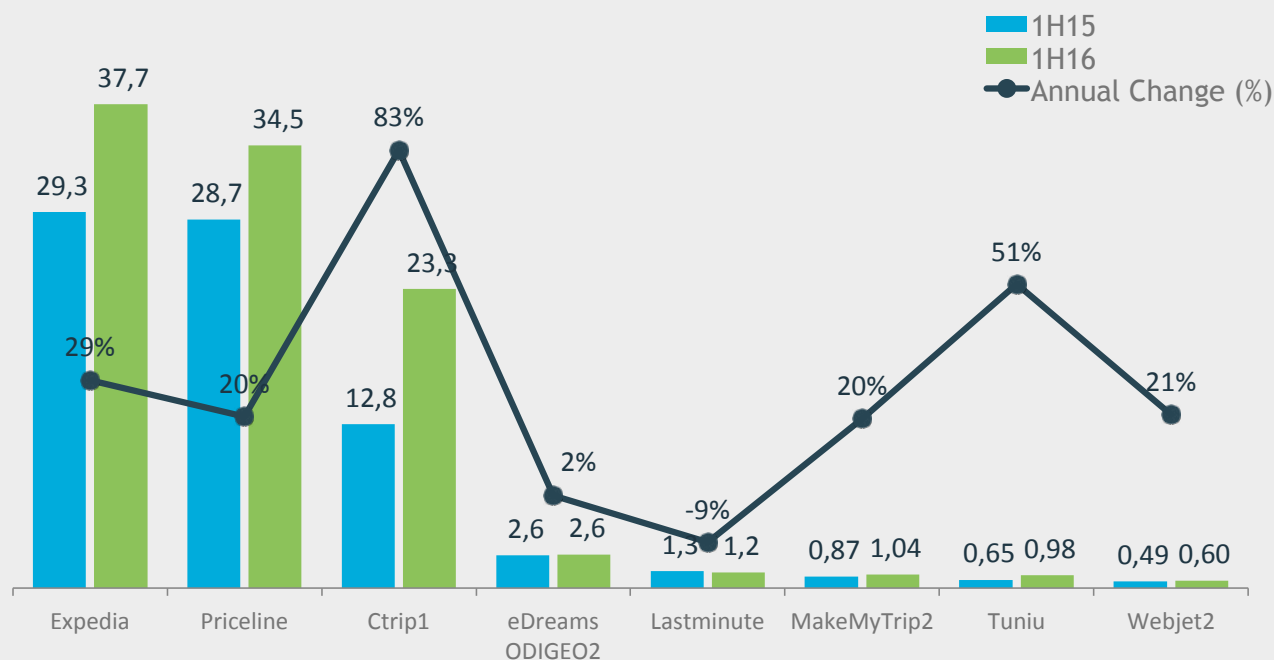
LORRAINE SILEO

Currently The Priceline Group and Expedia Inc. dominate the global OTA landscape, accounting for more than two thirds of the global market with more than US\$72 billion in gross bookings. Although under pressure from The Priceline Group, Expedia Inc. continued its reign as the world's largest OTA with gross bookings in the first half of 2016 growing 29% to \$37.7 billion, driven primarily by a boost in U.S. bookings from its acquisition of Orbitz Worldwide in September 2015. This significantly impacted Expedia's air business, resulting in a 45% increase in air tickets versus the prior year and has had further positive knock-on effects with hotel room nights also growing

by 20% in 2Q16. With gross bookings of \$34.5 billion, rival The Priceline Group is right on their tail. However, Priceline's first-half 2016 growth trailed at 20%, with the strength of the U.S. dollar dampening results due to the company's heavy exposure to international markets through its Netherlands-based Booking.com, Asia-based agoda.com, and U.K.-based Rentalcars.com, which collectively make up nearly 90% of its overall business.

Outside the big two, other OTAs trail significantly. However, for those searching for alternatives to this global duopoly, a glimmer of hope is appearing in Asia. With all four publicly

Worldwide Public OTAs Gross Bookings (US\$B) and Annual Change (%), 1H15 vs. 1H16



Note: Since the same period in 2015, Orbitz was acquired by Expedia, Rakuten no longer reports their online travel business separately, and eLong transitioned into a privately held company. Thus, 2015 total gross bookings may not match earlier published data due to these OTAs being removed from year-over-year comparisons.

Sources: Company reports and Phocuswright Inc. | © 2016 Phocuswright Inc. All Rights Reserved

quoted Asian OTAs reporting double digit growth in the first half of 2016, gross bookings jumped 75% with the result that APAC now accounts for one fourth of global OTA gross bookings. In particular, Chinese OTA growth rates continued to explode. Ctrip.com reported an 83% revenue increase, with gross bookings nearly doubling year over year from \$12.8 billion to \$23.3 billion while at the same time pressure on hotel discounting eased up. In contrast, rival Tuniu continued to sacrifice profit for market share, with gross bookings growing 51% in the first half-year, but discounting and customer acquisition efforts are keeping costs high and margins drastically low.

Meanwhile in India, MakeMyTrip's gross bookings rose 20% year over year to \$1.04 billion, driven by a 478% jump in standalone hotel bookings. However, as with Tuniu, much of this was driven by aggressive discounting, with the company deliberately sacrificing profitability to gain market share. Similarly, Australia's Webjet saw gross bookings increase 21% to \$596 million in the first half, primarily organically although the company is actively seeking out strategic acquisitions and partnerships to grow its non-flight offerings and B2B business. For example, the company recently expanded its partnership with Thomas Cook, adding approximately 3,000 hotel contracts to their current inventory, enhancing both revenue and profitability potential for the future.

In contrast to Asia, growth at Europe's OTAs trailed significantly as most continued to struggle with a depressed travel market hampered by economic uncertainty and the ongoing threat of terrorism. Facing strong global competition from Priceline and Expedia, both The Lastminute.com Group and eDreams ODIGEO are adjusting their competitive strategies. Lastminute.com claims to be transitioning from a traditional OTA into a travel media company. As a result, it is concentrating on growing its non-transactional businesses, which now account for one fifth of revenue, with metasearch revenues growing 114% year on year. This however generated a decline in transactional flight revenues, with the result that gross bookings declined 2% to just \$3.8 billion in first-half 2016 on a U.S. dollar basis. In contrast, eDreams ODIGEO's gross bookings inched up 2% in the first half of 2016. Although the majority of this growth was driven by a 13% increase in flight revenues, the company is also focusing on advertising, metasearch and ancillaries as it seeks to diversify its core business.

This movement towards non-traditional revenues is a recurrent theme within travel distribution as the lines between traditional OTA, metasearch and media sites continue to blur. Expedia's and Priceline's non-transactional revenue increased 42% and 21% respectively in the first half of 2016. At the same

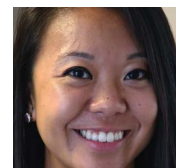
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time, alternative accommodation site HomeAway, acquired by Expedia in December 2015, delivered \$314 million of revenue, an increase of 28% on a standalone basis.

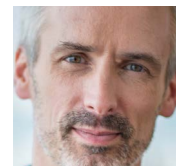
Since joining Expedia, HomeAway has shifted from a multilevel to a single subscription model, and accelerated transition toward a transactional model by adding a traveller service fee. In a similar vein, TripAdvisor is trying to grow transactional revenues via its Instant Booking product but continues to struggle. Although it completed its global launch in the second quarter, expanding the service beyond the initial U.S. and U.K. markets, click-based and transaction revenues (which includes metasearch and Instant Booking) decreased 14% in the first half-year. Similarly, online deals site Travelzoo met with a similar fate as it attempts to grow the commission-based side of its business, with revenues falling 7% to \$58.5 million in the first half of 2016.

Overall the message seems to be that when it comes to mass market travel distribution, few currently can compete with the might of Priceline and Expedia. However, the environment continues to evolve, and many local and regional OTAs are succeeding, especially in Asia, Eastern Europe and Latin America, where online travel is thriving. Already China's Ctrip ranks as the third largest OTA in the world, growing four times faster than the Big Two. In Japan, Rakuten and Recruit/Jalan dominate the market, not the global players. Whether a third horseman will arise from the East on a global scale, however, remains to be seen. It's clear that the OTA business model is mutating as more and more markets approach maturity. When it comes to OTAs, status quo is never an option.

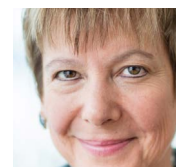
Alice Jong, is a Research Analyst at Phocuswright, Inc. With a B.S. in Finance, she started her career in banking but chose to transition to an industry she was passionate about, earning a M.S. in Travel and Tourism Management at NYU. She's since held a series of positions with various travel organizations, bringing extensive hands-on experience in digital marketing and travel to her research.



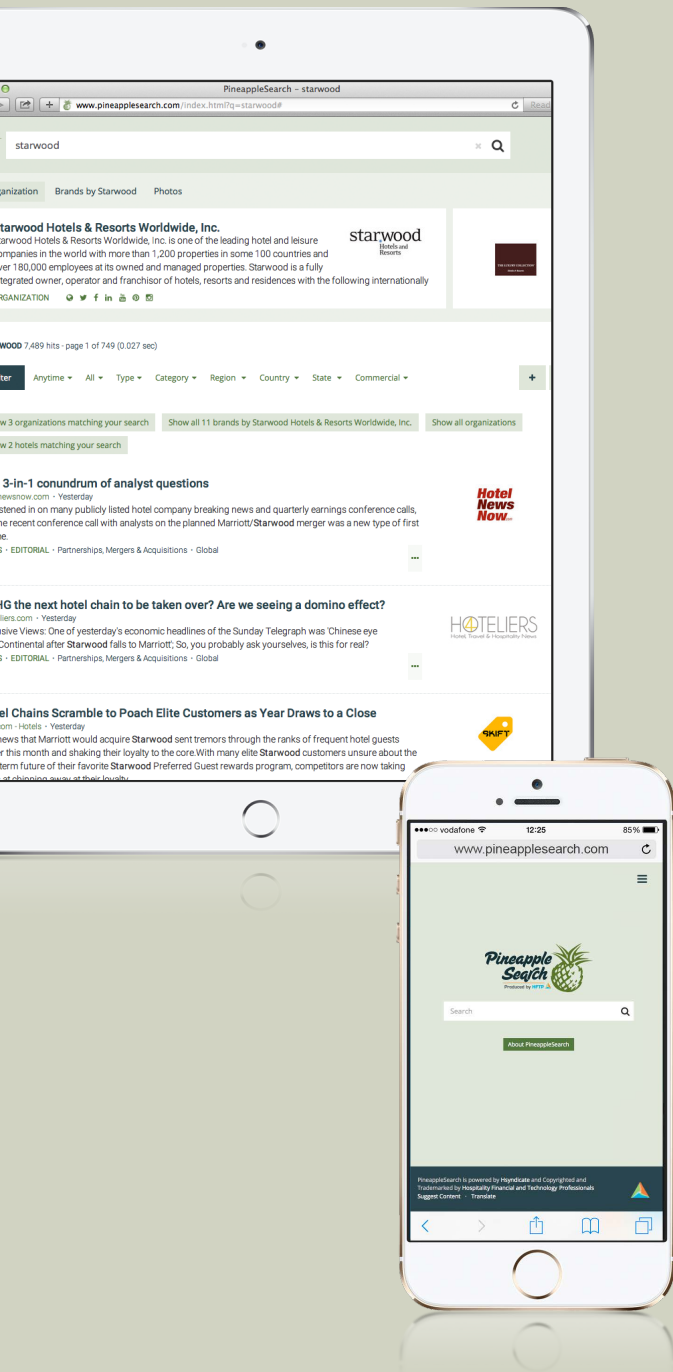
Douglas Quinby, Vice President of Research at Phocuswright, has led several studies on key topics in the travel industry, including social media and traveler reviews, travel agencies, vacation rentals, local tours and activities and global distribution systems. Frequently cited in leading media outlets, including **Bloomberg**, **The New York Times** and **The Wall Street Journal**, he is a sought-after speaker for industry events around the world. He previously led his own firm providing strategic research, communications and marketing services to travel technology companies.



Lorraine Sileo, Senior Vice President, launched the research division of Phocuswright Inc. in 1998. A travel industry veteran, she is frequently quoted in consumer and trade media and has authored numerous publications. Lorraine has testified at hearings held by the National Commission to Ensure Consumer Information and Choice in the Airline Industry, charged by Congress to examine the impact of online distribution on the travel industry. She also previously served as an adjunct professor at NYU's Graduate Center for Hospitality and Tourism.



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The content conundrum: Finding a way to describe your hotel successfully

by **John Burns** 

Content is more important than ever. As John Burns, President of Hospitality Technology Consulting, writes, if we choose to use content proficiently, it can cement our competitive advantage, not only against other hotels in our competitive set, but also against the OTAs that are everywhere on the Web.

Why does a guest choose a specific hotel? Why do they choose this hotel rather than all of the others around it? Yes, location is a factor. Price is a factor as well, but only to a point. If price was the overwhelming determinant in hotel selection, the least expensive hotels would always be full and the more expensive ones less so, and that is just not the case.

A guest selects a property because some thing, or some combination of things, about the hotel appeals to them. These "things" create the "value proposition" that justifies the price. They also create the "satisfaction proposition" that promises to fulfill their aspirations – for comfort, convenience, security, peace and quiet, good food, enjoyable experience, and possibly even fun.

Every hotel operator's challenge – one that we as a group still fall short of meeting successfully – is to appealingly and convincingly present our hotels in every booking channel. Our conundrum is that far too often, we know our hotels exceedingly well, we have a sense for why staying with us is the right decision, but we are unable to successfully articulate why that is the case.

As a result, we settle for glib, unemotional and uninspiring descriptions of our hotels, its guest rooms, and its facilities. On our website, in the GDS's, and on the OTA websites (on those sites that do not chose to write their own descriptions of our hotels out of frustration with our inability to do so), we accept

descriptions that stir no emotion. Indeed, it seems that our guests sometimes reserve our hotels despite the dull way in which we describe them.

If we pause and ask ourselves what is important to describe in our hotel and then ask ourselves what our guests comment positively about, including in their online reviews of our hotel, the two lists are sometimes far from identical. It is the second list that matters. It is the attributes identified on the second list that draw our guests to reserve our hotel. It is those attributes that they comment to us directly, or to the world on major review sites. It is those attributes that must appear in our written descriptions of our hotel, its guest rooms, the restaurant, the bar, and so on.

Presentation of a hotel begins with words – the text description. The description confirms that our hotel offers our guests the facilities and services that they seek. I have encountered countless properties that contain facilities or offer services that delight guests once they encounter them, but about which no mention appears on the hotel's website. The hotel's differentiating and persuasive strengths are left unmentioned and unexploited, forfeiting a competitive advantage.

Identifying property attributes matters. Successfully capturing the most bookings possible requires, first, feature identification and, second, phrasing the description in an appealing, inviting manner.



*Identified by Lodging Magazine as one of the ten hospitality experts changing the travel industry, **John Burns** established Hospitality Technology Consulting (HTC) to assist hotels and other travel companies deal successfully with the increasingly complex world of electronic travel distribution. After stints with Hyatt International Hotels and Ramada, Inc., he joined THISCO (later Pegasus Solutions) as its Vice President-Product Development. Moving to technology-innovator, INTRICO he developed that company's customer service organization. Mr. Burns founded HTC in 1992, heading this international consulting service specializing in assisting hotel chains and independent hotels in optimizing their central reservations, electronic distribution and revenue management programs.*

Persuasive writing is a skill. Read a professionally-written real estate advertisement. The words themselves, the sentence structure, the cadence are all engineered to appeal to the reader. Competent, sales-focused copywriting is the skill that we owe our hotels. Moreover, in developing convincing descriptions, the reader must be kept in mind. Females make or approve lodging selection in the majority of hotel stays. Do our words, and their phrasing, appeal to female readers?

The content that sells our hotel, that convinces a prospective guest that our property is their right choice, extended beyond words alone. Today it includes photos, graphics – property and guest room floor plans, a property map, a sample hotel activities schedule, the jogging map, menus, the wine list, and yes, even the room service menu. Today's content also includes videos, which in some travelers' eyes have greater credibility than do photographs. And it includes guest reviews.

Every hotel website includes photos. Their presence is not the issue. Instead the point is the number of photos and the subject of those photos. Most website structures now allow five or six, sometimes even more, photos for each room type. Why do some hotels show only one photo for a room type? Or worse, the same photo for several room types – or no photo at all for a room type? If we ask higher prices for some room types, do the photos (and our written descriptions) communicate the greater benefit to be had from paying that extra money?

Worthwhile guidance on the subjects that merit inclusion in our property photos comes from the photographs that our guests post on review websites. If they photograph features that we omit in our website photo gallery, the call to action for us is clear.

Our words, photos, graphics and videos – what we refer to as content – are more important than ever. They can cement our competitive advantage (if we choose to use them proficiently) against not only the hotels nearby but also the OTAs that are everywhere on the Web. Our conundrum is to rise above “business as usual” and assemble all of the necessary components to create a compelling presentation of our hotels. Can we rise to the challenge?

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Augmented reality and virtual reality: New realities in digital marketing

by **Alex Gibson** 

Following many false dawns, it seems as if augmented (AR) and virtual reality (VR) are finally making their way onto the agendas of digital marketing executives, says Alex Gibson of the Dublin Institute of Technology.

What is augmented reality? It's the blending of virtual reality and real life, as developers can create images within applications that blend in with, or overlay with, content in the real world. With AR, users are able to interact with virtual contents in the real world, and are able to distinguish between the two. Examples in a digital marketing context would include smartphone AR apps which scan print advertisements to deploy and overlay animation/video or more textual information (already companies such as Uniworld are AR-enabling their brochures to give consumers a more immersive view of cruise-ship facilities), or navigation and interpretive services being used by tourism destinations to provide visitors with a better customer experience. The phenomenal rise of Pokémon Go points to the opportunity that gamification of such services offers.

Early deployments of augmented reality were seen as gimmicky in nature, expensive to produce, and with dubious payback. Today, the widespread use of smartphones has been instrumental in the expansion of AR. Indeed, mobile marketing guru Tomi Ahonen has predicted that some one billion people will be using AR apps on smartphone devices by 2020. The adoption of dedicated wearable devices is more difficult to predict; the demise of Google Glass is a salutary lesson in the technical and social challenges that lie ahead. In enterprise, business-to-business contexts, we are already seeing a number of specialist wearable manufacturers making an impact. However, we are likely to see a tipping point in usage of AR wearables for consumer markets come with massive investments by companies such as Microsoft (HoloLens), Google (Magic Leap), and from Apple over the next three to five years.



In terms of more immediate customer engagement, it seems that virtual reality will take an early lead, with a number of customer devices already on the market, and major launches from Sony Playstation VR on the cards. In contrast to augmented reality, VR is about the creation of a virtual world with which users can interact. Unlike AR, users are totally immersed in this virtual world, usually achieved by the wearing of a VR helmet or goggles such as Oculus Rift or HTC Vive, which require expensive PCs to run, or more inexpensive options such as Google Cardboard, which works with the user's smartphone and has already shipped more than a million units.

Examples of VR being used in a digital marketing context include allowing potential visitors to a hotel resort to virtually "sample" the destination using a VR device in their own home or at a sales exhibition. Best Western has recently piloted this technology to showcase their new brand identity. Other potential examples include sponsorship of a virtual game or virtual world with the opportunity to build brand linkages, and in the medium to long-term we are likely to see the creation of virtual e-commerce spaces offering the public the opportunity to evaluate and purchase from brands.

So what are the marketing applications for AR and VR for the hospitality sector? One way to assess the technologies' impact from a digital marketing perspective is to assess them relative to the marketing funnel, beginning with brand awareness building. Both AR and VR offer exciting prospects in terms of building consumer engagement. The relative novelty of the technologies has certainly enhanced the potential to allow brands to break through the communications clutter, and many early investments were made with an eye on the public relations and social media interest they might generate. Marriott, as part of their "Travel Brilliantly" campaign, developed the #geteleported experience, offering the chance to "virtually" travel to two of their properties in Hawaii and London. Holiday Inn also developed an AR app at the time of the 2012 London Olympics to allow guests to take selfie photos, with "virtual" competitors from the UK team in the lobby of one of their hotels.

By their nature, AR and VR are "pull" channels, in that the consumers have to actively participate in the process rather than "push" channels where consumers are interrupted by content. UK-based AR app creation specialists Blippar claims a dwell time of 75 seconds on their AR apps versus 30 seconds or lower for "push" channels such as TV, radio or outdoor advertising. For VR experiences, the opportunity for greater dwell time would appear to be even greater. A good example of this would be Thomas Cook, who has developed a Holiday 360 App which can be used to allow their customers to virtually explore their overseas hotel resorts.

And while AR and VR clearly offer great prospects to build engagement, they can also be used in a real way to enhance conversion rates. In direct selling, companies such as Cimagine have been using the technology to enhance sales of Coca-Cola vending machines by allowing retail customers to visualize their units in-situ; they claim sales increases of as much as 20% versus traditional methods. In a digital context, the use of AR allows companies to create digital coupons for use in retail contexts. While we are still a while away, it will certainly be the case that AR and VR offer interesting e-commerce platforms in the future.

Developing engaging content is definitely one of the keys to success. As flashy as it is, at the end of the day, consumers will ultimately seek the content not the technology, so it's important to focus on creating content in which brand interactions are seen as appropriate and engaging. It's likely also that the increasingly wide availability of inexpensive 360 degree cameras will lead to an explosion of such content, with a concurrent rise in interest to experience it in a more immersive way with VR headsets. The YouTube 360° Channel created to be a home for such content is experiencing a dramatic rise in content upload and subscriber base.

As the technologies develop, it's important to see both AR and VR as channels that need to co-exist with a cross-media set of activities. Rather than see AR and VR as stand-alone technologies, it will be important for digital strategists to explore how the technologies can be deployed as part of broader integrated marketing campaigns. In line with audiences spending a growing part of their media time immersed in virtual and augmented worlds, it's clear that media planners will look to AR and VR as viable media channels.

And it's worth remembering that despite the undoubted hype, only a minority of consumers have tried AR or VR technologies, so it's crucial to use the opportunity to expose people to the concept in contexts such as retail and exhibitions, and to use clear calls-to-action in creative executions. The hospitality and tourism sector is well placed to act as an early lead market in the deployment of both AR and VR, in this way offering digital marketers exciting opportunities to create superior brand engagement and accountability. Early movers to incorporate these technologies stand to build a significant edge in their hotel marketing.

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***Alex Gibson** is a Senior Lecturer in Marketing in the School of Hospitality Management and Tourism, Dublin Institute of Technology. His research interests focus on the application of augmented and virtual reality in the hospitality industry, and he has led a number of projects in this area. He is the founder of the International ARVR Innovate Conference which has a focus on business applications of these technologies. Alex is a fellow of the Marketing Institute of Ireland and a member of the International Society of Hospitality Consultants.*

Personalization as the key to success in managing the customer journey

by Rémy Merckx 

In the old days of the hotel industry, prior to the dawn of digital age, the only important criterion for success was “location, location, location”. While this is still important for hotel owners, Rémy Merckx, VP Marketing, Carlson Rezidor Hotel Group writes that on the marketing side “content, content, content” has become key.

What other than a “great experience” are the billions of travelers around the world looking for when they enjoy travelling in their favorite destinations, with their favorite airlines, in their favorite hotels? It’s all about their personal experience - because this is what they will remember, share, recommend and for sure book again and again.

The experience starts before they even think of travelling somewhere. Hundreds of touch points are available to any supplier to contact both existing and potential customers. Mastering the customer journey is the essential challenge that every single hospitality brand has to face.

For me, the new way to market any product is based on content. Content is not king, but content is the kingdom. And what better if you manage to personalize this content to your audience, to individual needs, to feelings and emotions? This is how I believe our brands will connect with its ambassadors moving forward.

In the hotel industry, if we want to reclaim ownership of our customers from the duopoly of Booking.com and Expedia (who collectively own more than an 80% share of the hotel online distribution market), it can only be through offering to all our customers a more personalized experience throughout their entire customer journey. And guess what, it’s the content you’re going to push to them throughout your interactions that is going to qualify and incentivize their choice to make a booking or not. Even better, it’s going to be your customers that will build the content you will use with other customers.

The beauty of today’s and tomorrow’s digitization of our commerce and our marketing is that customers are unique, for sure, but through highly detailed data analytics they will end up belonging to “lookalike” audiences (thank you, Facebook). This is a key element of how we can scale our personalization marketing activities to a wider and more global audience.

If we want to use our digital assets (mobile sites, apps, web, social. . .) to reclaim ownership of the customer, we as an industry need to change the management of personalization and content from an “inside out” perspective to a more “outside in” model. We have to deploy our digital content based on individual preferences and explicit behavioral trends. Just looking at previous history is not enough anymore. Gone is the time when you could build a “one-size-fits-all” product or offer and try to target the right audience with it. The old approach is too rational and too system-driven, with just a single objective, selling more products, blindly. The “outside in” model is driven by emotional needs and how hotel brands and organizations respond to it.

With only very few exceptions (actually no exceptions, in my eyes), most hospitality/hotel brands are not Apple and probably never will be in the future. To do this, the investment to become a leader in innovation, in product launch, in content and in social engagement is way too big for any hotel company in this world. Our economic models simply don’t allow it. But we still need to make customers care about us and digital personalization is a great opportunity. Small things can make your brand very, very interesting, engaging and sexy. I strongly believe that lack of engagement with a hotel brand nowadays is because – your brand/product s..ks or your content s..ks, big time!



So in a nutshell, to master personalization we need to:

- have a strong in-house content marketing strategy based on the “outside-in” model. Your customers are your best content providers and guess what, most of the time it’s free!
- invest massively in appropriate technology, allowing you to collect the data, analyze it and moreover automate the distribution of the right content at the right moment to the right person in an increasingly complex multi-channel world.
- keep in mind that our customers are humans; they have emotions and they have never previously shared as much of their emotions as they currently do due to the digitization of communication tools. This presents a huge opportunity to get to know them better and ultimately serve them better.

Hotels can take back control of the booking process – becoming the one source of reliable information that will allow loyal, existing and future guests to make the best choice while they book a hotel room. Investing in the quality of our own assets (digital platform, social, content...) and incentivizing our customers to book directly by offering exclusive experiences to these customers is key.

The era where OTAs were dictating what hotels could or couldn’t do with their own customers is over. Member-only rates available only on the direct brand.com websites is just the first marketing initiative that suppliers will engage in to reclaim this famous and favorite customer. Why would we allow the OTAs to do this for 15 years and not do it ourselves on our direct channels?

Maximizing visibility is more important than ever. Don’t look only to the bottom part of the funnel (reservation) but make sure you have the right content at the right moment and on the right channel to reach all your customers throughout their “purchasing” journey, from their initial contact with your brand and throughout the customer journey.

Mobile apps are for me the ultimate “in-house” personal experience tool. Don’t minimize on the technical investments needed to enable such functionality, as this is the perfect moment to offer the most personalized experiences - while they are staying with you.



***Rémy Merckx** is the Vice-President of Marketing for Carlson Rezidor Hotel Group. He is in charge of leading, developing and delivering the global marketing strategy by optimizing all hotel sales through the group digital and online channels, driving incremental business and revenues to the branded hotels by increasing significantly the traffic and the conversion of the branded digital platforms. Rémy joined Carlson Rezidor Hotel Group in July 2013 as the Senior Director e-Business Development after holding the VP e-Commerce Sales & Distribution position for the Accorhotels group in Paris. Prior to his Accorhotels tenure, he worked for 10 years for Expedia, Inc.*

Only connect: How linking visitor personas to staff personas can supercharge your content

by **Nathan Midgley** 

As hoteliers, one of the most valuable – but underutilized – marketing resources we have is all around us: our staff. Within the members of our staff resides a wealth of skills, knowledge, and character that we can, and should, present in compelling ways to our prospective guests. Melt Content’s Nathan Midgley explains how and why.



Hospitality is about people, right? For all the variations we’ve developed for hotels and restaurants, the core idea remains the same. A group of people – the staff – welcome another group of people – the guests – to their place, where they feed them, entertain them and give them a bed for the night. With that in mind, look at the first five hotel websites that come to mind, and ask yourself this: where are all the people?

Chances are you’ve been looking at static photos of empty bedrooms, deserted lounges and uneaten food, and reading pages that talk about “services” and “amenities”. You’re looking at the path of least resistance. Empty rooms are easier to film and photograph – bring people and speech into the equation and you have a longer, harder shoot and a longer, harder edit. Internal marketing teams know the selling points of their “services” and “amenities” inside out, and it’s easier to brief writers to repeat those than it is to commission personality-led pieces.

***Nathan Midgley** is chief editor at Melt Content, a digital marketing agency that specializes in the travel industry. His client work at Melt has included creative and editorial briefs for Expedia, Hotels.com, Red Carnation Hotels and Tully Luxury Travel. Nathan has a broad background in copywriting, editing, B2B journalism and digital production, and has been digital editor of both Travel Weekly and TTG (Travel Trade Gazette) in the UK.*

When hotels develop a content strategy, a similar thing tends to happen. Marketers trawl persona and keyword research for themes, then connect those themes to things: facilities inside the hotel (Hey, we have a great restaurant!) or to cool things nearby (Hey, we're close to a great restaurant!) Hence blog posts that awkwardly push on-site bars or gyms, and listicles flagging up the cool coffee shop or art gallery round the corner.

Creating content about facilities and nearby points of interest isn't bad per se, and I don't propose throwing it out of the window. The problem is one of differentiation. How different is your on-site bar or gym to your nearest competitor's? When your competitor starts talking about the same coffee shop and gallery around the corner, where do you go next?

Critically, this is a problem that becomes more acute as more and more hotels begin to invest in content. With 77% of B2C marketers expecting to produce more content this year than last, according to the Content Marketing Institute, that is a real, not hypothetical, threat.

So what's the next frontier for differentiation through content? Not every brand suits or can afford Marriott-style original entertainment, but there are unexplored – and much less capital-hungry – opportunities under the nose of every hotel marketer.

Let's go back to where we started: It's about people. The most bankable differentiation comes from inside the property, or from within the wider business. Hospitality brands are shaped by their people, both front of house and behind the scenes – from the superstar sommelier at a boutique five-star to the technologist fine-tuning automated check-in experience at a budget chain. Who are those people? How can you find engaging, valuable ways to showcase what they do?

When you start to see your staff as a differentiation point, your content strategy development shifts a little. Now as well as trying to connect target customers' interests to your things, you're also trying to connect guests' interests to the interests and talents of your people. (Side note: one of the obstacles to doing this right is not knowing what the interests and talents of staff actually are. Surprisingly few marketing departments do.)

Say your guests love food. Instead of just showing them a menu or a list of nearby restaurants, why not get your head chef to show how a dish is made, or talk through a local specialty? Why not get your concierge to explain how to get a table at the hottest restaurant in town?

Think about your internal talent as falling into three categories:

1. Skills: What impressive or interesting things can they do? (For instance: one of our clients has a great explainer video on the art of sabrage, fronted by their sommelier.)

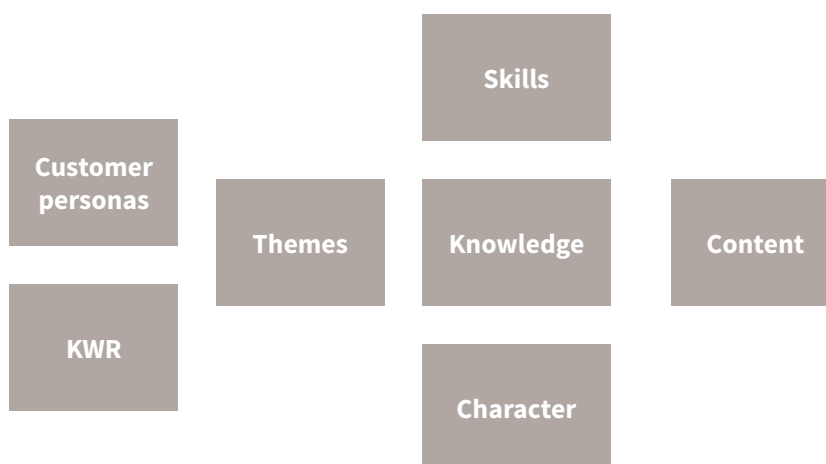
Roles to look at: fitness instructors, chefs, designers, mixologists, facilities managers

2. Knowledge and connections: Knowing where to go when; being able to secure a table at the coolest restaurant or get the best seats at a game or concert.

Roles to look at: Concierges, reception staff, guides (even if you don't have in-house guides – there's no reason not to use trusted contractors)

3. Character: The ability to bring to life a property's ethos or heritage, demonstrating sophistication, sense of humor.

Roles to look at: This is a talent that can come from anywhere – but founders, archivists, senior or long-serving staff members all have potential.



This isn't about trying to turn your staff into high-profile, full-time bloggers or vloggers – it isn't a zero-sum game, and you'll still want influencer and media channels in your marketing mix. In fact, you might find you get the best results from using an influential external voice to highlight the best of internal talent. The important thing is to start mining your organization for talents and stories right now; when content reaches critical mass, it's going to be the best way for some brands to cut through the deepening noise.

Make your digital marketing sustainable with evergreen content

by *Alan Young* 

Evergreen content is content that continues to be relevant to your audience well after it is first published. Alan Young, CEO and Co-Founder of Puzzle Partner Ltd., explains how to maximize the effectiveness of this timeless, and highly valuable, content.

Evergreen trees are symbols of perpetual life because they don't shed their needles during the fall and winter seasons like most other trees; instead, they keep their majestic look and presence throughout all four seasons, staying fresh all year long. Evergreen content is pretty similar in that it's designed to last as long as possible.

Evergreen content is content that continues to be relevant to your audience well after it is first published. Content that will be just as useful or interesting to readers in a month, six months, or five years from now. This is in contrast to posts related to events, new product announcements or technology reviews that will expire, evergreen content retains its value over time.

Evergreen content was originally a concept developed in print media to describe topics that never go out of demand. The kings of evergreen content are lifestyle magazines that basically run reworked versions of the same "lose weight and get lean fast" or "how to look ten years younger" articles every month of every year.

Naturally, content can't stay relevant forever, especially in certain industries. However, producing an engaging piece of content that can repeatedly be promoted over a period of time enhances your marketing and content strategies. Within the hotel and travel industry, ensuring that you have evergreen content is imperative as it drives a sense of stability and continuity. However, this effort is getting more challenging as new technology and social media platforms now force hoteliers and suppliers to refine their content at an extreme pace, thus losing a sense of the real stories and messages that connect with their target audience.

Benefits of going "green" with your content

Content is definitely king when it comes to digital marketing. In fact, 88% of B2B companies and 76% of B2C companies are doing content marketing, according to research from the Content Marketing Institute. This is a lot of content. So it makes sense to maximize your ROI by increasing the shelf life of your content by creating material that can stand the test of time.

Evergreen content is compelling as it reinforces your standing as a thought leader. It drives unbranded search engine traffic year in and year out and attracts natural inbound links since it's more likely to be cited on other niche sites. It can support your sales effort by supplying persuasive responses to common buyer objections as well as act as an effective lead generation and nurturing tool.

Types of content used in the past 12 months to make B2B purchasing decisions:

- White papers (82%)
 - Case studies (73%)
 - eBooks (67%)
 - Articles/blog posts (66%)
 - Infographics (66%)
 - 3rd party/analyst reports (62%)
- (Source: DemandGen Report 2016)

Evergreen content formats

For content to reach true evergreen status, it must be authoritative, yet at the same time it must be readable. Albert Einstein said, "If you can't explain it to a six year old, you don't



About Puzzle Partner

Puzzle Partner is a boutique marketing agency that specializes in helping hospitality and travel innovators achieve winning performance and dramatic growth. The company is expert at combining strategy and tactical execution in a way that doesn't just maximize a company's potential; it redefines it. By delivering relevant, proven and effective marketing services and public relations rooted in the skills of its staff and tested through real-world experience, Puzzle Partner helps its clients gain visibility, raise their profile and ultimately increase their sales revenues.

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understand it yourself." No matter how erudite your target audience is, straightforward language is always a winner. That's not to say that simple is easy. It takes seasoned communicators to strip away complexity. Some content types that lend themselves to evergreen content include:

- White papers
- Infographics
- Text articles
- eBooks
- Case studies
- How-to guides/best practices
- Tutorials
- Frequently asked questions (FAQs)
- History of/evolution of articles
- Lists/checklists
- Reviews
- Videos and slide presentations
- Interesting stats and data
- Strategies for/hacks for common issues/tasks/goals
- Success stories

Think about what most customers need. If you keep getting the same questions from customers or prospects, it's time to create a great evergreen piece that will resonate with your customers. These fundamentals that you may often overlook, are exactly what keeps people engaged.

Evergreen content distribution


To get the most long term value, you also need to have a strategy

for content distribution and promotion. You can routinely share content to attract new prospects, move leads through the funnel, as well as educate partners, consumers and employees.

- Use your evergreen content as the basis of guest articles for respected sites and outlets in your industry.
- Include a call to action for your evergreen content and include a gated landing page to collect lead data.
- Feature your most popular evergreen content as a call to action in PPC ads or banner ads
- Let influencers in your niche know about your evergreen content – they may want to mention it on their blogs and link to it.
- Post your content on LinkedIn pages, groups and other social media forums.
- Arm your sales reps with evergreen content that they can share with their leads and customers via email or onsite visits and events.
- Market your content to your customer and prospect base by featuring it in e-newsletters or as a "featured item" on your website.

Evergreen content should have a place in your overall content marketing strategy. If it doesn't, you may have just pinpointed a reason that your strategy isn't performing as well as you think it should. Most importantly, remember that patience is a virtue. Evergreen success does not happen overnight; you have to allow time to reap the rewards even during this amazing time of technological and social advancements.

Generic blast emails are killing your business

by **Kenny Lee** 

Thinking of sending out a mass emailing to everyone in your database? Don't do it! says Revinate's Kenny Lee. You not only risk recipients deleting your message, but worse: they may unsubscribe and even mark your email as spam – both of which reduce your ability to communicate with them in the future.



The data shows that, when used correctly, email is by far the most effective digital tactic for driving customer acquisition and retention. And, across industries, research shows that email continues to drive at least four times higher ROI than all other marketing formats.

But, generic blast emails, or those that you send to your entire database, are actively hurting your ability to communicate with your guests. According to a Hubspot survey (which allowed multiple responses), while 68% of consumers merely delete unwanted email, 58% of consumers will also unsubscribe, reducing the size of your email marketing database and removing your ability to contact those guests in the future. Even worse, 49% of consumers will mark unwanted email as spam. If your communications receive spam reports often enough, this will hurt your sender score, which affects your email deliverability.

In other words? A smaller guest database equals less potential revenue from loyal, repeat guests. And, if your emails are attracting enough spam reports, this can actively hurt your ability to communicate via email with anyone at all.

OTAs are owning the relationship

In addition to generic blast emails, hotels have another problem: with the consolidation of the OTA market and emergence of new channels such as Book on Google and TripAdvisor, hotels are paying more than ever in booking commissions. While OTAs are great for acquiring new customers, because they are actively working to build relationships with

hotel guests, hotels may soon see fewer direct bookings and end up paying more in OTA commissions. Unless hoteliers take action now, middlemen will soon own the relationship with their guests.

The future of email marketing

The news isn't all bad. It's not that your guests don't want to hear from you - it's that your emails aren't relevant to them because the messages are too generic. Consumers today overwhelmingly prefer to communicate with brands via email. But, they expect more. They expect every communication to be relevant to their interests.

So, what actions to hoteliers need to take in order to keep their past guests engaged, loyal, and booking direct every time?

1. Engage in segmentation and targeting

One way to increase direct bookings is to target messaging to guests who have previously booked with the hotel in the past. By engaging these guests, you can give them special incentives. Keeping active subscribers (guests who have recently opened or clicked in an email) is also critical for maintaining and improving both engagement and deliverability.

By creating audience segments based on information in your CRM, you can more closely engage your prospective guest. For example, you can segment by recency of stay (i.e. guests who have stayed within the last six months, 6-12 months, and 12-18 months). You can also segment by other attributes like gender, guests who booked direct versus those who booked through an OTA, or those traveling for business versus those who stayed with their families.

2. Humanize your sender

Some hotels send messages from "marketing@hotel.com" or "frontdesk@hotel.com" for email marketing automation purposes. Some also sign messages with "Best regards, [Hotel Name]."

In other words, the personalized factor is missing. Since personalized emails are more effective, you should be sending out messages from a real person—one who represents your hotel's brand, as well as the appropriate message you're trying to convey.

For example, an email asking a guest to leave feedback could come from the General Manager of the hotel. Or an email advertising a spa special could come from a favorite masseuse. It's all about conveying a sense of the personal touch in your communications.

3. Create subject lines with C.U.R.V.E. appeal

With 64% of people opening an email based on the subject line, this little one-liner holds a lot of weight in the success of your hotel's email marketing efforts. Your subject line needs to stand out as a personal, relevant conversation with your guests in order to stand out amongst all the other marketing messages in their inbox. A good subject line should tap into at least one of the following: Curiosity, Urgency, Relevancy, Value, and Emotion. (To learn more, read our article on Alex Williams' C.U.R.V.E. formula.)

4. Be mobile friendly

With a full one third of all emails being opened on mobile devices, it is critical for every email your hotel sends to be responsive and mobile-friendly. If your offers are not easy to consume and book on a mobile device, your guests are likely to ignore or delete your email.

5. Design with focus

Think about the goal of each email campaign, and the specific action you want your guests to take when they open the email. Once you have a solid understanding of what you want to communicate, then you can think about how you can convey that with your call-to-action, copy, and the design of the email itself.

The key is to clearly communicate what you want your guests to do when they open your email with a strong, primary call-to-action.

6. Be opportunistic

Think about this scenario: Your hotel has a big group cancellation and you need to fill rooms in a short period of time. For example, you might send a special offer to past guests who live within driving distance - those who are most likely to respond. Do your systems allow you to communicate to a specific segment of guests on short notice?

Conclusion

Ultimately, generic blast emails are a thing of the past. The good news for hoteliers is, the technology exists today to create relevant communications for each guest at scale. You can see how others have done this with our Email Campaign of the Month series. If you're interested in learning more about email marketing for hotels, we'll be hosting a series of certification courses in 2017. Sign up here to receive updates on upcoming courses.

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About Revinat

Revinat helps hotels turn guest data into revenue. With Revinat's reputation management, satisfaction surveys, and CRM/marketing automation, hotels can make smarter investment decisions, resulting in increased revenue and guest satisfaction. The company is backed by leading investors Sozo Ventures, Benchmark Capital, Tenaya Capital, and more. Headquartered in San Francisco with offices in New York, Amsterdam, and Singapore, Revinat counts over 30,000 of the world's leading hotels as customers.

www.revinat.com

Curating the guest experience in the age of digital marketing

by *Christophe Tayon* 

Hotels, and the amenities they offer, are designed to provide guests with a truly unique experience, and their marketing campaigns should do the same. With the advancement of hotel CRM and digital technology, it is now possible to create meaningful digital interactions throughout the guest journey, starting at the inspiration stage and continuing post-stay with specialized campaigns based on your loyalty program. Cendyn's Christophe Tayon walks us through the process.



The key to success is simple: know your guest so you can anticipate their preferences and desires. Hotels that personalize their communications to plan, guide and nurture the guest experience are able to turn guests into loyal brand supporters and advocates. With value at the center of their campaigns, they can break away from discount-driven marketing.

1. Centralize your data to build a robust guest profile

Hoteliers have a wealth of data in their systems, including Property Management System (PMS), Point of Sale (POS), Central Reservation System (CRS), call center, Food & Beverage, spa, etc. which they can integrate with online data (email, web analytics, guest satisfaction surveys, and social media platforms) to build the foundation of a robust guest profile. By augmenting this first-party data with third-party data, they can build a complete view of their guests that covers an array of useful dimensions, including guest history, value, status, behavior, preference, interest, intent and engagement.

2. Segment your audience to personalize communications

While actionable insights are changing the foundations of hospitality marketing, audiences compiled from data have become one of the most critical campaign assets. Audience segmentation is the key process that not only makes this data actionable, but also enables personalization. It allows marketers to change their approach from interruption marketing to a more efficient engagement strategy that focuses on quality. Generally speaking, it is about delivering the right message at the right time to the right person, and adhering to Seth Godin's idea that "People do not buy goods and services. They buy relations, stories[...]" while "finding new ways, more clever ways to interrupt people doesn't work."

We recommend starting the segmentation process with the RFM technique, which looks at “recency, frequency, and monetary value” as a way to differentiate groups of guests. This allows hotels to organize their guest profiles in a way that enables them to answer the following important questions:

- Who stays with you the most often?
- When do they stay?
- Have they visited lately?
- How much do they spend?
- How much have they spent over time?
- Who are your high-yield guests?
- Who are your lapsed guests?

The end game is gaining the ability to summarize your major marketing segments into personas that connect lifestyles and life stages to the various guest experiences the hotel offers, both on and around the property. These could include, for example, classifications like romantic getaway, family vacation, active lifestyle/sports/adventurous excursions, pampering, and/or luxury. Today, there are many tools available that help make guest segmentation relevant and accessible to hoteliers.

3. Automate communications throughout the guest cycle

Before automating marketing campaigns, it is important to remember why we want to personalize communications in the first place. The main reason is to create an emotional connection between the guest’s lifestyle and the hotel experience, which leads



We also highly recommend segmenting guests based on where they stand in the guest cycle, particularly pre-arrival guests with a reservation, on-property guests and post-stay. Once these basic segmentations are in place, there is no limit to what hotels can do to further slice and dice their data with a view to creating personalized communications. For example, marketers can always add dimensions to differentiate audiences based on age, gender, income, the device they use to book their reservation, or interest (golf, spa, food, culture). When it comes to segmentation, the idea is to leverage your hotel CRM to move past basic audience characteristics and discover more specific, and perhaps more relevant, audience attributes.

to higher engagement and conversions. Above all, it is important to remember that even when a hotel sends an email to its entire database, it still needs to feel personal and relevant. Automating communications requires a multi-step approach. First, you need to decide on a specific campaign goal and map where it falls on the guest cycle (pre-arrival, on-property, or post-stay). This is the critical first step, and significantly impacts all the decisions that follow. For example, hoteliers could set a goal of revenue generation and focus on room reservations for a post-stay need period campaign, offering room upgrades for a pre-stay campaign, or generating ancillary revenue with spa or dining reservations through an

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on-property campaign. Once the goal is set, they can then mine their guest intelligence to define relevant audience segments, and use their guest intelligence to produce campaign assets. In effect, it is the hotel CRM data that creates the guest intelligence necessary to understand the audience, simplify choices and curate experiences within the email campaign.

Of course, campaign goals don't have to focus solely on revenue generation, they can also be used to streamline operations, reward loyalty, collect data, or simply create meaningful interactions to build long-term relationships. Instead of focusing on revenue, you should think about planning the experience pre-arrival, then guiding the experience on-property, and finally nurturing the experience post-stay. In other words, mapping out meaningful interactions throughout the entire guest cycle. The best way to start is with a personalized reservation confirmation email, and ensuring that the personalization is continued in all subsequent communications. Post-stay, it is best practice to send a satisfaction survey and re-engagement emails before actively targeting the guest with promotions.

The loyalty loop

Delivering personalized guest communications improves guest engagement and satisfaction, while creating an emotional connection between the guest and the hotel brand based on value, rather than price. It also advances guests along their own guest journey, by building up expectations pre-stay, allowing guests to compare those expectations against the experience delivered, and prompting guests to make their next decision based on whether or not their expectations were met.

Planning, guiding and nurturing the guest experience influences that next crucial customer journey decision, leading to more repeat business as well as more direct bookings. In light of a Compete study which found that travelers visited an average of 38 travel sites before making a purchase, building an emotional bond to defeat commoditization is the key to success. Loyal guests bypass the consideration and awareness phase of the purchase funnel and become return guests. Leveraging your customer data efficiently by making use of appropriate marketing automation tools has thus become the critical success factor in today's digital marketing landscape.

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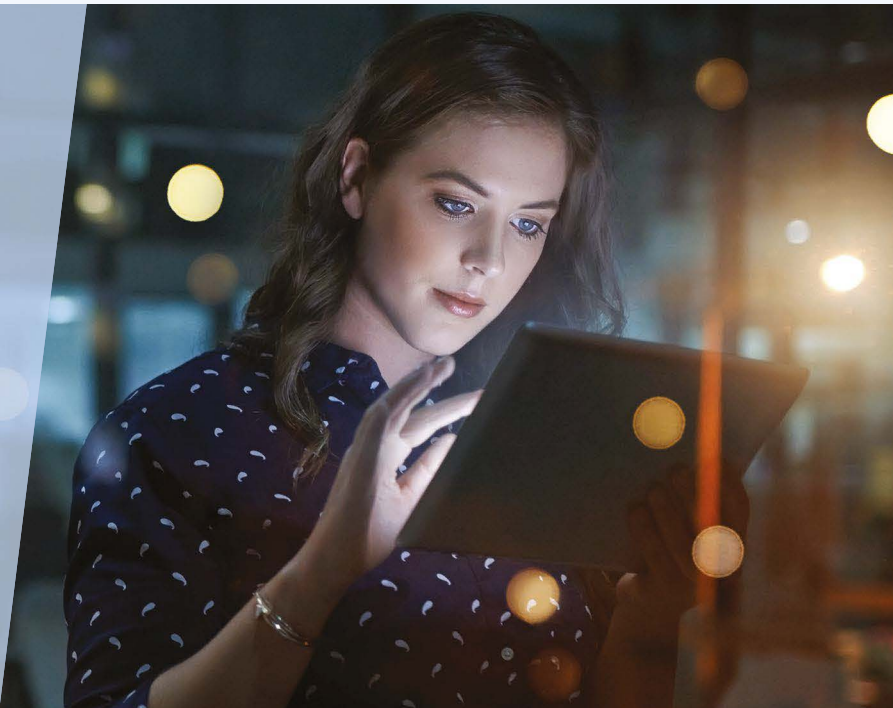
Christophe Tayon has over 15 years of experience in the travel & hospitality industry, working for and with OTAs, GDSs, devising data-driven marketing strategies to structure solutions to support and promote retail and channel sales. Christophe is a travel and digital technology advocate. He joined Cendyn as Director of Marketing in 2015.



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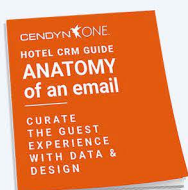


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Highs and lows: Hotel digital marketing today

by **Bob Gilbert** 

In the aggregate, what do we seem to be getting right when it comes to executing effective digital marketing strategies? And what about our shortcomings? Bob Gilbert, President & CEO of HSMAI, has compiled two top ten lists that give us a snapshot of our successes and areas for improvement.

Prior to its annual retreat in September, HSMAI's Digital Marketing Council surveyed its members to identify what digital marketing strategies have been most successful for hotels over the past few years, and the top mistakes that hotels are making today. Here are the Top 10 successes and mistakes, according to our Council members:

What hotels have been successful at figuring out over the past few years:

1. The importance of online reputation management, operationalizing it, and creating goals and ADR impact around it.
2. "Owning your distribution" and how to best use different channels is key.
3. Understanding digital marketing ROI, communicating the importance and gravity of the data, and implementing appropriate tracking.
4. Communicating the value of digital marketing strategies and learning to leverage analytics. We're also collaborating more effectively with owners.
5. Hotels, especially independents, have done a much better job balancing budgets. Everyone understands that digital shouldn't be an afterthought.
6. Developing better websites (responsiveness, data analysis) and recognizing and managing reputation.
7. Utilizing social media for customer service, especially when it comes to events and meetings.
8. Realization that we do have to pay to market – there is a cost for customer acquisition.
9. Many large chains and brands have made great strides in enhancing the product experience via digital (keyless check in, CRM, pick your room).
10. Building up knowledge in ecommerce is important, so we're seeing more hotel groups adding to their teams with these positions.





About HSMAI

The Hospitality Sales and Marketing Association International (HSMAI) is committed to growing business for hotels and their partners, and is the industry's leading advocate for intelligent, sustainable hotel revenue growth. The association provides hotel professionals & their partners with tools, insights, and expertise to fuel sales, inspire marketing, and optimize revenue through programs such as HSMAI ROCET, Adrian Awards, and Revenue Optimization Conference. HSMAI is an individual membership organization comprising more than 7,000 members worldwide, with 40 chapters in the Americas Region..


www.hsmmai.org

Top mistakes hotels make in the digital marketing arena today:

1. Hoteliers can still be too literal when analyzing results, and have trouble seeing the big picture (analyzing initiatives in silos rather than as a whole).
2. Jumping into a new trend (channel, device, etc.) rather than being strategic and holding true to a comprehensive marketing plan.
3. Hotel marketers (sales, revenue, digital) are still struggling to co-exist successfully with OTAs.
4. Focus on search and the purchase funnel, but don't focus on the path from search click to purchase intent.
5. Underestimating the importance of a website in the search process
6. Under-resourcing of the marketing department.
7. We are still functionally reactive rather than proactive.
8. Decision-making on how much of the budget should the hotelier focus on reaching repeat guests, and how much should be directed to reaching in-market travelers
9. Being short sighted on digital and only looking for a short-term ROI is a common mistake.
10. Measuring the wrong things or not matching the proper KPIs with marketing message.

HSMAI's Digital Marketing Council connects travel marketers in a way that leverages interactive customer engagement as a marketing medium while increasing the awareness of emerging issues, opportunities and trends. This is accomplished through a wide range of information sharing, networking and educational opportunities. The Council, and HSMAI, is focused on creating educational opportunities to address the issues hotel marketers are facing today and will be facing tomorrow, including the Certified Hospitality Digital Marketer (CHDM) certification program and events like the HSMAI Digital Marketing Strategy Conference, now being held in regions around the world.

Online reputation management: To 2017 and beyond

by **Daniel E. Craig** 

After over a decade of social media in the mainstream, the online reputation management function has reached a maturity level in the hotel industry, writes Daniel E. Craig, founder of Reknown. As we look ahead to 2017 and beyond, he shows how we can draw from past experience to fine-tune our reputation management strategies going forward.

Online reputation management (ORM) grew out of the explosive popularity of social media, which connects consumers, gives them a voice, and facilitates the exchange of purchase information and advice. Today, most travelers check out online reviews as part of their trip planning, and a hotel's reputation can significantly impact booking decisions.

Social media has elevated the travel experience by forcing hotels to be more transparent and accountable. The old "bait and switch" tradition so common in travel marketing in the past is much riskier today. Hotels that mislead travelers with fairy-tale descriptions and fantasy photos face a backlash in bad reviews. Today, it's about reality marketing: setting realistic expectations and positioning the hotel to exceed them.

Some hoteliers lump all social media together, attributing comparable value to likes and shares as to reviews and ratings, but it's important to distinguish between two types of social media: online reviews, as found on TripAdvisor, Google, OTAs and other review sources, and content shared on social networking sites like Facebook and Twitter.

As a marketing channel, social networking sites are inefficient and noisy, with questionable returns on investment. On Twitter, it feels like everyone is talking and few people are listening. Facebook, having all but shut out brand posts from user news feeds, has become more of an advertising channel than an engagement vehicle. But people don't go to Facebook to plan

trips; they're there to socialize and to catch up on news. When people shop for hotels, they go to Google, TripAdvisor and OTAs.

Many hoteliers are distracted by the fun and interactivity of social networking sites, the instant gratification of likes and shares, to the neglect of online reviews. Part of the problem is that Facebook and Twitter are predominantly positive environments, whereas online reviews are the darker, more difficult side of social media, where feedback can be raw, bruising and disruptive. It's easier to disregard or downplay online reviews, to write them off as extreme or fraudulent. This is especially true when reviews fall under the responsibility of a junior employee, marketing or corporate office who has no control over the guest experience and often feels helpless to fix problems.

Facebook and Twitter can't be ignored, however, because some travelers use them as a customer service channel. Like the telephone and email, social networking sites must be monitored for inquiries and mentions and must receive prompt, professional replies.

The priority, however, is online reviews, which serve both as an operational tool, for measuring guest satisfaction and guiding improvements, and as a marketing tool, for building awareness and driving revenue.

As a marketing tool, positive reviews and ratings help a hotel convert shoppers to guests, whereas negative reviews and



ratings impede the hotel's ability to attract guests. As the costs of paid content—OTA commissions, cost-per-click fees and online advertising—rise to an all-time high, earned content in the form of traveler reviews has never been more appealing for hotels. Reviews are more trusted and influential than paid content because, unlike marketers, travelers aren't shilling a product and don't stand to benefit from influencing the purchase decisions of other travelers. Reviews are free, too. Exceed expectations, and let guests do the selling for you.

As an operational tool, reviews can be aggregated, scored and analyzed, and performance can be compared to competitors and affiliate hotels using tools like ReviewPro and Revinat. Review metrics help to guide informed decisions in training, services and amenities, capital upgrades, marketing and even valuations. Hotels and brands that strengthen reputation by focusing on quality, value and service enjoy greater guest loyalty, higher demand, and more market share. Hotels that neglect online reputation must rely on price and convenience to lure guests in.

While guest surveys are also helpful for measuring guest satisfaction, the feedback is private, directed at hotel managers rather than travelers, and does not offer the marketing advantages of online reviews. Nor do guest surveys allow the ability to compare performance with competitors or provide the type of unstructured, unsolicited feedback that can reveal unexpected and invaluable insights.

Responding to reviews

Another area of distraction for hotels is responding to reviews. In recent years, word got out that hotels and brands must respond to every review. Why? Responses inevitably become repetitive, pat and meaningless. Responding is a key component of a comprehensive reputation management program, but there's no need to respond to all reviews. Hotels should chime in when they have something meaningful to add to the conversation such as an apology, a clarification or a thank you.

For some brands, responses are posted by corporate office, sometimes by junior employees who are located miles away and have limited knowledge of what's happening on property. While this may create efficiencies, ensure compliance with brand standards and engender a semblance of control, it often results in rote, meaningless responses that read like marketing copy. Brands should not let managers off the hook so easily. Nothing creates accountability for on-property staff like sweating through the process of responding to criticism and complaints.

Rather than dedicate so much energy to crafting clever responses, hotels should be more proactive—learn from guest feedback, identify patterns and fix problems. This involves focusing on two primary audiences: hotel guests, the people who write reviews, by communicating a clear sense of the experience they should expect and delivering on promises; and

employees, the people who shape review sentiment, by setting clear reputation objectives, sharing feedback and performance metrics, and providing the training, empowerment and recognition they need to achieve objectives.

This requires close communication and cooperation among interdependent departments. Operations depends on sales and marketing to set realistic expectations, and sales and marketing relies on operations to deliver on promises. If there's a disconnect, reputation suffers. When everyone takes collective responsibility for guest satisfaction, reputation strengthens.

From a brand perspective, hotels are interdependent, too. Member properties are the building blocks of the brand's reputation. If a member hotel doesn't uphold standards, the reputation of the brand suffers, and affiliated hotels have a harder time attracting guests. When all properties work together to strengthen and leverage reputation, everyone benefits.

Hotels that truly excel in reputation management take a property-wide, brand-wide approach and integrate reviews into daily operations and culture. It's a process that involves all key stakeholders—on-property staff, corporate staff and

ownership. And it requires strong leadership who can rise above departmental concerns, instill the importance of reviews in staff, set clear policies and guidelines, and use guest feedback as a constructive learning tool, recognizing achievements and celebrating successes. Above all, leadership must provide compelling evidence to ownership of where investments are needed to strengthen reputation and the financial benefits that will result.

Looking ahead, as hotels face burgeoning threats from the home-sharing sector, OTAs with huge advertising and technology budgets, and ever-expanding hotel conglomerates, reputation has never been more critical to success. While technology and traveler behavior will continue to evolve, the principles of online reputation remain the same. It really comes down to being responsive to the needs of guests and leveraging the power of a positive reputation to grow market share.

■

***Daniel E. Craig** is an author, former hotel general manager and marketing executive. He founded Reknown in 2010 to help hotels, brands and destinations understand and adapt to changes in traveler behavior brought on by social media and digital technology.*



The leading expert in online reputation management in the hotel industry, he speaks at events and conferences around the world. His webinars, training sessions and articles draw audiences of thousands of hoteliers and travel industry professionals from around the world.

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Boosting innovation in the HoReCa business

by **Olaf Koch** 

There are historically valid reasons why so few technology-based innovations were adopted by the hospitality business, writes Olaf Koch, CEO of Metro AG. But these reasons no longer hold water, and that is why his company goes to such lengths to help hospitality innovators develop their ideas and bring them to market.



The HoReCa sector is one of the largest and oldest industries of the world. For literally thousands of years, passionate people have created businesses, which are based on culinary competence, personal service and memorable experience. The sector is built on tradition, and in fact many businesses have been in family ownership over many generations. The very large number of entrepreneurs who drive this sector is a great foundation for the future.

It is remarkable, though, that the sector has experienced little modernization. Beside the introduction of new kitchen equipment and utilities, the value chain has hardly been adapted. That is true for almost every part of the business, from supply chain to customer interaction to administration. Most of the work still is manual and analog. The operating system in many ways is the brain, a pencil, and piece of paper.

By comparison, other industries like automotive, transport, consumer goods, and financial services have been optimized over decades. Their introduction of new methodologies and systems has accelerated the flow of goods, massively improved efficiency and quality, and enhanced their productivity. This has created trillions of value.

This raises the question: Why did such modernization not reach the broader HoReCa sector? There are various answers to this question.

First of all, technology was very expensive. It was simply not attractive to consider the acquisition of a sophisticated system which required significant investment in hardware and software. Today, this has massively changed. Technology costs have come down to a fraction of what they used to be, with smartphones being as powerful as high performance PCs ten years ago.

Secondly, only very few technology companies considered the HoReCa market to be attractive. Therefore, only a small number of solutions were available. Nowadays, this is also completely different. A significant number of solutions are emerging that can help HoReCa entrepreneurs to improve their businesses.

Thirdly, the HoReCa market is very fragmented and therefore difficult to reach. A community of literally millions of entrepreneurs cannot be reached with standard sales force approaches.

In summary: The preconditions for modernization have improved massively, but there are still significant hurdles to overcome.

For us at METRO, it is of utmost importance to make a contribution to our clients. We aim to be the champion of independent business and as such, we always seek new ways to support our customers in optimizing their business. This includes locally tailored assortment, value added services, advisory and training as well as solutions. Our ambition is to build lasting relationships and to become an active member and contributor to the HoReCa sector.

In this context, we have started to explore digital opportunities three years ago. At that time we raised two questions:

- Can digital solutions really create substantial value?
- And are there enough of them available?

We quickly identified a quite large number of solutions, which can substantially improve the business of our clients. They range from online reservation, ePOS solutions, reputation management, quality control through to HR and payroll tools. We also identified the need for substantial business development to make these solutions solid and reliable for our customers. In order to achieve that, we teamed up with Techstars, a US-based company which has been professionalizing business building for more than ten years. Together we conduct programs which are perfectly tailored to turn a great idea into a solid business.

However, a key challenge remains in all this, namely: how to reach customers. We at METRO are absolutely committed to playing this role. Our unique international presence and coverage make for a perfect platform to introduce, roll out and scale new solutions into a wide number of HoReCa businesses. In line with our strategy to contribute to the success of our customers, we will undertake significant efforts to turn this potential into reality. By doing this, we will make a contribution to our customers, we will make a contribution to the innovators, and finally we will make a contribution to the HoReCa sector.

We are convinced that a great future lies ahead for the HoReCa industry and we are glad to be part of it and to play a vital role.

About METRO Accelerator for Hospitality

The METRO Accelerator for Hospitality powered by Techstars is a highly selective mentorship program for technology-first startups across the entire value chain of hospitality and food. Each year the METRO Accelerator invests in ten companies who gather in Berlin for 13 weeks to grow, accelerate and scale their business concepts with unprecedented access to resources from the METRO and Techstars' network.

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- A free dedicated working space in the heart of Berlin for the duration of the program
- A high stakes Demo Day at the conclusion of the program where each startup group presents its product and solution to hundreds of investors
- The opportunity to become a lifelong member of the METRO and Techstars alumni network

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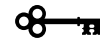


HOSPITALITY TECH STARTUPS

The hospitality industry, enormous as it is in the aggregate, remains one of the most fragmented industries in the world. Thousands of enterprises across the globe provide hospitality services of one kind or another, ranging in size from giant corporations to (literally) mom-and-pop outfits that lovingly look after guests with the most personal touch imaginable.

A fascinating new class of hospitality enterprise has arrived on the scene, however: tech startups. These ambitious young companies are springing up all over, addressing myriad different customer needs. One thing they all have in common, though, is that their dynamic founders have all spotted a gap in the market – perhaps an unserved need for information, or an efficient new way to do something that used to take much more time and effort, or an opportunity to monetize idle assets – and they are focusing their ingenuity on fulfilling this demand they've identified in a new way based on technological solutions.

On the next few pages, the Hotel Yearbook is proud to present a small selection of new startup companies operating in a variety of interesting niches, all aiming to make life easier for travelers and hoteliers around the world.



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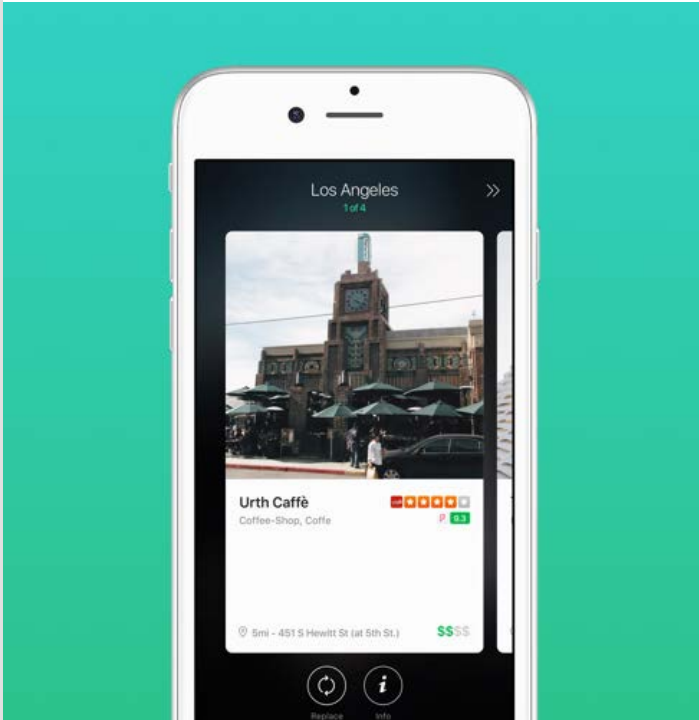
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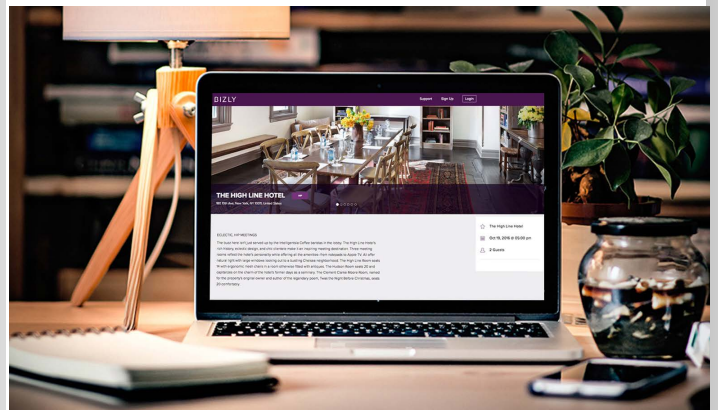


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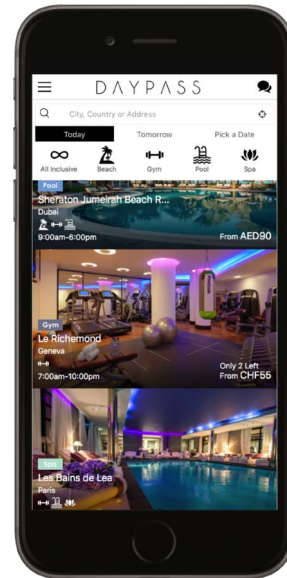
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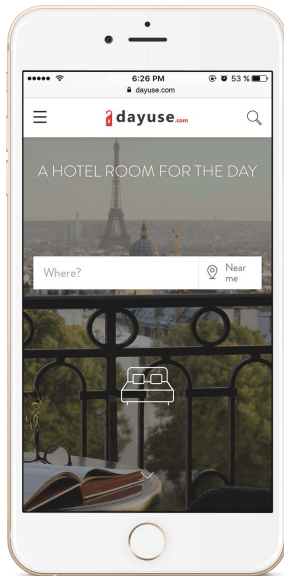
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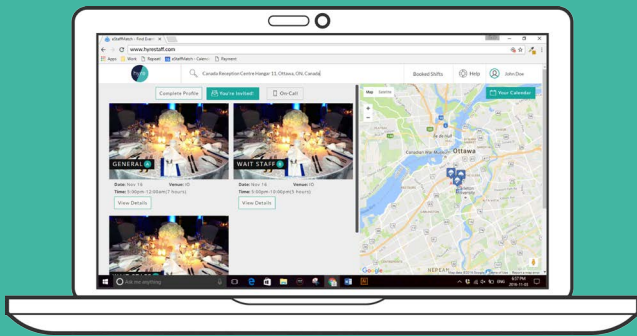
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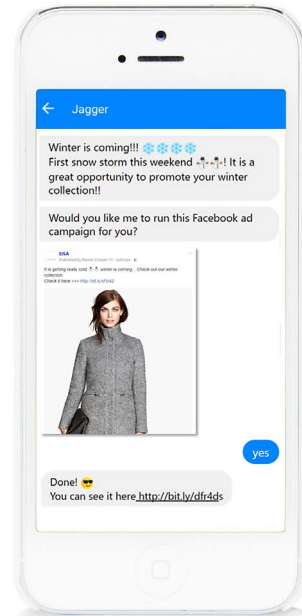


hyre eliminates the need for staffing agencies by directly connecting event organizers with trained event staff personnel



The main problem in the event staffing industry is the low quality staff provided by staff agencies, for astronomical fees. They often charge twice what the staff are actually being paid. But event organizers have been forced to pay that money as there have been no other options to hire temporary staff – until now. hyre is an online marketplace that is revolutionizing the event staffing industry by connecting event organizers with high quality event staff. For event organizers, hyre is the easiest and fastest way to staff events. Organizers are given complete and total control over price and quality of staff through the platform’s unique performance rating system. For event staff, hyre is the most convenient way to book shifts, allowing them to have flexibility and entire control over their schedule. The platform’s rating system also helps them stand out and rewards great performance with higher earning potential.

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Chatbot assistant for restaurant managers

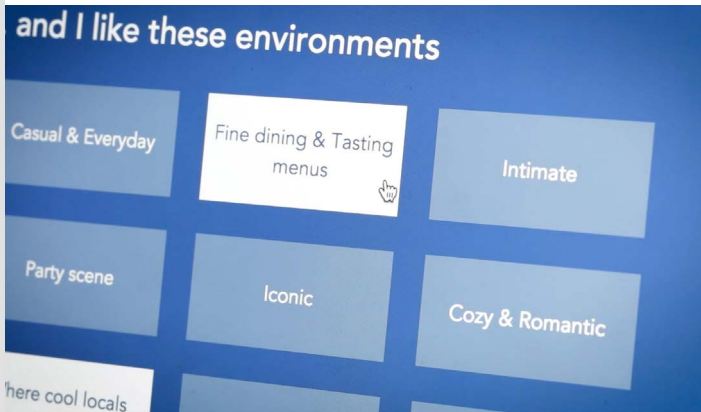
Jagger is a virtual marketing assistant for restaurant managers that provides the easiest and fastest solution to build effective online marketing campaigns. It helps save precious time and thus increases the number of customers. Due to their busy schedule, many restaurant managers don’t have the time or the knowledge of how to run smart online marketing campaigns. As a smart chatbot assistant with artificial intelligence capabilities, and having a message-based user interface, Jagger represents an innovation with which every manager can easily communicate. Jagger can be operated in a simple way and is particularly helpful when it comes to promoting special events. It informs managers of upcoming events and offers to run the campaign for them. Managers only need to answer a few questions via chat so that Jagger can take care of running the campaign for them.

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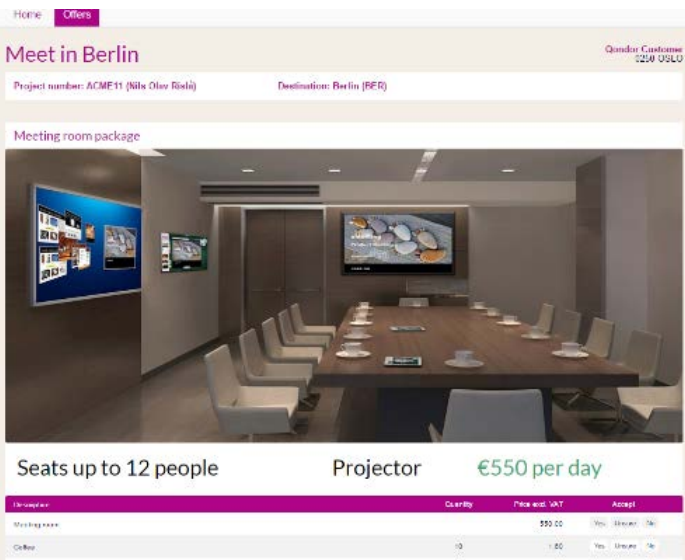
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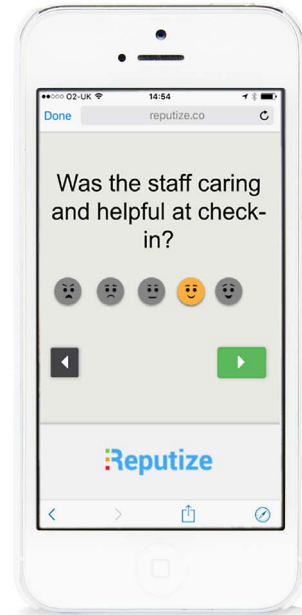


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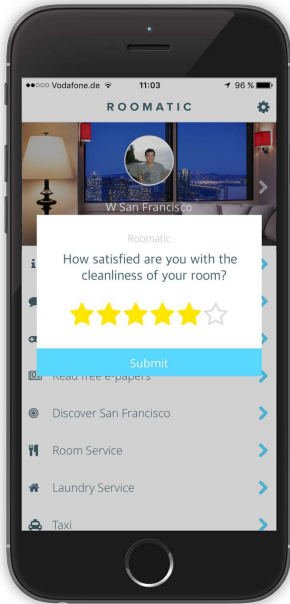
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ROOMATIC - helping hotels avoid negative guest reviews“

Does this situation sound familiar to you?

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The reason for this phenomenon is all too human: many of us simply shy away from direct confrontation.

In most cases, guest issues can be successfully resolved with courtesy and courteous service. Unfortunately, only 1 out of 10 times dissatisfactions are being proactively reported by guests and therefore hotels often find themselves puzzled when trying to reproduce a negative review.

Roomatic, together with experts from the hotel industry, has developed an innovative, real-time feedback solution that enables hotels to improve their online reputation thus giving them an edge over the competition on booking platforms. A full rollout is possible in less than three hours. The service requires no hardware, integrates with hotel Wi-Fi and guests don't have to download an app - usage is purely web-based and works on smartphones, tablets, laptops and Smart-TVs.

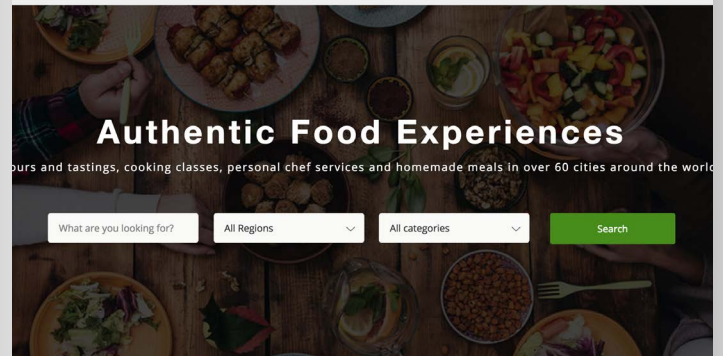
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Digital analytics, demystified: Three analytical techniques to amp up your digital efforts

by **Kelly McGuire** 

“Analytics” is a big buzzword in every industry. The domain can seem complex and vast – and it is. Particularly in emerging areas like digital, there is a lot of noise around the techniques available and their application. Wyndham’s Kelly McGuire shares with *The Hotel Yearbook* three popular digital analytics techniques that can help hoteliers drive value from their digital efforts, describing what they are used for and discussing the algorithms that underpin them in business language.

Testing algorithms

Testing algorithms (also known as “test and control”, “A/B testing”) evaluate the effectiveness of your marketing initiatives in encouraging the kind of behavior you are targeting. A/B testing should be used for every component of every marketing treatment, from your website to your email campaigns to your SEO and pay-per-click efforts. A/B testing is a great place to start with digital analytics. It is easy to understand and relatively simple and inexpensive to implement.

Here’s how it works. Before widely deploying any treatment, you first deploy it to a small sub-set and test whether the reaction is better than your current process. For example, you could test whether an image of the building results in better conversions than a picture of the room, or which email subject line results in more openings. The basic analytical technique that underpins this analysis is hypothesis testing, which evaluates whether a new treatment provides a statistically significant improvement over the baseline.

Kelly A. McGuire, PhD is vice president of advanced analytics for Wyndham Destination Network, where she leads a team of data scientist and developers that build custom analytical solutions for Wyndham’s vacation rental companies and for RCI. She is the author of two books on hospitality analytics: “Hotel Pricing in a Social World” and “The Analytic Hospitality Executive”. Kelly has an MMH and a PhD from Cornell’s School of Hotel Administration.



A/B testing requires:

- a specific, relevant and measurable outcome, such as conversions or click-throughs.
- isolated and simplified treatments. If you have too many variables, you can't isolate the impact of each one.
- continuous implementation. With digital, it's really easy to continuously test, to see results in real time, and to make adjustments quickly.

There are companies that provide A/B testing technology and services at a relatively low cost – just be sure to verify that results are based on statistical models – and check how easy it is to set up and execute tests.

Attribution modeling

Consumers take quite a convoluted path to booking, through many ads and many partners. It is difficult to know which advertising spend is actually generating business, as opposed to just being there after a guest had already made a decision. Attribution modeling assigns credit for digital traffic or digital bookings. Rules-based attribution assigns credit to the first click, last click, or distributes a weighted credit across every channel the guest touches. While rules-based attribution could be useful for simply quantifying activity, it is highly generalized and doesn't pick up on detailed traffic patterns.

Analytical attribution uses science, usually proprietary algorithms, to assign conversion credit across all touchpoints preceding the conversion, using automated computation to decide where credit is due. Algorithmic attribution starts at the event level and analyzes both converting and non-converting paths across all channels, allowing the data to point out the hidden correlations and insights within marketing efforts. Basically, the algorithms are looking for statistically significant patterns in the large volumes of event data that point to one ad or channel as having made an impact, and the degree to which it impacted the ultimate decision.

As with A/B testing, there are software and services available for this. As you evaluate options, make sure that when they say "analytics", it's really algorithmic pattern detection, not just business rules that distribute credit.

Next best offer

Next best offer prediction is where you use what you know about the guest or visitor, in context with their current session, to give them an offer or campaign that they are most likely to accept, either through the website, kiosk, phone or in person.

Next best offers are generated by a predictive model. The model uses past observations where events happened, or didn't, to derive a probability (referred to as a score) that a visitor with a certain set of characteristics, and exhibiting a certain pattern of behavior, will respond positively to a certain offer or treatment. For those familiar with regression, this is a special type of regression where the output is a probability instead of a value. In order to provide next best offers on a website, detailed session data needs to be collected at the visitor level, and where possible, tied to a guest's offline profile.

Anonymous detailed visitor data is also useful, but the results might be slightly less accurate. Typical web analytics summary event level data is not useful for this type of analysis.

Next best offers are generated from observing a statistically significant relationship between an individual visitor's series of actions and a conversion, not by deploying a business rule that says if they click here, and then here, show them this. The offers and treatments shown to guests are up to marketing's creativity and strategy. However, all treatments should still be A/B tested for effectiveness. See, we come full circle.

A word about machine learning

Machine learning is closely associated with digital analytics. It refers to any algorithm that is developed on a set of test data and then deployed on unknown data to perform the same task. The algorithm "learns" the new data and is able to automatically perform the same analysis on new data sets. Algorithms become more accurate with new data observations. Regression, clustering, decision trees, factor analysis, logistic regression, and neural networks are examples of machine learning algorithms.

Machine learning uses many of the same algorithms as data mining, but data mining is focused on exploration and discovery of previously unknown relationships in the data. Machine learning uses known relationships in the data to predict relationships for new observations. This distinction between exploration and prediction is crucial to understanding how and where to use machine learning algorithms. Machine learning algorithms are deployed in production software environments, like websites, revenue management solutions, or marketing systems. Common uses include recommendation engines, detecting credit card fraud and predicting stock market performance.

Pedro Domingos, in his book "The Master Algorithm: How the Quest for the Ultimate Learning Machine Will Remake our World", presents a useful analogy. An analytical modeling approach is like a factory: Humans must build everything, from the raw materials, through the machines and manufacturing process, to the final product – engineering every step. A learning algorithm, however, is more like growing crops: The farmer provides the data (soil, sun, nutrients), and the algorithm (the seed) produces the end product, a mature plant – adapted to its environment. This is the difference between building a best offer model for each possible path through the website, and using one learning algorithm that determines what to put in front of each visitor to push them to conversion based on whatever their activity might be.

Advantage will come from infusing analytics into digital marketing efforts, throughout design, execution and evaluation, pairing the art of marketing with the validation from the science. In this complex and fast moving area, it's important to keep yourself informed about advances, trends and opportunities – make sure you are challenging your vendor partners to explain these concepts, and the benefits, in plain business language, and keep yourself educated seeking out neutral, but informed, opinions. .

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The decade's dilemma: Product or retail

by **Andrew Sangster** 

Hotel brand companies are going through an existential crisis, writes Andrew Sangster, Editorial Director of Hotel Analyst. They are unsure of what it is they are doing and what their purpose is. The problem, he argues, is tied into how they sell hotel rooms.

The direct relationship between hotels and their guests is under threat, at least the booking relationship, as hotels obviously still deal directly with guests once the guests arrive on property.

There have always been intermediaries in the hotel business. Travel agents, travel management companies or conference organizers all take bookings and come between the hotel and the guest at the booking stage. Hoteliers have always moaned about intermediaries, and in particular the commissions they have to pay, but the relationships were broadly in balance. The growing power of online travel agents (OTAs) over the past couple of decades has upset this balance. And yet the process of digitization that sees bookings made online has only just begun.

According to the world's biggest online accommodation booking company, Priceline, in an investor presentation given in September 2016, just 35% of accommodation was booked online in 2015. In other words, nearly two-thirds is still offline. And the rate of increase in online penetration has not been dramatic. Back in 2004, just 11% of accommodation bookings were made online. In 12 years, online has grown its share of bookings by 24 percentage points. A steady, linear growth rate.

There has been some speculation that perhaps online penetration for accommodation bookings has plateaued. This seems to be to be wishful thinking on the part of hoteliers



struggling to come to terms with the threat posed by the online giants. Take the wedding market, for example – a tiny niche segment which most would assume is next to impossible to take online. But CB Insights, a data company that tracks venture capital investments in technology reckons that there has been a total of US\$ 350 million invested in 41 start-ups targeting the weddings market. If digital is disrupting even this enclave, then what chance do segments like business travel or conferencing have of escaping being digitized?

The share of bookings taken by OTAs remains modest at present. According to data from TravelClick, presented at the September 2016 Hotel Distribution Event in London, of the US\$ 15 billion of revenue from 90 million room nights it collected data for in Q2 of 2016, OTAs represented 12.5%. Direct, i.e. reservations taken directly on property via walk-ins or phone calls or arranged meetings, accounted for 38.3%. Brand.com websites accounted for 21.7%, central reservation offices 10.9%, and Global Distribution Systems 15.8%. This shows clearly then that hotels remain in control?

Perhaps not! Looking at data for transient guests in London shows OTAs growing their share from 28.9% to 32.1% for the second quarter, 2015 on 2016. The share taken by brand.com grew by just 0.3 percentage points and all the other channels saw share shrink.

Looking at just large brands showed some good news in terms of channel shift, with a 6% increase in share over the summer months (smaller brands and independent hotels saw brand.com share shrink). The book direct campaigns by the big brands are driving some guests away from OTAs and towards brand.com. Whether this is a permanent shift, and whether it is sustainable given the discounting being used to generate the shift, is a moot point.

The big challenge for hotels is whether they can be an effective online retailer given the strength of the competition. There is a common business mistake in technology, called the stack fallacy, which sees companies believe it is trivial to build in the layer above where they are in the digital marketplace. Perhaps the biggest failure due to the stack fallacy was Google in its attempt to enter social media. A tech behemoth the size of Google should find it easy to hire the right engineers and marketers to build a social media website and app, right? Actually, no! Google failed and Facebook, which was nimbler and more agile, succeeded. Facebook is now Google's biggest rival in the online advertising space.

For hotel companies attempting to build in the digital layer above where they currently sit is an even bigger challenge than the one Google faced when taking on Facebook. For a start, hotel companies are not online marketing companies like the big OTAs. Priceline spent US\$ 2.797 billion on online advertising in 2015, according to its annual report. Its offline advertising spend was US\$ 214.7 million. Expedia, the number

two OTA, spent US\$ 3.38 billion on sales and marketing, or 50.7% of its revenue. In addition, in further separation from hotel companies, Expedia spent US\$ 830 million or 12.4% of its revenue on technology.

If you look at the annual reports of the world's biggest hoteliers, Marriott and Hilton, you will not find specific references to sales and marketing spend or technology spend. They are either too embarrassed to disclose these numbers, or they see themselves as being different than OTAs. At InterContinental Hotels Group, there is more transparency. Its system funds total US\$ 1.573 billion, of which US\$ 308 million is spent on marketing and US\$ 345 million on the rewards scheme. Allowing the latter to count as marketing means IHG spends barely a tenth of what the two biggest OTAs spend on marketing. In fact, the two OTAs outspend all of the world's hotel brands on marketing and massively outspend them on technology.

Unfortunately, OTAs are not the only distribution challenge facing hotels. The rise and rise of the so-called "sharing economy" is producing another, perhaps even bigger, challenge to hotels. OTAs are a threat to hotel margins. The OTA business model is about taking an ever larger share of the online booking marketplace, but what it does not do is introduce new supply. The sharing economy, however, is a direct attack on the top line revenues of hotel companies. Guests are being offered substitute accommodation which sees hotels lose the business altogether, rather than perhaps just paying more to gain the business.

The biggest sharing economy player in the accommodation space is Airbnb. This company is now valued at US\$ 30 billion, much more than say Hilton, which has a market capitalization of US\$ 23 billion. How can this valuation make sense? Perhaps the only way to understand it is to think like a Silicon Valley venture capitalist. One such individual is Bill Gurley, a general partner at VC firm Benchmark. Gurley writes a regular blog, called Above the Crowd, where he outlines his investment thinking. He himself is not an investor in Airbnb, but his firm has backed Uber. And he passionately defended this company's valuation in one of his blog posts.

The argument he deployed is that the total available market for taxi rides is going to grow thanks to Uber, and that Uber's share of this market will be large. The market is going to grow, reckons Gurley, because consumers will be offered a different and better experience than they currently get. But the key driver for Uber's growth is the lower price. As more and more people use the service, the more it will be able to push down price and create a self-reinforcing spiral. Lower prices mean new markets will be created, again reinforcing the market power and enabling further price drops.

The level of disruption being inflicted on the taxi industry by Uber was highlighted in a lawsuit filed by New York City taxi medallion owners and lenders to these owners who were

↓

suing the city of New York for failing to regulate Uber properly. The lawsuit, filed in the US District Court, Southern District of New York, on 17th November 2015, listed a catalogue of woes that included trips by NYC taxis falling 25%, the value of taxi medallions dropping by more than 50%, and a host of bankruptcies among taxi medallion owners and their funders.

If Airbnb is to justify its valuation, it too has to grow its Total Available Market in the same way as Uber. And the effects on the hotel industry are likely to be as big as the effects on the taxi market. Regulation is likely to slow the advance of Airbnb, and it may well be forced out of existence rather like the illegal file sharing site Napster. But just as the failure of Napster did not stop disruption in the music industry, a regulatory close-down of Airbnb will not stop the sharing economy's disruption of the hotel business.

In a separate presentation at this year's Hotel Distribution Event, Tim Ramskill, the leisure industry analyst at Credit Suisse, pointed out that in February 2015, searches for Airbnb in France were of the same quantum as those for the Accor brand Ibis. They now exceed Ibis by a factor of 2.4 times. The analysis also showed that the overall penetration of Airbnb in Europe's key cities was around 12% and around 5% across Europe as a whole. Ramskill warned that hoteliers were being complacent in regard to Airbnb as a threat to their business.

With the growing OTA challenge and the potentially huge disruption from the sharing economy, the outlook for hoteliers looks bleak. But this is only for one portion of their business, the retailing of hotel rooms. If hoteliers focus on the product side of the business, seeking to be the Heinz or Kellogg's product

brands rather than the Tesco or Ahold retail brand equivalent, they can sidestep the current disruption. Most exposed, the equivalent of the taxi medallion owners, are the OTAs. Given the scale of the businesses and the nature of how they are funded – neither Priceline nor Airbnb pay dividends, for example – it is perhaps a fight hoteliers do not want to be involved in.

This is not to say that hoteliers should give up on distribution altogether. The current fashion in consumer product goods is to take control of at least a portion of your distribution channels. Nike for example sells 25% of its goods by value through its own channels. A key reason for this is so that Nike can maintain brand integrity. For hoteliers, the next decade is going to be perhaps more challenging than any previous one. They need to understand the costs of each distribution channel and manage appropriately. And perhaps they should be looking at the distribution side of the business as an area where they cannot retain long-term competitiveness.

The future is about how well hotels can brand their properties and secure the best places on the successful retailers' shelves. This might be the OTAs, it might be Airbnb, or it might be some new players yet to fully emerge as booking channels, such as Google or Amazon.

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***Andrew Sangster** launched Hotel Analyst more than 12 years ago and it has grown into a publishing business that now encompasses the original title and Hotel Analyst Distribution & Technology. Included under the Hotel Analyst umbrella is a separate report publishing business and three London-based conferences: The Hotel Distribution Event; The Hotel Alternatives Event; and the Hotel Operations Conference. Andrew has been a journalist for his entire career, starting out on trade press titles before joining the national press and a brief spell at the BBC. He launched his own business focused on providing high-level information on a subscription basis after despairing at the quality of what the old business model of selling advertising space was producing. He holds a BSc in economics and a MA in journalism.*





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The direct booking trend: What is it really about?

by **Lennert de Jong** 

Over the past year, there has been much buzz about the subject of direct booking. No matter where you look, big brands were promising direct booking benefits, OTA's were retaliating, or rate parity was being banned by yet another country. As Lennert de Jong of citizenM writes, if we want to better understand the debate, we need to dig deeper into this heated subject and shine some light on it from different angles.

To understand direct booking better, let's look at the stakeholders involved.

OTAs

From capturing the city tripping leisure traveler to the small unmanaged business booking, online travel agencies main goal is to maximize return on the traffic they buy. Most get paid a percentage of revenue delivered to hotels, a figure historically based on acquiring expensive traffic from search engines (booking.com) or traditional advertising (Expedia).

Brands

Brands have evolved from being a quality standard for Americans traveling abroad to global businesses that maximize profits by taking a percentage of brand revenues as well as compensation for central services provided as part of a management agreement or franchise. Some used to also own real estate, but most have now gone asset light, concentrating instead on branding, distribution and guest loyalty.

Owners

The owner community is highly fragmented and diverse, ranging from the proprietor of a 10-room hotel to global companies such as Host and Blackstone that own thousands of properties. All

share a common goal – to maximize return on their real estate investment. Many know little about running a hotel, instead outsourcing that to a management company.

Independent hotels

Easily overlooked, this is where conflict is highest at the moment. In Europe, two thirds of properties are independent. Each one has its own contracting, sets its own prices, and makes its own technology decisions. Most lack the expertise of the big brands, but with their eyes on the ground every day, they often have the best finger on the market. And with review platforms such as TripAdvisor giving brand affiliation a run for its money, independents are increasingly successful, with the top spots in many cities dominated by such properties. At the same time, many report that the majority of their business now comes from OTAs, with implications for profitability and risk.

Travel management companies

Like they buy office supplies, most companies need to purchase travel. However, here they don't just have to control costs and insure that budgets are not exceeded, they also have a duty of care towards employees. Thus many companies outsource travel management to companies such as BCD, CWT or Amex, who make a profit by being travel experts. Traditionally it has been



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hard for smaller hotels to gain access to such programs, with TMCs preferring to contract with thousands of hotels in one go by dealing only with brands. However, this approach is under pressure from employees, who typically see a sea of inventory on Booking.com and Expedia, but are presented with a far more limited choice on their TMC platforms. Booking.com and Expedia have also created corporate travel entities that compete directly with the traditional players, further expediting this trend.

Wholesalers

Wholesalers traditionally played a role by managing a risk that hotels were unwilling to assume – managing perishability. By contracting blocks of rooms far in advance, they made money by arbitraging the price consumers were willing pay versus the rate agreed at time of contracting. From the hotel's perspective it was better to sell 25% of inventory a year out at a discounted price rather than risk being empty one day before arrival. Recently, however, hotels have been eager to move business away from wholesalers towards OTAs, arguing that it is better to get a good rate with some commission than to surrender an uncontrollable cheap rate that could subsequently appear anywhere online, breaking any perception of price parity.

So what actually is “direct”?

Hotels claim to want all business to go direct. When asking hotels, “What is direct?”, my guess is the answer would look like this:

- Walk-in: definitely direct.
- Phone: direct.
- Corporate business through GDS: not sure.
- OTA: definitely not direct.
- And brand.com website: Yes, direct. We want more of this. No commission, just a small processing fee. Right?

Not really. Where did this customer hear about your hotel? On Google? TripAdvisor? Facebook? Let's not kid ourselves. These platforms do not deliver business for free. They provide decent tools to advertise, but can be more expensive and risky for your business than OTAs. Independents cannot expect that, without performing any marketing and spending any money, they can hope to attract new transient business. Perhaps in the short run they can steal back some business from the OTAs by undercutting, but for most, trying to get first time business directly is a bit of a waste of time.

So what's the play?

In a world where platforms are dominating consumer smartphones, a couple of things are key:

1 Responsibility: For a lot of owners/individual hotels, OTAs are their main source of income. With that comes a responsibility to be fair and not abuse this power. "My way or the highway" type of contracts that have typified the sector in the past will only lead to friction with the fragmented owner community.

2 Dependency: The more successful OTAs are in capturing traffic, the more volatile markets will become. The hotel sector is fragmented, and in bigger markets no one hotel player has any significant control. More dependency on OTAs ultimately means lower profit for owners, due to the competitive nature of unregulated platforms and the misalignment of such platforms with owners' goals.

3 Corporate bookings will ultimately go OTA: The main sponsors of the Business Travel Summit in Amsterdam this year are Booking.com and Expedia. That's like getting the Democratic convention sponsored by Donald Trump. If hotels see corporate business shift from direct to OTA, it means competition and commissions on something that used to be secure, direct, non-commissionable, business.

4 It is not only about commission: While a lot of hotels worry about the double-digit commission paid to OTAs, this is not the real issue. Commission is not the goal of any of the stakeholders discussed above. All focus on profit. A channel shift, especially of corporate business towards OTA, would lead to less profit from a reduced top line rather than a dramatic commission increase.

5 It is not about rate parity: While it is a bit strange that third parties are allowed to dictate the price level of suppliers, if rate parity was banned, would it be wise to simply put a lower price out there for anyone looking to book?

6 Wholesalers: They will find it difficult to justify their existing business model and will metamorphose into something more akin to OTAs.

7 Key points to watch out for as you watch this battle unfold: Loyalty programs (those of both hotel brands and OTAs), length of contracts, ADR, consolidation of hotel brands, legislation, consolidation. An underestimate issues is technology fragmentation. It is hard for new entrants to work with the hotel industry because everyone is using a different technology stack. Look at TripAdvisor trying to connect to hotel and ending up using Booking.com instead to book "direct".

It is time for hotels and brands to spend more time and energy at something they have not done for years: marketing? Who are you for, where can this customer be found, how do you reach him? The answer is different for each property. If you are a resort on a

Greek island and dependent on the airdrop of a tour-operator, spending money on a website does not make sense. If you are an owner of a 100-room independent hotel in the center of London, OTA's are probably your best and cheapest source of business. For hotels with a high level of repeat business, what are you doing to make sure this clientele keeps coming back to you?

Let's see where the direct booking war ends up going. For sure our guests are enjoying every bit of perhaps unnecessary discount that is being given at the moment, but a price-war for direct bookings will only end up with losers. Forget for a moment all the stakeholders. The real war is for the loyalty of the guest. Will this guest continue to be loyal to our brand, will he use our individual websites and booking platforms or will he be loyal to the mega platforms with the industry becoming fully commoditized? Morgan Stanley issued an interesting report on the direct booking war in May 2016. Everyone that has an interest in this subject should read these 42 pages and be aware of the consequences of where this important battle is headed.

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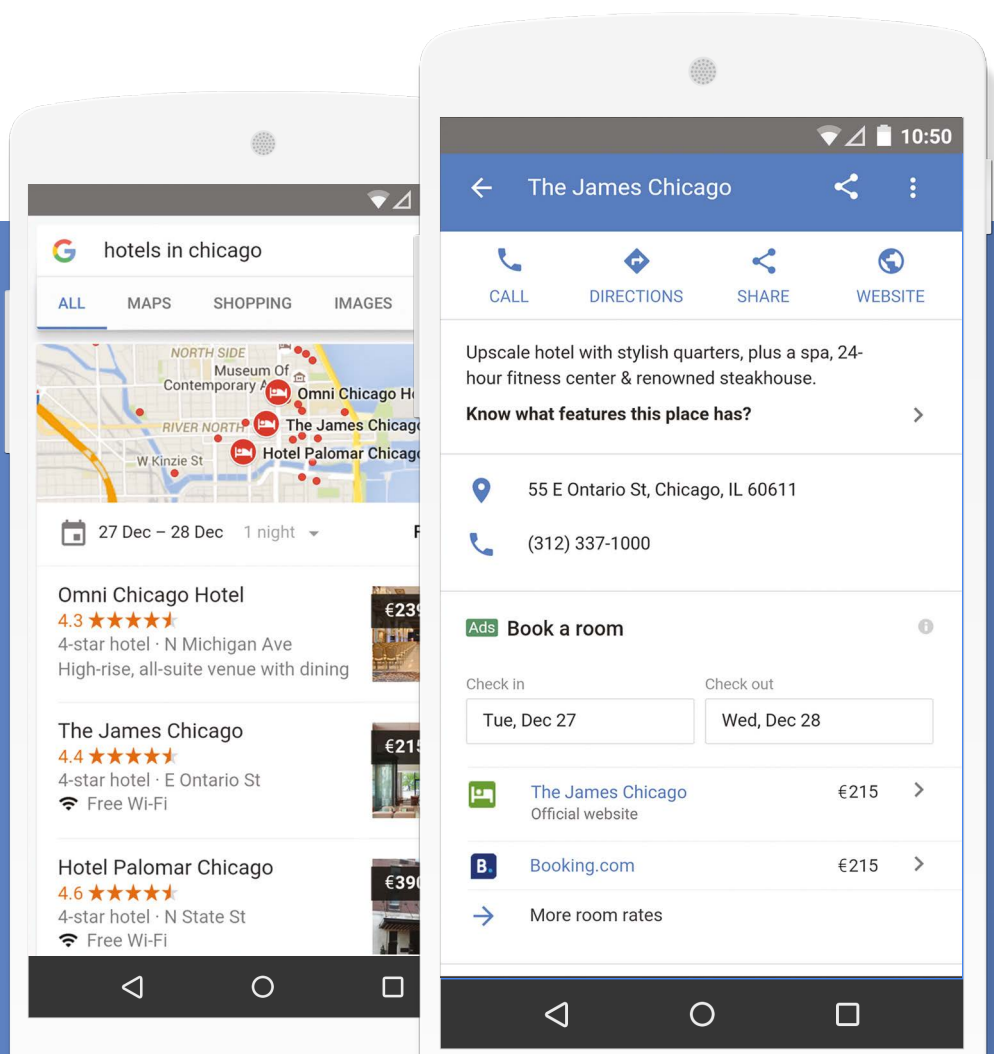
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The next era of hotel distribution: Connecting supply and demand in the moments that matter

by **Javier Delgado** 

Because a hotel's inventory is perishable, the core of the hospitality business, according to Google's Javier Delgado Muerza, is to manage occupancy in such a way that revenue is optimized. To do this effectively, you've got to connect with travelers in a relevant way in every moment that matters, he says.

Hotel distribution is a race against time. Perishable inventory means that managing occupancy effectively to optimize revenue is the core of the hospitality business.

Over time, mastering this challenge has evolved into a whole discipline in the industry – distribution. Successful distribution is precisely connecting supply with demand. The industry has seen exponential growth in distribution business models in the past decade. The Internet has pushed GDS technology into a new environment, now crowded with OTAs and meta searchers.

We anticipate that the pace of change is only going to accelerate. There are two key forces that will transform hotel distribution in the coming decades:

1. The shift in consumer behavior to mobile creates countless opportunities to be there and be relevant for travellers

We are moving rapidly from an Internet-connected world to a mobile world. Mobile is no longer just a trend. In many parts of the world, mobile is the standard behavior. As travellers' consumer behavior shifts, the way to engage and transact with them shifts as well.

Mobile has made trip planning both easier and harder for travellers. While we can search for flights waiting in line for coffee, the fear that we're not getting the best price or making the right decision has also increased significantly. Any travel provider who wants to remain relevant has to put mobile at the core of their distribution strategy.

At Google, we're building products that improve travel dreaming, planning, booking and experiencing on mobile devices. At the same time we want to help partners connect with travellers in the right moments, the moments of intent when consumers are most likely to turn into customers and even brand ambassadors.

For hotels, these moments represent a unique opportunity to engage with travellers early and constantly, beyond the traditional "moments of truth". They happen digitally – on mobile, on a laptop, and someday may even happen through virtual reality – even before a guest arrives in your hotel.

Connecting with travellers in a relevant way in every moment that matters is at the core of an effective distribution strategy, now and in the future.

2. Programmatic technology enables personalization at scale to create and respond to more moments that matter

Investing in marketing and measuring results has traditionally been a challenging task for all marketers – especially in the hotel industry. Most hotel marketers have evolved to become best-in-class performance marketers. This is a huge strength in our industry, and we need to continue to lead the way. The next horizon in performance marketing will have all of us moving further up the funnel to master not just how to capture demand, but how to create innovative – and high performing – ways to drive it.



Programmatic buying allows advertisers to use technology and audience insights to tailor messages to the right person, at the right moment, in the right context. It helps advertisers respond to real-time signals on an impression-by-impression basis across screens and across channels. The combination of programmatic marketing technology with revenue management and CRM will increase yield and improve overall distribution efficiency for hotels.

The hotel industry needs to evolve and adapt to the dramatically changing consumer behavior and sales cycle. Travellers no longer follow a linear trip planning and purchase journey; instead they interact with hotel providers digitally through a series of moments across multiple screens and devices – preferences are shaped and decisions are made in these moments.

This is the new battleground for successful distribution – where hearts, minds and dollars are won. Your brand's results will depend on two things: how well you can understand the consumer's intent in the moment you've found him, and more

importantly, how well the technology you're using can adapt the product, marketing, message, and/or ad format to draw his interest and earn his attention.

In the past decade, as digital's share of a hotel's total distribution has grown, digital marketing's complexity has similarly expanded. At Google our aim is to help all travel providers leverage Google's scale, technology, data integration capabilities, and ad formats to reach better qualified customers at scale. By helping the travel ecosystem be more efficient at serving consumers and connecting them to travel service providers in the moments that matter, we believe that over time we can actually drive more travel and grow the market for all of us. And this means we all win in the long run.



Currently Head of Vertical Search for Southern Europe at Google, **Javier Delgado Muerza** leads the team that provides vertical specific solutions, i.e. hotel ads. His main focus in this position is maximizing yield from digital marketing and distribution investments for Google's biggest & most sophisticated travel players in the region. Prior to joining Google in 2011, Javier spent over eight years in Expedia, where he held different managerial positions in lodging supply, air supply and white label distribution across Southern Europe and the Middle East. He started his career in Iberia Airlines and Gate Gourmet, later moving to Globalia, the leading travel services provider in Spain. Born in Pamplona, Javier holds a MBA degree from Cornell and ESSEC.

State of the art in digitization of the hotel industry

by **Ralf Denke** 

With digital services and contents becoming a key success factor for our industry as a whole, more hotels will have to make similar courageous decisions, even if they seem risky and costly at first, writes Ralf Denke of Deutsche Hospitality. But the good thing in the online industry is that everything is measurable – helping hoteliers make informed decisions.



Ralf Denke is Vice President E-Business at the German hotel group Deutsche Hospitality and since January 2015 has been responsible for the whole digital strategy of their brands “Steigenberger Hotels and Resorts”, “IntercityHotel” and “Jaz in the city”. He manages the online distribution, online marketing activities and innovation projects for around 100 hotels globally. Ralf has been working in the digital industry for almost 15 years, mainly at successful startup companies in the travel industry before he joined Deutsche Hospitality.

The development of digital has changed the hospitality business for some decades now and it will not calm down at any point. As the hotel industry’s approach to digitization has been one of hesitation and ignorance over the past years, players originating outside of the hotel business have managed to establish themselves as indispensable parts of the sector, taking control of important aspects of what used to be part of hotels’ core business.

Hence, today’s hoteliers are facing heavy competition in the areas of distribution, brand loyalty, talent acquisition and (online) marketing spending. All while trying to keep pace with technological innovation in the online industry. In particular the distribution landscape is becoming more and more complex. At the very least, hoteliers need to have a clear understanding of powerful platforms like the well-known and established Online Travel Agencies (OTA) or search engines like Google. Managing marketing for your own website is even more complex. As for instance with metasearch platforms where you have to oversee your ROI in Cost-per-Click (CPC), or the newly established Instant Book models, which require you to closely monitor your price parity with other distribution participants.

In this distribution landscape, the difference between marketing spend (for your own website) and distribution cost (for e.g. OTAs) is disappearing. Despite what the accountants say, both ought to be considered booking-related costs of sale. Therefore, we at Deutsche Hospitality calculate an effective commission on all our web bookings, regardless of whether the cost of sale related to a booking originated with CPC or through classical commissioned business.

Brand loyalty will further decrease over the next years and many hotels will further be at risk of commoditization. A modern customer in a totally transparent online world is looking for

“just a hotel” in a certain place (Amsterdam), at an acceptable price (e.g. maximum 100 € per day) with specific services (e.g. free high speed Wi-Fi). Our customers are conditioned by the platform industry to get all this in the most comfortable way possible. Today, third-party distribution partners provide their users with outstanding usability by testing alternative ways to sell in the most effective way. They help customers find whatever they want by being omnipresent in search engines and spending billions to insure they are visible in every client search. They help guests make decisions by comparing prices and providing a convincing amount of real customer reviews. In order to avoid further commoditization, hotels should focus on mitigating the impact of these external factors: implementing customer reviews using Application Programming Interfaces (API); offering price comparison tools on their own website (e.g. Triptease); as well as by offering a valuable loyalty program and targeting offers using state-of-the-art customer relationship management tools.

Our industry is characterized by hoteliers with passion, who love to serve their customers and deliver their products in the most perfect way. This is a core value of our business. However, passion alone does not sell rooms. In order to sell your product – in a cost-effective way – it is absolutely necessary to have digital experts in your company. Naturally, digitization spans all industries, which is why – when it comes to digital know-how – the hospitality industry is in competition with virtually every industry whose business is relevant online. You must acquire talent. For the most part, businesses in our industry do not have the cash to hire a team of full-fledged online experts. Competition for such people is fierce and salaries are high. In order to tackle this, we started some years ago with few online experts who started to teach young talented people that came straight from university or from inside the company. Today, we have well-educated and highly professional people working in our E-Business department where a mix of experience, motivation and a strong willingness to develop professionally is dominant. However, it takes time and effort to get there, as well as certain cultural prerequisites in your organization. You have to understand and honor that digital jobs cannot be done by just anybody in your organization, simply because they are available or show some remote interest in the topic. Not everybody who uses a Facebook account is automatically a social media expert, and not everybody who knows how to navigate a website is an expert in web design and usability.

Another important topic within the debate on digitization is online marketing. OTAs have almost unlimited marketing budgets to acquire bookings for which we pay them commissions. However, when it comes to bookings on our own websites, almost all hotels work with a fixed monthly marketing budget framework. The budget is capped, and once it is spent, they stop their online marketing. On the other hand there is no limit for commissions. But treating commissions and online marketing budget differently in this way is absolute nonsense. No hotel would close important OTA channels when payable commissions surpass what has been budgeted. For instance,

ask yourself whether you would close your number one OTA in the middle of the month because it has already produced more than what you budgeted for the entire month? However, if your marketing budget is spent, your online manager has to stop certain activities for your website at the same time, even when the optimum between cost and revenue is not achieved yet.

For this reason, we regard our direct channel as, in effect, an internal OTA. This means that a certain commission is billed for every booking received and stayed. This commission covers all related marketing spending, included those that led to the bookings, such as for example search engine marketing, affiliate, newsletter, social media, and metasearch activities. With this re-thinking of the online marketing spend, we are able to reach the optimum balance between cost and revenue for our own websites. And even more importantly, we are better able to compete with the big players, starting a transparent competition for cost-of-sale between our direct and third-party-distribution. That way, we are able to compare the cost of our website bookings with the cost of OTA bookings and steer our online marketing much more effectively. The good thing in the online industry is that everything is measurable.

When it comes to digital innovation in the hospitality industry, we also need to address technology. Most of the innovations are technology-driven today. In the hotel industry we are facing heavy dependencies and exit barriers from the IT systems that have existed for decades in our hotels. In most cases, it is necessary to have an interface to an existing software solution if a hotel wants to provide additional (digital) services today. For example, if you would like to implement a mobile door-lock system, you will need to get access to the door-lock providers’ system as well as to your property management system (PMS). Unfortunately, these kind of interfaces are usually very expensive, because of the dependency and switching costs on the side of hotels. Furthermore, almost every day a new technology provider comes up with the supposedly best solution to all our challenges. In this situation it is necessary to be clear about our own interdisciplinary requirements and to be open to new strategies.

When we created our customer journey for our new brand “Jaz in the city” it became clear that we wanted to offer a mobile check-in and check-out solution that we could not realize with our existing partners at this time. Therefore, we decided for the first time in our company history to use a new PMS. This courageous decision for the use of new technology contributed massively to the success of the launch of the brand. With digital services and contents becoming a key success factor for our industry as a whole, more hotels will have to make similar courageous decisions, even if they seem risky and costly at first. To insure success in today’s dynamic digital environment, hotels need to take the risks associated with adapting new technologies; follow talent strategies outside the usual; and more profoundly understand the dynamics of online marketing and digital services.

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Demystifying the digital marketplace: Implications for the European marketplace

by **Cindy Estis Green** 

It's a new world order, writes Kalibri Labs' Cindy Estis Green: one that is dominated by the digital marketplace and in which all parties are struggling to migrate from the analog days of the past. The next 2-3 years will be fascinating to observe, she says – and takes us on a *tour d'horizon* of the current political and regulatory landscape.



Demystifying the Digital Marketplace—Part 1, is the first installment in a three part series recently released by Kalibri Labs. It is written from the hotelier's perspective and introduces three key themes. Firstly there is an urgency to alter current revenue management approaches as we move from an analog to a digital market, including the need to more closely manage customer acquisition costs. Secondly the reality of the new digital market includes the emergence of meta search and mobile apps that will challenge both hotels and legacy OTA players and lastly there are segments of the market (for example corporate and meetings) that are ripe for disruption and to which hoteliers should pay close attention as these changes unfold.

While all issues discussed in the new study are meaningful globally, there are variations in the way they play out in different regions. The rising costs and the predicted changes in the commercial relationship between hotels and OTAs described are particularly being examined carefully at the EU level. Most regions of the world have taken an ad-hoc approach to regulation of the digital market. In contrast, the European Union is in the middle of a massive review of all digital platforms which will have serious implications for the hotel industry; this includes travel providers as well as retailers such as Amazon, services such as video, television, telecom across the EU as well as general search engines such as Google. Questions arise around the way these platforms interact with consumers

and the nature of the relationship between suppliers and distributors. Issues around transparency of pricing and bias in search listings are examples of the topics being explored by the European Commission, along with concern for the power of aggregated content and fairness in the relationships between hotels and distributors regarding commercial use of this content. The outcome of the EU's Single Digital Market review may have far reaching repercussions for the way hotels acquire and interact with guests for many decades to come.

Foremost in the hotel arena is the activity in many EU member states around rate parity. Since France passed the Macron Law in August 2015, many EU member states are trying to determine if the removal of contract-driven room rate controls imposed on hotels and third party intermediaries will benefit consumers with lower rate offers. Even with the so-called "narrow parity," hotels can offer lower rates to smaller OTAs, but must remain at parity with Booking.com/Expedia Inc. and as long as there are only one or two major players in each market, the language in the contracts may not change reality on the ground. The hotel industry may be too fragmented and the OTAs too consolidated to expect the hotels to gain any leverage in their dealings with a powerful duopoly.

The fallout from the gradual dissolution of rate parity, followed on by the Book Direct campaigns launched by most of the major chains, has yielded some notable reactions from the largest OTAs, implying that they are concerned enough to believe the campaigns will impinge on their growing market share. Early data from Kalibri Labs in the U.S. market is showing that consumers do shift to brand.com when given a compelling offer to book. While the rapid shift of consumers to the worldwide digital marketplace has remained uncharted waters, the European Commission's Single Digital Market Initiative recognizes that it may be time to put appropriate controls in place. Consumer deception in the online shopping and buying platforms has been a fact of life, and being in the early stages of understanding the depth and breadth of it, they are deciding how much regulation may be required. For example, strike-through pricing used by OTAs looks more like fake discounts when the discount is based on a rate that is actually not available for the dates in question.

Looking more closely at the antitrust case being brought against Google by the European Commission raises a question about the latter's role in the hotel market. When search results are primarily based on a pay-for-placement model, the days

of organic search are behind us and the vexing question of consumer deception pops up again. Are consumers informed enough to realize that a Google search listing may not be driven by the results most relevant to their query but rather based on the commercial relationship with a supplier? The same kind of questions are raised in the OTA listings with respect to a consumer's awareness of how this market operates. If they don't realize the strike-through prices are not real, would that fly in the face of the EU Directorate General for Competition's Unfair Commercial Practices Directive? If so, a question arises about what can be done to improve both consumer education around the digital marketplace and the enforcement of guidelines that may already exist to govern digital commerce?

There are many issues that are likely to surface as the European Commission evaluates the feedback from hundreds of hoteliers, technology, airline and other travel executives who responded to surveys designed to inform the Digital Single Market initiative. It's a new world order dominated by the digital marketplace and all parties are struggling to migrate from the analog days of the past. The next 2-3 years will be fascinating to observe. Hoteliers should participate through their national hotel associations and other hotel-oriented groups to be sure their voices are heard. For more on this, look at the HAMA and European Hotel Forum white paper, Digital Marketplace in Europe explaining the issues in more detail.

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***Cindy Estis Green**'s career began in corporate marketing and senior operations roles for Hilton International. After starting up the data mining consultancy, Driving Revenue, and selling it to Pegasus Solutions, she spent twelve years as managing partner of The Estis Group providing strategic marketing consulting to the hospitality industry. Co-author of the 2012 **Distribution Channel Analysis: A Guide for Hotels** and many other industry publications on the topic of marketing technology, Estis Green has been honored as one of the 25 Extraordinary Minds in Sales and Marketing, was inducted into the prestigious Hospitality Technology Hall of Fame and named as one of Cornell University's 90 Influential Hoteliers. She launched Kalibri Labs in 2012 offering the hospitality industry data analytics to evaluate net revenue performance and manage the rising cost of customer acquisition. Estis Green holds a BS from Cornell University and an MBA from The American University.*

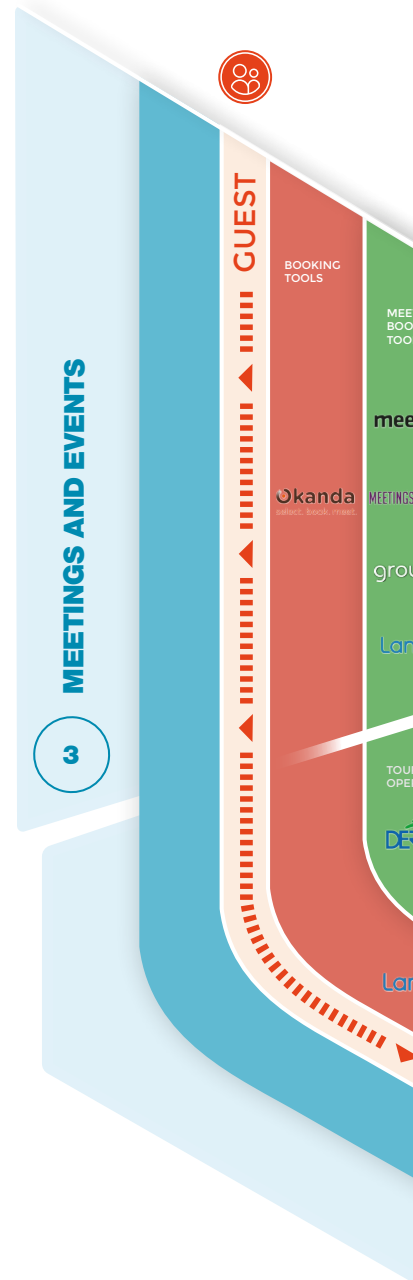


2017


Hotel Distribution Technology

Updated for 2017, this chart maps out the hotel distribution technology landscape to show how these various companies, technologies, and applications fit together. It's organized into three channels: Online, Travel Agents, and Meetings and Events. While the sections sometimes overlap, they all have specific technology solutions. In the center is the hotel. Each ring moving outwards is a level of technology that builds on the last to reach the guest, on the outer rim of the chart.

Did we miss something? Let us know at news@snapshot.travel



The future of digital marketing: Change it if you can!

by **Sanjay Chib** 

The digital landscape is changing... and it is changing the hotel business itself. As Les Roches' Sanjay Chib explains, among other big changes ahead is the fact that hotel businesses will incur higher and higher marketing costs as they attempt to capitalize on the digital behavioral profiles of their customers. This could mean, he says, that whole marketing departments would be phased out, morphing into integrated digital teams as organizations undergo digital transformation. A realistic scenario?



Personalized rich-media will be a key factor that would effectively influence complex buying behavior of potential customers. As people use diverse sources of information that possibly influences their consumption patterns, marketing departments are constantly being challenged to realign and update their channels and as the cliché goes – *for marketers, change is the only constant!* Moreover, buying decisions will continue to grow in complexity, and from my point of view, personalized high-quality content will continue to drive the changes in various hospitality-focused digital marketing channels (SEA, SEO, SEM, newsletters, RTB, retargeting, affiliate marketing, social media, metasearch, etc.) Relied-upon marketing channels are constantly being revalidated and repositioned as customers' consumption and/or interaction with marketing content continuously evolves.

In the global hospitality sector, factors such as diminishing brand loyalty, fierce competition and disruptive business models would be the catalysts for predictive analysis of how people purchase. Businesses would require consumers' data from multiple varied sources that can be translated into meaningful information (translated as fast as information



is collected). This would also assist hospitality firms in understanding and developing new metrics for effectively targeting, acquiring and possibly retaining customers.

Marketers strive to get into buyers' heads, and this conundrum might be resolved to an extent as diverse demographics constantly enhance their digital footprint by adding information about themselves in every nook and cranny online. Abundance in users' information being derived from numerous sources (big data) – coupled with incredible speed and sophistication in data extraction, data compilation and sharing, brings us a step closer in terms of predicting more accurately consumers' thought process at an individual level. While big data constitutes of various data sources (transactional databases, social networks, browser searches, online services, etc.), increased data crunching power combined with artificial intelligence (AI) would further enhance the understanding of users' potential purchase patterns. This in turn could provide rich insights in terms of matching the most likely of products/services to specific users, hence refining and achieving mass customization. This would necessitate pushing of dedicated rich-media content to specifically targeted customers. Here media development and distribution costs could potentially be shared between hospitality organizations and various third-party distributors.

Hotel businesses big and small will continue to incur higher marketing costs in order to capitalize on digital behavioral profiles of customers, whether distribution is done via OTAs and/or directly. Moreover, marketing departments could be phased out and marketing functions could very well be morphed into integrated digital teams as organizations undergo digital transformation.

As brands compete fiercely for customers in all markets (developed and developing economies), access to marketing intelligence will make all the difference and recurring updated intelligence will be required to predict users' expectations and identify metrics considered relevant by each individual, be it price, location, amenities, lifestyle factors, cultural aspects, or other variables. A high level of marketing intelligence would be achievable by convergence of key technologies.

Technology convergence

A lot of data about everything and everyone is being appended to digital ecosystems on a daily basis, and this phenomenon tends to continue! Digital ecosystems incorporating high-speed connectivity (i.e. data flow), massive influx in volumes of data exchange at an individual level, and increased accessibility from multiple high processing devices are witnessing an exponential increase in compilation of individuals' data points.

The abundance in availability of user data and its meaningful interpretation could potentially provide a breakthrough in terms of understanding multidimensional purchasing patterns. This in turn could facilitate deployment of relevant rich-media using virtual reality channels. The entire sales process (from lead generation to post sales) could be based on high-quality interactive content that is extracted, analyzed, and synthesized from both user and organizational data.

In my understanding, the convergence of the following key technologies will play an essential role in shaping the next generation of digital marketing:

1. **Artificial intelligence (AI)** – AI promises to handle large volumes of multi-sourced data at incredible speeds and could potentially translate huge amounts of data into useful information, for example predicting complex purchase behavior on a large scale using real-time data
2. **Virtual reality (VR)** – VR would support the complete sales cycle, including real-time interactivity, for example a virtual tour of product/service with dynamic pricing and real-time booking capabilities
3. **Internet of things (IoT)** – IoT will ensure seamless interconnectivity between all digital devices and provide yet another source of user data that will enable predictive analysis, for example data gathered from all household equipment/appliances could reveal additional information about people
4. **Big data** – Continuous streams of data gathered in real time in various forms, for example information searched-retrieved, online communication, data from mobile applications, virtual financial transactions, media download/upload, social networks etc.

Mass customizable digital marketing will definitely require increased transparency from hospitality providers, and one of the most critical factors that will remain a priority in terms of user and organizational data is cyber security!

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***Sanjay Chib** (PhD, Royal Melbourne Institute of Technology, 2013) is Program Manager Global BBA and academic faculty at Les Roches Global Hospitality Education, Switzerland. Previously he has worked for a Swiss/South African winery business as an international sales director. He was actively engaged in a renewable energy start-up in Switzerland, and his research has focused on hospitality and tourism SMEs and free/open source software.*

Finding the future: Mobility, metrics, and merging skillsets

by **Ravneet Bhandari** 

The average person and Big Data are inexorably and permanently intertwined. Big Data is us, because we are now Big Data. There's no escaping it, writes LodgIQ's Ravneet Bhandari. Each one of us is leaving an ever-growing digital footprint as technology and consumer behavior merge. We both consume information and produce it, highlighted by the new buzzword: prosumers. Oddly, while we've mashed up how we work, play and live, because of significant technology changes, in many instances hospitality professionals are still entertaining 1997, not 2017. It's a strange dichotomy revealing an opportunity to rethink and reinvent how hoteliers connect with consumers.

Massive mobility

Hoteliers and their customers experience life differently in this new digital age, and people are more often working, researching, and entertaining themselves simultaneously in small doses via mobile devices. According to Google's "Micro-moments" report, 87% of users have their smartphone at their side day and night; the average person checks their phone 150 times per day and spend 177 minutes using them. In addition, according to eMarketer, US adults spend nearly three hours per day on "nonvoice activities on mobile devices."

Together these stats point to a massive sea change regarding how customers interact with hotels. Take the average commuter who steals glances and interacts with their phone throughout the day. When a trip is approaching, they're most likely researching travel products in bite-sized slivers while on the go, perhaps reading hotels reviews, watching social media consumer created content, or exploring local offers pushed directly to their smartphone.

The typical revenue manager is also using technology in new ways, but may not realize it. The morning commute, for example, is time dedicated to downloading and analyzing the latest information needed to prepare for the day and getting answers at the ready while creating a cogent game plan. But like the average commuter, they are also frequently checking personal and work email, social media sites, and news in small doses.

The game, the rules, and the players have changed and we must accept that "on-the-go-and-connected" is coupled with "when-and-how-to-engage-before-they-move-on" to seize opportunities.

Merging skillsets

This new frontier means seamless integration of cross-device capabilities prompting smarter strategic revenue decisions that understands which guests are the most profitable. Revenue management is expanding quickly, becoming the art of revenue optimization. It's an unanticipated change requiring the need to eliminate the departmental silo approach in order to fully maximize opportunity across the entire consumer journey.

Analytical capabilities, coupled with the art of designing a consumer-specific message, are required to reach today's consumer. An outside-in viewpoint, while keeping the customer perspective in mind, will allow hotels to understand the full picture, the entire journey and therefore enabling them to optimize each part of the value chain. This strategy acknowledges all relevant demand and price-elasticity signals across the consumer journey while providing a common thread of information to the savvy hotelier.

While we established that the game, the rules, and the players are changing, it is imperative that we be cognizant of emerging and waning channels as consumers move in tribes from one technology platform to another.



About LodgIQ™

LodgIQ™ provides advanced travel industry revenue optimization technologies. Its breakthrough next-generation revenue optimization platforms, LodgIQ RM and LodgIQ ONE, were developed by seasoned revenue management executives and Silicon Valley technologists. LodgIQ's products combine sophisticated machine learning with an intuitive and powerful user interface delivering advanced recommendations and actionable analytics. LodgIQ RM is for full service hotels while LodgIQ ONE is geared to boutique, independent and focused service hotels. LodgIQ is headquartered in New York City, and maintains offices in Silicon Valley, Singapore, London and Bangalore.

www.lodgiq.com

On average, global media revolutions occur every 50 years (print, radio, television, social media) that not only move those tribes but generations. It's therefore critical to be cognizant of emerging channels, and the waning ones too – for example, video viewed on the Internet is soaring, while traditional television viewing wanes; mobile devices overtaking laptops and researches anticipating that generation alpha will not use laptops at all, while Wifi for connecting is out and Li-Fi (Wifi via Light waves) is in.

Modern metrics

We understand that each consumer has different priorities per trip – meaning during each excursion they're more apt to be seduced by a different price, which upends everything the industry has held sacrosanct regarding perfect pricing. The rules of customer engagement have permanently changed, and revenue managers must recognize and adapt to this new reality.

The old metrics are outdated and despite the smart advancement of looking at RevPAR, we're now entering a post-RevPAR metric world where considering Net RevPAR is essential. While definitions can vary, this metric accounts for what the hotel earns after guest acquisition costs are considered, including distribution costs and commissions. This sharpens focus for hoteliers to understand the channels more deeply in which their guests are coming from, while providing

insight into how to better appeal to that customer and their behavior displayed.

To fully achieving optimum financial results at the property level, the industry must wake up to this powerful realization: Mobile technology and changing customer behavior are inexorably altering traditional metrics, while forcing hoteliers to work differently. Revenue optimization success will only be attained by efficiently connecting with potential customers during their myriad mini-moments. Technology has upended business and its imperative that hoteliers adapt to the changing environment.

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REVENUE MANAGEMENT REIMAGINED.

Instant Book: Is this the beginning of the end for direct hotel bookings?

by **Paul Mulcahy** 

What is the future of the OTAs' new direct booking model? As Mövenpick's Paul Mulcahy explains, it poses a further threat for hotels, as they will continue to lose control over more and more of the guest online customer journey and thus their ability to brand build and differentiate themselves relative to the competition.

Given what we know now, it seems ironic to remember the buzz at the dawn of the Internet which predicted that the web would accelerate B2C commerce, cutting out the middleman and making it easy for consumers to have a direct relationship with a company or supplier. As we now know, in fact the opposite has happened in the hotel industry, where the middleman is alive and well and achieving the type of sustained growth that is unlikely to abate.

The reasons for the strength of intermediation in the hotel industry are well documented and are normally associated with the fragmented and disorganized nature of the hotel world, a characteristic that gave OTAs the foot in the door they needed to organize disparate content in an easy format for guests, while at the same time providing a strong online user experience, at least relative to what was being offered on hotel brand websites. Despite consolidation on the OTA side, there is no doubt that the middlemen are taking more and more share of the guest relationship across the customer journey away from hotels. While hotel brands have finally reacted, there is a long way to go before they claw back some of what has been lost or at least protect what they have. Current "Book Direct" campaigns, which try to educate guests as to the benefits of direct booking, are good examples of hotel companies leading the charge. However, one has to question how long this increased marketing spend can be sustained, a spend that – while significant – is dwarfed relative to the billions spent by the OTAs.

The hotel intermediary landscape took on yet another turn in 2015 with TripAdvisor and Google launching "Book on TripAdvisor" and "Book on Google". This new model allows users to complete their booking on Google and TripAdvisor without leaving their respective websites (or apps), with the booking then being pushed directly via the central reservation system to the hotel and the subsequent booking confirmation originating from the hotel. These programs were launched in tandem to their original cost-per-click meta-search programs where users are sent to a hotel or OTA website to complete their booking. Both TripAdvisor and Google tout direct booking as a way for hotels to increase direct bookings, where hotels have full control of rates and availability and only pay when a booking is made, as opposed to meta-search where the hotel pays per click received, regardless of whether a booking is subsequently made or not.

While TripAdvisor markets direct booking as a way for hotels to increase direct bookings, this model is a long way from a hotel book direct initiative. At its simplest "Book on Google" and "Book on TripAdvisor" is effectively an OTA-type mode where hotels pay anything from 12% to 15% commission. This model brings the booking process upstream and away from the hotel branded site, which in my view reduces a hotel's ability to build brand equity and ultimately increases guest engagement for Google or TripAdvisor. In many ways there is no difference between a hotel giving a white label of its online booking engine



As Senior Vice President Commercial and member of the Executive Committee, **Paul Mulcahy** is responsible for Distribution, Digital, Revenue Management, Sales, and Marketing for Mövenpick Hotels & Resorts. His experience is honed by over 20 years in the travel industry, with career highlights that include senior international commercial roles for companies as diverse as the Intercontinental Hotels Group, Orbitz.com and the Pierre & Vacances CenterParcs Group. Paul holds an MBA from Lancaster University and an MA in Economics from the University of Leicester.

to Google or TripAdvisor, and allowing these companies to rebrand it without the hotel being really able to differentiate itself from its competition. It also gives yet another reason for prospective guests not to visit a hotel's brand website and thus further drives the commoditization of hotels. Of course it can be argued that since the confirmation email arrives direct from the hotel, there is a good opportunity to maintain a pre-stay contact engagement strategy with the guest, differentiating this channel from a booking made via an OTA where often the guest details and email are anonymized.

So what is the future for this direct book model? For me, it is clear that it poses a further threat for hotels where they will continue to lose control over more and more of the guest online customer journey and thus their ability to brand build and differentiate themselves relative to the competition. It will also be interesting to see how TripAdvisor, which has hitherto positioned itself as an independent advisor, will manage the conflict between ranking hotels higher, the more commissions they are paid and their customer ratings. This cannot be good from a guest perspective, whose main reason to visit such a site is to get an unbiased review of a particular hotel.

There is a chance that direct book may fizzle out naturally, especially if recent reports are true that TripAdvisor's revenue per hotel shopper fell 24% as a result of implementing instant book. And while Book on Google is still live for some American

hotels, it still has not really taken off and has not (as yet at least) been implemented more widely.

From the hotel perspective, we can only expect intermediation to continue to grow along with the costs that go with it. The ongoing consolidation of OTAs will ultimately lead to negotiating power further shifting to a handful of intermediaries and away from hotels. Moving forward, the hotel industry must get to a profit per booking mentality and put systems in place to manage revenue by channel and thereby understand the level of incrementality that can be achieved from intermediated bookings. Creating compelling reasons why a guest should book direct and improving the digital experience will also help. And there is still one place where OTAs do not have influence – at least for the moment – and that is when a guest is under the hotel's roof, so getting back to the basics of engaging with guests at the hotel and ensuring they have great experiences when they stay with us will ultimately put some power back in the hotel's hands.

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Emerging developments in the CRS market and their implications for hotels

by **Michaela Papenhoff** 

The CRS landscape is seeing dynamic changes. Michaela Papenhoff, Managing Director of Düsseldorf-based h2c, provides us with some valuable perspective. Although hotels talk to their guests every day, the hospitality industry is still far behind the retail industry when it comes to system integration, customization and digitization, she says. Hotels and vendors as well as consultants must put their heads together to initiate the change needed.

I feel that hotels have been using CRSs forever to connect to the major OTA intermediaries and GDSs. But while hotels often use the CRS's Internet booking engine, other functionalities, such as the CRS call center or clustered call center features, are often less utilized for processing reservations. Another core IT system is the PMS, which provides many hotel management functionalities, but notably omits distribution. And despite the necessity, these two sets of systems never really got fully integrated in most small to mid-sized hotel chains. This was partly driven by the fact that a PMS provider would need to invest a considerable amount of financial and personnel resources into the development of a fully-fledged CRS solution, and vice versa, something that to date they have not been willing to do. Such an approach would become interesting, however, when you think about the data (e.g., rates, inventory, guest data, room and rate descriptions etc.) stored in the PMS and their potential utility for distribution.

However, distribution is a different game, where third parties are dictating what data they would like to receive for onward distribution. The distribution of dynamic content gets even more complex when Revenue Management or Customer Relationship Management is integrated with the CRS. Each of these systems requires a specific data set that does not necessarily exchange all of the data fields that a hotel chain would like to work with. Some of this "disconnection" is caused by legal issues, for example, local restrictions preventing data going from A to B. Some is caused by missing IT specification documents, as some hotel chains do not have the necessary resources for managing digitization effectively. For example, programming its own interfaces is almost never an option in

today's world, but it should become standard in the future, enabled by easy-to-connect APIs. And by doing so, hotels can avoid falling down the long priority ladder of the incumbent vendors' development roadmaps and never seeing their much needed connections developed.

We have seen a wave of hospitality vendor consolidation over the last 2-3 years, with Sabre's acquisition of Trust International potentially having the highest impact on the brand-independent central reservation system landscape. The recent merger suggests that Sabre and Trust are pooling their strengths together to create an enhanced CRS solution based on the best of both systems. And the industry is definitely in need of further developments to improve the online sales process, facilitate deep integration as well as improve the efficiency of operational tasks. When talking to hotel chains, it becomes clear that most lack at least some important functionalities and applications, such as providing a better shopping experience on their own website(s). Standard IBEs are often not sufficient, and the implementation of APIs can be expensive and time-consuming for several reasons. But it's not only that. Hotel chains have struggled to invest in and become truly digital. Mobile strategies in particular remain unclear in many cases, with only few exceptions e.g. small, agile hotel chains — hopefully we will see more of them soon.

Based on the numerous requests for proposals (RFPs) that h2c has handled for hotel chains, roughly 65-70% of the specified requirements are currently fulfilled by CRS vendors. The remaining 30-35% are kind of a wish-list of planned functionalities that probably will not see a market release any



time soon. These functionalities are not only concerned with technical capabilities and applications alone. Services such as metasearch and OTA management support are also highly desired. With an increasing number of connections to third-party channels becoming available, questions arise as how to effectively use them and how to solve operational issues. For example, content distribution plays a critical role for online sales success. Besides dynamic content, static and visual content of high quality is also required for driving conversion. Nowadays, hotel chains require a different support level than in the past. That's partly why non-branded hotel groups utilize solutions like Accorhotels.com's marketing, provided that these independent properties do not compete with Accor's portfolio. In this sense, loyalty program participation could become a key revenue driver, depending on costs and the bookings volumes independents receive. The independent lodging market is as yet untapped by CRS vendors, as almost all of them are clearly focused on the major chains and representation companies. However, there is huge potential, as can be seen from Booking.com's Booking Suite for instance, for managing the hotel's website, their booking engine and their rate management. The lines are blurring between CRS, channel manager and other

distribution player's offerings. Today, both distribution and property management builds on multiple replications of the same data. Innovative business models should aim to manage data from one single database in the future.

As market needs are determined by customers, easy-to-use solutions are mandatory. And although hotels talk to their guests every day, the hospitality industry is still far behind the retail industry when it comes to system integration, customization and digitization. Hotels and vendors as well as consultants must put their heads together to initiate the change. Time-to-market is an underestimated success factor. Today, hotel chains need to be able to control their own distribution destiny, for example by building IT competencies in-house, using proprietary solutions in combination with established third party software, connecting to partners via their own IT infrastructure, or by utilizing the CRS's caching capabilities. Standard off-the-shelf solutions will no longer suffice. Only by adapting to their individual situation can they hope to be successful!

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*Building on over 20 years of hospitality experience, including front desk, reservations, sales development and public relations at international hotels chains, **Michaela Papenhoff**, h2c's Managing Director, recognized the initial stage of electronic distribution early and the great potential of global marketing. In her function as Director of E-Distribution and E-Marketing at a leading European voluntary hotel chain with more than 200 member hotels, she implemented the company's first central reservation system and was accountable for all properties' revenues via electronic channels. Michaela founded h2c GmbH in 2001. The company is based in Germany and specializes in hospitality commerce, and supports hotel chains and individual properties, increasing their online sales. The International Executive MBA at the Rotterdam School of Management/Erasmus University strengthened her skills in marketing, finance, leadership development und change management. The beginning of her career started with a professional hospitality education program.*

Intellectual property in the digital world

by *Ruth Walters* 

The digital world is a vast, Amazonian river of intellectual property (IP)—software, brands, photos, video clips, music, guest information, guest reviews—flowing quickly in every direction. Almost any significant issue arising in this space highlights the juxtaposition between an IP owner’s desire—in some cases legal obligation—to control and protect its content (i.e. intellectual property) with the desire to have content exposed to more and different consumers and potential consumers, across ever proliferating channels. Ruth Walters of the Seattle-based law firm Garvey Schubert Barer provides some valuable legal insights and advice for us in the hotel world.

The first step

IP owners must be aware of the mechanisms by which their intellectual property is distributed. The foundation of any such distribution is usually some form of license—a permission to do something that one could not otherwise legally do. And while there is a room with a bed and a nice minibar at the end of the digital road, before that happens, it’s worth considering that everything is or should be considered IP—bits and bytes, APIs, pictures and brands—things that are owned and may be valuable property. Even something as essential as a GDS agreement should be examined for IP issues. How is the IP provided? What can the GDS do with it? What happens if they don’t?

Retaking control: distribution

Until recently, most hoteliers have been very much at the exposure end of the exposure/control spectrum when it comes to distribution. By granting very broad licenses to GDSs, OTAs, metasearch sites, wholesalers and other distributors or content aggregators, these entities are permitted to do almost whatever they want with the IP to which they have access. The cracks in this strategy are showing: OTAs and some metasearch sites outbid hoteliers for the latter’s own brands as keywords; use their names in sponsored advertisements; and onward distribute not only the inventory but the IP that goes with it to hundreds or thousands of never-named affiliates. The answer to the question “Can that be legal?” is often “Yes, and here is the license you granted that made it so.”

Hoteliers’ effort to draw business away from OTAs and re-assert control over the booking process has resulted in some companies paying more attention to how these parties can treat

a hotelier’s IP. The marketing and IP sections of distribution agreements (i.e. the IP licenses) have become some of the most heavily negotiated provisions. Hoteliers try with varying levels of success to prohibit OTAs from bidding on a long list of keywords; to include a list of negative match terms; to restrict OTAs and metasearch sites from using their IP in particular channels (often social media platforms); and prohibit OTAs from using hoteliers’ brands to improve their own listings on metasearch sites.

Or in other ways the hoteliers do not want. Two California hoteliers filed suit on 17 August 2016 against Expedia and some of its affiliates for false advertising, trademark infringement and unfair business practices under both federal and California law; they are also attempting to convert the case into a class action covering potentially hundreds of plaintiffs. They allege that Expedia lures consumers in with promises of deals on hotels with which it has no right to distribute; showing those hotels as full when consumers click through, and diverting consumers to alternative hotels on the Expedia site.

This case encapsulates many issues in this space: How did Expedia get the IP in the first place? If by license from the GDS, did the GDS act properly? Does Expedia have the right under “fair use” legal analyses to use the hoteliers’ brands the way they did? To date, under threat of legal action, Expedia has simply replied, “We’re looking into it.”

Expedia’s practice of dimming certain hotels—now abandoned—was equally important in that it illustrated how broad licenses can have unintended results. Broad licensing is a viable strategy, but a part of control is knowing, as much as possible, what you’ve signed up for.



***Ruth Walters**, Of Counsel, Garvey Schubert Barer. Ruth's practice focuses on intellectual property and technology transactions in the hospitality industry, including SaaS licenses, distribution, global brand partner agreements and social media-related agreements and issues. She also practices in the area of general hotel operations, including the negotiation of group sales and vendor/supplier agreements*

More exposure: social media

On the other end of the exposure/control spectrum, the use of social media to increase exposure has given rise to a relatively new figure—the social media influencer. Influencers have millions of followers and blog, tweet, Instagram and YouTube about goods and services they've consumed. Their potential reach is considerable, as are the risks in attempting to contract with one. Influencers are valuable exactly because they are—or are perceived as—uncontrolled; their independence makes people listen and their own reputations are tied up in accurate reviews and recommendations. So unlike standard ad or marketing agencies, hoteliers should not expect to be able to review or approve the influencer's content before it is published. And influencers typically want to use the finished product in perpetuity and to distribute it in other channels, which is another difference from the standard “make me a cool video of my hotel and give me all the rights” arrangement.

The risks are obvious; the reward as yet to be measured, but the movement towards consumers' increasing reliance on their Twitter and Instagram friends is expected to continue. Hoteliers regularly consider using a range of different social media activities to increase engagement with their brands and, presumably, generate more direct bookings. From launching contests for social media followers and friends; to soliciting or rewarding reviews on TripAdvisor; to encouraging guests to post content on a site reserved for that purpose, it's an area that thrills digital marketers and makes lawyers nervous. Which is about right. Anyway, please be sure to use a license and pay as much attention to its terms as to those given to distribution partners.

Practical considerations

It is always risky to let property out into the world where it can get damaged or stolen. Policing IP in the digital world is particularly challenging. There are only so many hours to devote to running Google and Bing searches or paging through Instagram and Twitter looking for infringing trademark uses or photos that someone copied without permission, let alone writing nasty letters to infringers and nagging account managers at big OTAs to fix problems. Third-party solutions exist if a hotelier can afford them, but the fact remains that it's a wild, wild, world out there for an IP owner.

And yet, engagement with digital marketing is not optional. The IP risks—losing control of the brand; having content taken without a license, modified and repackaged, etcetera and so forth—must be taken as a given when designing marketing, distribution and revenue management strategies. A hotelier should be as sure as possible that the various IP licenses it grants and takes support the hoteliers' overall brand, distribution and revenue management strategies and are consistent with its appetite for risk. Intellectual property is a valuable asset, and a clear and consistent IP usage strategy is essential as the total content available in the digital marketplace continues to propagate.

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Taking back control

by **Fernando Vives**  & **Ana Morillo** 

Does the hotel industry have a firm grip on the issue of cancellations? As NH Hotel Group's Fernando Vives and Ana Morillo explain, if a customer makes multiple advance bookings and only takes a last-minute decision which hotel to actually stay at based purely on price, then factors such as our brand power, customer loyalty, and the guest experience are being left out of the decision making process. Ultimate result: the reinforcement of the commoditization of the hotel business. They argue that we need to take steps as an industry to tackle the issue.

The share of online business for hotels is exponentially growing, with own-brand websites finding it increasingly difficult to compete with OTAs.

In the past, the OTA market was dominated by the merchant model, where the consumer booked and paid the OTA at the time of reservation. This, of course, presented numerous advantages for the hotel business as it avoided speculative booking patterns. In this type of model the guest would only book if there was a fairly high possibility that he will stay in the hotel.

With the advent of new OTA players in the market, using a commissionable model, many offered extra flexibility to the customer as a differentiating factor for their website, and this attractive new proposal enabled them to acquire huge market share fairly quickly, particularly in Europe. Over time the market, as we knew it, changed. OTAs, which previously only worked with a merchant model, have become hybrid players in an unprecedentedly highly competitive landscape.

There is constant pressure not only to bring traffic, but actually convert it. And both for OTAs and hotel groups the long-term customer value becomes more important. Being able to create loyalty not only for the product but the channel is another example of how and why ensuring that the customer books (converts), even if he cancels later, has become a priority.

The result of this evolution is that the customer can easily make multiple hotel reservations without any prior payment and therefore assume no risk. Consumer behavior shows that a

customer will reserve several hotels, for the same destination, for the same date and then cherry pick that which suits his specific needs at a later date. This behavior has not been seen in airlines. Perhaps there are lessons to be learned here.

But why are cancellations so damaging for our industry? It is not only the damage done to our forecasting models, with its inevitable impact on profitability, pricing, staffing, etc., but the bigger burning issue is the tendency towards the commoditization of the hotel business. If the customer is taking a last minute decision based purely on price, this leaves our brand power, customer loyalty, and guest experience out of the decision making process.

If we all agree this is a bad thing, then we need to take steps as an industry to tackle the issue. Maybe it could be instructive to start off by looking at how the airline industry has managed to avoid this trap. In the hotel sector, despite some of the market leaders having performed some halfhearted tests, there is no real though leadership at present in this area.

At NH Hotel Group, our position is clear: we as an Industry need to take a different approach; a different way to commercialize and set up our rates. Traditionally we have been selling customer behaviors rather than products. Rates such as advance purchase, whose aim is to steer customer behavior, is in reality a pre-paid rate to help secure healthy cash flow, build a long term base, and avoid last minute uncertainty. Do we really think that our customers understand what we are selling? At present, in reality, what we are really selling are different terms and conditions.



Currently, a typical rate structure in most hotels is based on a flexible unrestricted rate with all other rates in all segments indexed to this “master rate” with different discounts based on the terms and conditions offered. So basically we start at the top positioning and work our way downwards towards the real market with discount based systems.

We believe that this status quo needs to be turned on its head.

What if we could base all our rates on a prepaid rate and build up our new pricing model from the bottom upwards, with increments based on less restrictive guarantee and cancellation policies. This gives total flexibility to the customer to pay for what he really wants and needs. Traditional revenue management takes a numbers-based approach, applying strategies that are often based in the use of different guarantee and cancellation policies. Why not give the client the option to choose, and price accordingly?

Fernando Vives is Chief Commercial Officer and member of the Management Committee at NH Hotel Group. Previously he was Senior Vice President Commercial Strategy & Pricing. An expert on revenue management, commercial practices and distribution, he gained experience in both urban hotels and resorts working at international hospitality companies such as Melia Hotels International, Hesperia, the Ritz and Le Meridien. Fernando co-founded the Revenue Management & Distribution firm Xotels (2006) and established the Master’s Degree “Expert on Revenue Management” at Universidad Rey Juan Carlos in Madrid in 2009.

With over 8 years’ consulting experience in top line growth for companies across numerous industries such as automotive, retail and distribution, **Ana Morillo** is currently responsible for Global Commercial & Pricing Strategy at NH Hotel Group, a hotel chain operating more than 400 hotels in 30 countries across the world. Her main responsibilities are to define the necessary strategic frameworks and vision for revenue management department and, in coordination with marketing and sales, to ensure that top line growth maximization is achieved with a customer-centric approach. Ana has a Bachelors in Business Administration and is a frequent speaker at international conferences and business school programs on an international level.

Our pricing strategy should include extra elements such as administrative cancellation fees, multiple release times that give the client the option to choose between cancelling 48 hours prior to arrival or the day of arrival at a different price premium, in the end, resulting in a more flexible model.

The industry has clearly changed, and our historical/current practices no longer work. We are running the risk of falling asleep at the wheel in a highly competitive market where online channels are growing at unprecedented speed.

Shouldn’t we take a step back and reflect on all the different possibilities we have building a new transparent and compelling product offering for our clients?

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HOTEL Yearbook 2036

EYEWITNESS REPORTS FROM THE YEAR 2036 | by WOODY WADE

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The Hotel Yearbook 2036 gives us a peek forward at what's to come. Twenty years ago, the dictionary didn't include 'OTA'; WiFi connectivity was just a discussion; phones were merely for talking... Much can change in two decades, and this book highlights some fascinating possibilities. - Michael Levie, COO of citizenM Hotels

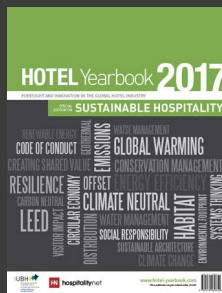
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