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## What Hot Internet Marketing Topics are on the Minds of Hoteliers?

A Mid-Year 2007 Review as Hoteliers Enter into Budget Planning Season

| By Max Starkov and Jason Price

Midway through 2007, hoteliers are already planning their marketing budgets for 2008. In the past few months, HeBS has been bombarded by hoteliers requesting information on some of our favorite topics, including the latest trends in Web 2.0, paid search marketing, eCRM, web analytics and ROI tracking, marketing strategies, technology acquisition, and other topics that influence online marketing budgets. We have collected and summarized these commentaries below. Refer to this article as you prepare your own marketing plan and budget for 2008.

## Background:

2007 has been a year of continuing growth in the online hospitality industry. Ongoing technological advances (including mobile technology, analytics and convergence technologies), Web 2.0 initiatives, customer loyalty, website design, consumer generated media, web analytics, and the power of customer reviews in the travel planning process, are just some of the topics that have dominated articles and discussions in online marketing in hospitality.

Hoteliers are quickly entering the 2008 budget planning season. What hot topics do you, the hotelier, need to take into account when constructing a competitive online marketing budget and strategy? Are you keeping up with your peers?

### The Role of eCRM in Online Marketing

The Internet has transformed Customer Relationship Management (CRM) in hospitality. A large majority of your customers are planning and booking their hotel stay online. In fact more than two-thirds of them will do that this year. How do you nurture, grow and retain your customer base when the competition is just a click away? How do you prepare for the future in this very dynamic and transparent online environment? How do you beat the competition for the most lucrative customer segments? By building a comprehensive eCRM strategy and creating interactive mutually beneficial relationships with your customer, any hotel company can ensure its survival in this new environment.

On average approximately 2% of hotel website visitors will make a booking while the other 98% will read, scan, and then leave your site. Without a comprehensive CRM strategy in place hoteliers will never know much about their website visitors, bookers or lookers. Even if Internet users book on the hotel website and hoteliers draw some information out of them, the blending of business and leisure customers makes it hard for hotels to differentiate who they are and follow up with appropriate marketing messages. Many hoteliers know next to nothing about their customers and their travel planning and purchasing behavior.

A Customer Relationship Management strategy and the rise of low cost eCRM tools to help support this strategy have helped many hoteliers address the question "Know your customer." Many of these low cost tools can interface with the PMS, and when done right they allow for high quality data gathering either online or at check in. Do not underestimate the value that a CRM strategy can provide. Have your strategy in place and then find a technology that will fit this strategy.

Rewarding loyalty is one way to know your customer. A loyalty program need not be complicated, expensive, or labor intensive. A few small brands and ownership groups have introduced such programs in the past few years and most are used to combat the use of third-party intermediaries. The loyalty movement in hospitality continues and when performed effectively can produce meaningful results for your hotel, the brand, and most importantly your customer.

Here is how hoteliers replied to our question regarding their eCRM programs:

#### HeBS Poll Results: Do you have an eCRM Program in place at the hotel?

56% - Yes

22% - No

0% - Planning to implement in 2007

22% - Planning to implement in 2008

If this topic interests you, please read our article:

“Building an eCRM Strategy in Hospitality: How to Establish Mutually Beneficial Interactive Relationships with Your Customers.”

### Consumer Generated Media Strategy in Hospitality

Consumer generated media (CGM): blogs, discussion boards, review sites, social network sites, etc., has remained a prevalent subject in hotel marketing discussions in the past year. How can hotel and travel marketers use this new medium to their advantage? Should CGM be considered an opportunity to promote the hotel product and be part of the marketing strategy, or is it a threat that needs to be contained? Can a CGM initiative help hoteliers differentiate their services and de-commoditize their product?

There are three approaches to building the Consumer Generated Media (CGM) strategy. Which approach to use depends on your situation and needs. If the goal is to protect and monitor the ‘chatter’ on the web about your hotel for whatever reason, then a Brand Defensive Strategy should be entertained first. If the goal is to leverage the expert knowledge that currently exists at your property out there on the web, then consider a corporate sponsored CGM initiative. Lastly, if the goal is to simply communicate to readers on high traffic CGM sites, then you can advertise on them.

- CGM and a Brand Defensive Strategy:
  - Identify CGM sites that cover your industry and segment e.g. HotelChatter, TripAdvisor, TravelBlog
  - Monitor the CGM Universe for CGM postings about your company (e.g. via technorati.com, blogpulse.com, etc.)
  - Nurture satisfied customers to “express themselves” via popular CGM sites
  - Implement CGM suggestions, address criticism, and contact critical CGM-ers to discuss improvements and results
- Corporate- Sponsored CGM Initiatives:
  - Determine if your company needs a CGM initiative in the first place
  - Identify the type of CGM that best suits your organization e.g. Corporate-sponsored blog, customer trip planning and advice, experience sharing, etc.
  - Leverage the internal, in-house “expert knowledge” from spa gurus, golf pros, famous chefs, fitness pros, wedding planners, etc.
  - Clearly delegate responsibility and ownership of the blog
  - Budget for the new corporate-sponsored CGM initiative
- CGM as an Advertising & Marketing Medium in Hospitality
  - Many high-trafficked CGM sites (e.g. review sites, blog search engines) now accept display ads and sponsorships, cover your industry and segment e.g. HotelChatter
  - Identify all CGM sites and initiatives that matter
  - Advertise only on CGM sites that are highly relevant to your product/services and the destinations you serve, e.g. regional golf or spa blogs, destination CGM initiatives, etc.

HeBS Poll Results: For hoteliers, do you think that Consumer/User Generated Media is a threat or an opportunity?

0% - CGM is a threat

43% - CGM is an opportunity  
57% - CGM is both a threat and an opportunity

If this topic interests you, please read our article:  
Consumer Generated Media (CGM) a Threat or an Opportunity?

### **Blogs and the Hotel Website**

Do blogs work in hospitality and if yes, what blogs work best for the hotel website? In our view, blogs are yet to play an important role as a marketing tool in hospitality. But blogs are already playing a vital role in word-of-mouth customer property reviews and peer-to-peer recommendations. Here are two important aspects of blogs that affect hospitality today and hoteliers should be aware of:

- Blogs as part of the hotel defensive strategy
- Blogs as an interactive communication tool in hospitality
- Blogs as a marketing tool in hospitality

HeBS has been involved in conceptualizing and developing blogs for many of our clients. Over the years we have found the following types of blogs work in hospitality and travel:

- Travel community blogs for members of travel clubs or hotel reward programs
- Affinity blogs that serve as discussion forums for people with common interests or strong opinions about a subject matter (e.g. wedding planning, traveling with pets, family travel, etc.)
- Expert blogs by the hotel/resort's spa, golf, tennis, fishing or culinary pros
- Destination blogs maintained by travel writers or destination experts

For example for beach/golf/spa resorts and destination experiential sites we have found that the following approach produces the best results:

- Create an experience sharing blog (who did what in the destination and recommends it to his/her peers)
- Create a photo sharing blog with a monthly "Best Photo Award"
- Create peer-voted Top Ten lists:
  - Top Ten Things to see in the destination
  - Top Ten best restaurants
  - Top Ten coolest bars
  - Top Ten family activities
  - Etc—the sky is the limit

### HeBS Poll Results: Do you have a blog on your hotel website?

21% - Yes  
79% - No

If this topic interests you, please read our article:  
"Building a Blog Strategy in Hospitality"

### **Best Practices for Managing the Indirect Online Channel**

What are the most important trends in the indirect online channel in 2007? The direct online channel will continue to be the main focus for hoteliers. The industry as a whole has realized that not only has the Internet become the preferred channel for travel consumers to plan and book lodging, but the direct

online channel is the cheapest form of distribution. The shift from indirect to direct online distribution will continue to be a major trend in the next several years.

The winners in the Direct vs. Indirect Online Distribution in hospitality were decisively determined in 2006:

	Direct	Indirect
2006 Major Brands:	81.4%	18.6%
Hilton:	90%	10%
Marriott:	85%	15%
Mandarin Oriental:	88%	12%

Overall for the industry, this year over 60% of online hotel bookings in the U.S. will be direct to consumers (65% by 2010) vs. 40% via third-party online intermediaries/OTAs (35% by 2010) (Merrill Lynch, HeBS).

So what are the most important trends in the indirect online channel? To begin with, now is the time to start working with fewer third party intermediaries (TPI's), and at drastically lower margins (e.g. 15%-18%). Smart hoteliers deal only with TPI's that can access the hotel inventory electronically (through the hotel PMS, brand CRS, Pegasus or the GDS), and not via manual extranets. These hoteliers work in strict rate parity, use dynamic TPI margins (higher when you need the TPI's, lower when you don't), and prohibit TPI's from using trademarked property names for their PPC and search engine marketing campaigns.

Other ways to shift consumers from TPI's to the hotel website include unique product offerings found only on the hotel site and launching or enhancing the hotel loyalty program.

HeBS Poll Results: Five years from now, what percentage of Internet bookings in hospitality will be direct with consumers (as opposed to indirect via online third-party intermediaries/travel agencies TPI/OTA)?

% of Internet Bookings	% respondents
60%	16%
70%	32%
75%	11%
80%	11%
85%	16%
90%	16%

If this topic interests you, please read our blog article on "Best Practices for Working with Online TPIs/OTAs in 2007".

### **Best Practices in Website Design: Balance the Visual Appeal with the Search Engines**

The hotel website has become the first, often the only and in many cases – the last point of contact with hotel customers. High-Speed Internet access is already part of daily life and has enabled consumers to experience the Internet like never before. 75% of active Internet users in the US use broadband at home and almost 100% of Internet users access broadband at work. This means faster download times, faster searches, more sites and pages viewed, and more rich media and applications possible.

Hotel websites can now offer better imagery, higher display resolutions, rich media and visual experiences like never before. 80% of Internet users have 1024x768 or higher displays.

In the first half of 2007 we have noticed that more hotel websites are becoming hijacked by design shops ignorant of online user behavior and key search engine traits. The sites or whole sections and pages are completely in Flash without any HTML copy, the navigation map has poor usability, and the contents on the site are not search-engine friendly.

As one hotelier burnt by the experience pointed out, "website design has created a gap between marketing people and web designers. It is a push and pull between 'Content is King' and conformance to the search engines with 'Wow and Coolness' by techies/designers looking to win a design award."

A hotel website must be a 24/7 sales and marketing tool. It has to conform to sound business practices and this will result in a hotel website that is:

- User-Friendly
- Search Engine-Friendly
- Booker-Friendly
- Interactive Relationship-Friendly

It is true that in many cases web designers feel the need to compromise on these best practices in order to have a beautiful website. The goal in website design in hospitality is to build sites that incorporate these factors and a) are not expensive websites to start with and b) do not have to be re-designed every year or two because the site was not built properly.

If this topic interests you, please read our blog article on "Flash vs. HTML website design".

### **Measuring Results from Hotel Internet Marketing Campaigns**

Marketing is all about results. Unlike offline marketing, state-of-the-art website analytical and campaign tracking technology can track and analyze ROIs from the hotel online marketing campaigns quickly and accurately over the Internet.

Web analytics and conversion tracking has become a necessity rather than a luxury. All major hotel brands and TPis/OTAs utilize cutting edge analytical tools.

You don't have to be a major brand or an OTA to benefit from the technology. For example, all HeBS' clients can enjoy the same state-of-the-art analytical tool as the major hotel brands and online intermediaries at a fraction of the cost.

Such tools allow client access to full website analytics: visitor sessions and unique visitors, entry/exit pages, page views, referrers, conversions, keyword analysis, etc. The tool allows for tracking of banner campaigns along with the tracking of post-click activity (what happened after the user clicked on your PPC listing and did not book right then –did they book 2 days later or 2 weeks later?) and most of all, measuring the ROI on every dollar you spend on marketing the website.

If this topic interests you, please read our article:

"Measuring Results from Marketing Spend in Hospitality: Using Metrics and Analytics for Quantifiable Results".

### **Guidance on 2008 Internet Marketing Budget Planning**

By 2008, as much as 37%-38% of all hotel bookings will be transacted over the web, which represents 15%-16% growth over 2007. Use this as a benchmark to increase your overall marketing budget. Now

more than ever, billboards along the highway, hotel print brochures, and other traditional means of advertising hotels have shifted toward the web.

The top areas to devote your 2008 marketing budget include:

- Search Engine Marketing (organic, paid search, local search, meta search)
- Banner Advertising
- Newsletter Sponsorships
- Email Marketing
- Website Optimization and Redesign
- Strategic Linking
- Website Analytics and Conversion Tracking

Click here to review tips on creating an Internet marketing budget:

["Budgeting for a Robust Internet Marketing Strategy](#)

[A Best Practices Guide to Aid in Developing the Hotel Online Marketing Budget"](#)

### **Mobile Technology in Hospitality**

What will happen to traditional and online distribution channels in hospitality in the next few years as mobile further penetrates this market? 1 billion new mobile devices were shipped in 2006 alone. Nearly 70% of U.S. households have at least one active cell phone subscriber. Nearly 85% of the mobile devices on the market are web enabled and nearly 100% are text-enabled.

Marketing over mobile will gain more attention in 2008. Many of the search engines and phone providers with their own search engines are enabling advertisers to market using mobile search. Naturally speed, minutes/data costs, and support will determine the level of adoption. Without making any predictions, the amount of ad dollars necessary to devote to mobile search may be less than expected. We are still years away from truly meaningful advances. In the short run, make sure your website is website friendly or as we describe on client websites, as "PDA ready!" In the years ahead, mobile growth will only continue to grow in popularity and importance.

If this topic interests you, please read our article:

["Internet Marketing and Distribution Trends Impacting the Hospitality Industry from 2007-2010"](#)

### **Conclusion**

As we rapidly approach the last quarter of 2007 and start planning for 2008, it is important for hoteliers to look back at the successes and failures of the past year in online marketing.

As certain topics grow in popularity and importance: Web 2.0 and consumer generated media, convergence technologies, mobile technology and web analytics, hoteliers should not abandon the more traditional Internet marketing formats. In our view, hoteliers should consider hot new topics and initiatives such as Web 2.0 and CGM initiatives only as part of a comprehensive Direct Internet Marketing Strategy, together with other important aspects such as search marketing, email marketing, website optimization, strategic linking and link popularity, online sponsorships and display ads. These should continue to be essential line items in hotel Internet marketing budgets.

Hoteliers need to take these hot topics and the latest trends in online hospitality marketing into account when constructing a competitive online marketing budget and strategy. As you prepare for the year

ahead, work with an experienced, strategy-oriented, ROI-centric and accountable hospitality Internet marketing firm and keep in mind that the hotel website is your most cost-effective revenue channel.

*Note: Mariana Mechoso, Director, eMarketing Services at HeBS, also contributed to this article.*

**About the Authors and HeBS:**

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A diverse client portfolio of over 450 top tier major hotel brands, multinational hospitality corporations, hotel management and representation companies, franchisees and independents, resorts, casinos and CVBs and has sought and successfully taken advantage of the firm hospitality Internet marketing expertise. Contact HeBS consultants at (212)752-8186 or <mailto:info@hospitalitybusiness.com>.