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2004 – The Year of Direct Online Distribution

Now is the time to fight back with a smart Direct-to-Consumer Internet Strategy | By Max Starkov and Jason Price

This past year hoteliers have come to understand the pitfalls of overexposure on the intermediary channel, especially at the expense of one's own direct online distribution strategy. There is a new realization among hoteliers that direct online distribution cuts costs, preserves brand and price integrity, attracts affluent customers and lessens the dependency on online discounters. Much was learned this past year and now it's time to put some of these lessons into action. This article provides several action steps that in aggregate define one's Direct Online Distribution strategy.

Background:

This year over 16% of all revenues in hospitality will be generated from the Internet (14% in 2003). Two years from now the Internet will contribute over 24% of all hotel bookings (CSFB). Forecasters predict that in 2005 Internet hotel bookings will surpass GDS bookings. An estimated 53%-54% of all Internet bookings in hospitality will be direct to consumer (i.e. via hotel-owned websites). Some pro-active hoteliers and several major brands (Marriott, Hilton, etc) already boast a Direct vs. Indirect online revenue ratio as high as 75:25. Some hoteliers already generate total revenues above 30% from the Internet and more than half of this distribution directly to consumers.

Defining Direct Online Distribution in Hospitality

So what is a Direct Online Distribution Strategy? Also called "Direct Sphere of Web Distribution Influence", direct online distribution includes Internet distribution channels, business models, eMarketing programs, and Internet brand and exposure building techniques that all share the same collective goal - to draw in the Internet user to end up transacting on the hotel website. It is all about benefiting from the Internet as the greatest direct-to-consumer distribution channel and positioning your hotel at all possible "touch points" of interaction with the potential online customer.

Here are some of the direct channels, models, programs and techniques that share the same commonality where the Internet user transacts directly on the hotel website: website optimization, search engine strategy, destination web strategy, email marketing, PPC marketing, link popularity, trust building techniques, eMarketing programs, etc.

The direct-to-consumer distribution model should become the foundation, the centerpiece of any hotel company's online distribution strategy. Why? First of all, the Internet is the ultimate "Direct Distribution Medium". Second, in the offline world hoteliers are one of the best direct marketers and enjoy more direct sales (75%) than intermediary sales (25%). From wildly successful Dell and Amazon to supermarket upstart Fresh Direct, selling online directly to consumers is more than achievable. Some pro-active hoteliers and several major brands (Marriott, Hilton, etc) already boast a Direct vs. Indirect online revenue ratio as high as 3:1.

Why is direct distribution important? It is the least expensive distribution channel and provides the hotel with long-term competitive advantages, and lessens dependence on intermediaries, discounters or traditional channels that we believe will be less relevant over time. Direct online distribution is not just a theoretical, "ideal scenario" approach. Many surveys show that online customers prefer dealing directly with travel suppliers, including hotels, when purchasing travel online. Recently, Forrester Research found that 69% of US leisure travelers prefer to buy online directly from a supplier while just 27% prefer to buy from intermediaries. This is yet another confirmation that hoteliers should focus more than ever on their direct-to-consumer online distribution and should work hard on regaining control of the Web from the online discounters and intermediaries.

There is another reason why hoteliers should boost their own Internet presence. As a result of aggressive email marketing and Web-only promotions over the past several years, leisure and business travelers alike now firmly believe that all best travel deals are to be found not through a travel agent, or calling a toll-free number, but on the Web. Will online travelers find these travel deals on your hotel website or on the intermediary sites?

With this encouragement, **make 2004 the Year of Direct Online Distribution.**

Here are brief commentaries and case studies on some of the main aspects of the Direct Online

Distribution Strategy:

Website Optimization Strategy

Direct online distribution starts and ends on the hotel website. But is your website user- friendly, search-engine-friendly and online booker-friendly? Performing a comprehensive evaluation and website optimization of your hotel website should become a top priority this year if you want to stay competitive and take full advantage of the Direct Online Channel.

What is website optimization? To begin with, a hotel website is not an online brochure. A hotel website is the hotel's only chance to achieve significant growth and competitive advantage in difficult times, and steal market share from its "sleepy" competition. The website is the hotel's incremental revenue producing "virtual" 24/7 sales office. It is a "living organism" and should constantly evolve to better respond to the dynamics of online distribution and changing patterns of consumer purchasing behavior.

Website optimization deals mainly with three key issues:

- Making the website user-friendly (tiered navigation, relevant and credible copy, easy to use booking technology, customer support, eCRM features, etc)
- Making the website search engine-friendly (relevant, web-friendly copy with embedded keywords, destination Web strategy, optimized website architecture, domain name strategy, target keywords, meta tags, description tags, etc).
- Making the website travel booker-friendly (boosting the bookability features of the website, increasing the comfort level, booking engine functionality, website credibility, building trust issues, etc)

In other words, your website should be optimized to become a robust money making "machine". Partnering with a hospitality eBusiness consultancy specializing in Direct Online Distribution and proficient in website optimization can help turn your hotel website into a 24/7 sales force and achieve much needed growth in revenues and conversion rates through best practices and website optimization strategies.

Case Study:

HeBS has evaluated hundreds of websites using its proprietary Internet Audit Methodology and Cyberscore system. Here are the results of a typical stand-alone hotel website:

	<u>Average Score</u>	<u>Max Score</u>
User-Friendliness: (12 attributes including website multi-tiered navigation, descriptions, key customer segments addressed, rich media, destination Web strategy, eCRM and customer support, etc.)	18	120
Search engine friendliness: (12 attributes, including keyword density and relevancy, quality and relevancy of copy, rich content, Destination Web Strategy, page titles, tags, detrimental design elements such as frames, Flash, etc.)	12	120
Travel Booker-friendliness: (12 attributes, including keyword Booking engine functionality, Search/Availability box, Bookable specials and hotel packages, RFPs, trust building issues, lowest price guarantee, etc)	14	120
Total:	44	360

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A typical independent hotel website scores in average 44 out of 360 points i.e. it utilizes only 12% of the "best practices opportunities" it has at its disposal to reach new online travelers, convert them into bookers and retain their loyalty. Solution: Unless a fundamental Website Optimization Strategy is performed, the hotel cannot expect any meaningful revenues from its website and will have to continue relying on the online intermediaries.

Search Engine Strategy

Search engines are an essential component of the direct online distribution strategy. According to Forrester research about 80% of overall website visits begin in a search engine or a directory service. Many other surveys also show that up to 85% of Internet users rely on search engines to locate relevant information on the Web (e.g. Google, Yahoo, MSN, etc). Lodging companies that do not have the marketing budget of the major intermediaries must rely even more on search engine referrals. Therefore good positioning of your hotel website on the major search engines is of critical importance otherwise no one will find your hotel.

Unlike other e-commerce categories, Internet users search for travel and hospitality services and offerings within the context of a particular destination. Therefore the search engine strategy for the hotel website is subject to different methodology than what the generalist SEO (Search Engine Optimization) companies usually offer. This destination-focused search engine strategy requires in-depth knowledge of the travel and hospitality industry, extensive destination research, destination target keyword analysis, etc. Only a destination-focused search engine strategy can help the hotel website leverage the popularity of the destination for the hotel's benefit.

How can your website avoid becoming part of the "Invisible Web"? By avoiding quick fixes provided by many SEOs that may result in "banning" your website by the search engine majors, and

employing a robust search engine strategy based on fundamental principles and best practices in hospitality. A Website Optimization and Destination Web Strategies are a good start to improve your website positioning on search engines and boost direct consumer bookings.

A word about the major brand websites. Though some of the major brands have done a good job with their global websites, none of them fare particularly well on the local search engine level. For example, in order to be picked up by the search engines, a local Hilton property has to implement relevant copy and destination content with specific target keywords, page title, description tags, etc that are completely different from the global Hilton.com website. Each property has to have a marketable domain name and achieve link popularity on its own. Hence, the need for any franchised or branded hotel to pursue its own website, search engine and online distribution strategy is strongly advised.

Case Study: A Luxury Hotel in New York

Problem: Flash-intensive Home Page. A website built in frames is a hotel hidden from search engines. Navigation is complicated and confusing. Page titles and tags all missing. The rich content of the website is not optimized for the Web, and the website has no meaningful amount of website bookings. **Solution:** Perform a Website Optimization Strategy, coupled with Destination-focused Search Engine Strategy. **Results:** Website traffic quadrupled within 6 months, website among top 50 listings on top 100 search engines, and top 20 on 40 of them.

Destination Web Strategy

Hoteliers that employ a robust Destination Web Strategy have an effective means to capture new lucrative markets, boost direct distribution and decrease the need for intermediaries. Hoteliers cannot control the amount of travel to their destinations. At the same time Internet-savvy hoteliers can dramatically increase their online market share at the expense of their competitors that are "asleep at the wheel". Make your hotel the hero of the destination.

A Destination Web Strategy means leveraging the popularity of the destination to the advantage of your hotel or cluster of hotels. It means making your hotel the "hero" of the destination. The site becomes destination rich and highly relevant to Internet users and the search engines.

This strategy is one of the most effective means to market a local property or a cluster of properties within a particular destination. It allows the hotel to leverage the richness of the destination and shape the local attributes of its environment with creative marketing initiatives that appeal to its online customer base.

Case Study: Major Resort in Southeast US

A slowdown in travel forced this upscale resort client to overhaul its website aimed at attracting outdoor recreational travelers, golfers, families and capture an upsurge in the weddings market. Its mountain setting makes for not only an ideal wedding venue but also enables a similar approach applied to hiking, boating, golfers, and eco-travel enthusiasts. **Solutions:** deploy a robust Destination Web Strategy. **Results:** The resort is positioned as the "gravitational center" of the destination and identifies all area attractions, local and regional events and activities, and lifestyle attributes. As a result the resort website already generates 20% of the resort's revenues and captures important markets that otherwise would be inaccessible without a robust Destination Web Strategy in place.

Link popularity

Link popularity is an extremely important criteria used by the search engines (Google, etc) when ranking a website. The higher the link popularity and the quality of the links, the better the chances for a top position in the search engine results. Link popularity refers to the number and quality of incoming links that are pointing to your website. Outside websites consider your own website important and wish to link. In the search engines' view, incoming links to your website are considered important since each incoming link is a "vote of confidence". Search engines recognize the number of incoming links in its algorithm that determines placement rankings, which explains why you may appear on page 10 while your competitor appears on page 1.

Naturally a listing of the hotel on Travelocity or Hotels.com does not constitute "a link" as there is no and there will never be a "hot link" from these intermediaries to the hotel own website. Today search engines want links to your website from authoritative sites, or links from websites that share the same focus as your website and have very high link popularity themselves, i.e. travel-related websites, destination portals, travel guides, CVBs, travel and hotel directories, etc.

A stand-alone hotel website is within the "best practices" norm if it grows links by as many as 200-250 each year. For example if you website is 4 years old, you should have at least 800-1000 incoming links by now.

Ideally a hotel website should aim to position itself at all direct "points of contact" with potential Internet travel bookers. Boost your presence on hotel directories, travel advisory sites, and demographic oriented services each with a loyal purchasing community. By leveraging their marketing dollars you can benefit from their traffic. An important by-product of this strategy is the "link popularity" of the hotel website, a crucial criteria used by the search engines to determine how to rank the website. Utilized expertly, these important online channels can produce immediate results, while keeping the hotel company or its properties in full control of the brand, pricing strategy and revenue management techniques.

Another important issue is the question of the outgoing links. Outgoing links may have negative impact on the link popularity of the website, especially if its link popularity is low. On the other hand the hotel has no control over the websites it links to: they may feature your competition or an online discounter as it is often the case. It is very expensive nowadays to attract traffic to your website, and you do not want to lose it to other websites that easily.

Case Study: A premier hotel in Georgia

Problem: Website suffers from low search engine rankings and low link popularity. Solutions: Deploy a comprehensive Link Creation Strategy. Hotel website listed on top "authoritative" travel and hotel directories, destination portals and guides, as well as wedding and honeymoon, meeting and event planning services, business travel, family and leisure travel services and directories, etc. Results: Within 12 months link popularity increased from 68 to 575 links. This coupled with a robust Website Optimization Strategy boosted search engine rankings.

Email Marketing

Email marketing is a crucial component of the hotel's direct eMarketing and online distribution strategy. The shift toward online purchasing suggests that the website is becoming a key point of entry to establish interactive relationships with your customers and to capture client email profiles.

Hotels are in a unique position to build a robust email list from existing customers. When using your own email list to market your hotel, the conversion rates can be 15-20 times greater than any rented mailing list because the targeted group already knows and has experienced your product first-hand. In addition, the hotel can stratify the customer list by specific characteristics, communicate and offer "value-adds" in the message, and send targeted and relevant mailings. In other words: create an interactive relationship in which your email audience anticipates your value-add email newsletters, hotel promotions and specials.

The hotel website is one of the top three "points of collection" of customer emails, the other two being the booking engine, and the offline email capture strategy. At the current conversion rates of less than 2% the hotel will be missing 98% of its opportunities to collect customer emails if there is no special customer email capture functionality outside the booking engine on the site.

Case Study: A Brand New Boutique Hotel

A new hotel is about to launch a pre-opening website. Solutions: As part of the Website Optimization Strategy, a customer email capture functionality with a hotel sign-up promotion implemented. Online advertising and special PPC campaigns launched featuring the website email capture promotion. Results: Within 30 days after hotel opening, the hotel's own opt-in email list exceeds 5,000 addresses, and first monthly eNewsletter launched.

Pay-Per-Click (PPC) Marketing

PPC marketing and email marketing are ideal direct-response vehicles and powerful tools in the hotelier's direct-to-consumer online distribution strategy.

Pay-per-click (PPC) or Pay-for-performance services as they are sometimes known have become a popular and smart way to position your hotel website as "Sponsored Links" or enhanced listings on top of the search engine results. Unlike algorithmic (natural) search engine listings, you control the actual creative copy of your listing (i.e. you can promote a concrete rate) and its ranking (i.e. your listing can be at #1 position if you can afford it).

As one of the early adopters of PPC Marketing (our consultants have been actively using and devising PPC campaigns since 1998), HeBS foresees increasing importance of PPC marketing as a direct-to-consumer channel. Utilized expertly, PPC can be a major short-term distressed inventory disposal tool, and in the same time, an important branding tool.

A word of caution. Like with any type of advertising, with PPC you can do a good job, or you can do a very bad job indeed. We have seen some inexperienced eMarketers ready to pay \$20 cost-per-click (CPC) for a popular Seattle-related keyword. CPCs of \$5-\$8 for popular Orlando-related keywords are often phenomena. At the current ADR levels such CPCs cannot possibly be justified, and the ROIs will surely dwell in negative territory.

Case Study: A Major Brand

A major brand needed a cost-effective PPC campaign for its Washington DC properties. Solution: A robust PPC campaign created and launched on all 4 main PPC services. Specials and

packages, and relevant landing pages created specifically to back-up the PPC campaign. PPC designed to focus on several thematic campaigns, addressing key audiences: leisure travelers, meeting planners, wedding planners, people visiting for special events, and local attractions, etc. Results: Within 6 weeks the highly successful PPC campaign resulted in over 15,000 highly targeted visits to the website at a very reasonable cost-per-click, over 500 bookings and 1100 room nights, and a great branding effect as more than 750,000 people viewed the hotel listings.

Competitive Intelligence Tools

Online intelligence is a very important component of your overall Direct Online Distribution Strategy. How do you measure your own and your comp set's performance in the direct and indirect channels? Whether a brand or property, how well are your competitors selling online? What online channels are they utilizing to move inventory? How effective is their Direct Online

Distribution Strategy? How heavily are they dependent on the online discounters? How do you compare to them?

When it comes to the Internet, here are the two most critical questions that should be addressed by any online distribution intelligence report:

- Direct vs. Indirect online channel utilization
- Price vs. Positioning on the Web

Intelligence information for online distribution must delineate direct from indirect channels. A direct channel results in customers booking directly from the hotel's own website while indirect channels, naturally, are the intermediaries. Intelligence analysis must also include your hotel and comp set's ranking on the major search engines, link popularity, utilization of PPC marketing, etc. Is your online distribution skewed toward the Indirect Channel? What about the competition? Having this crucial competitive intelligence at your fingertips may make or break your entire distribution and marketing strategy.

So what is the ideal Internet competitive report? Such a report would determine if distribution is skewed toward indirect channels to the detriment of the hotel brand and price integrity. The report will tell you how your website measures up to your competitive set and teach you to exploit every direct channel you and they have ignored. It will evaluate your hotel and comp set's exposure in the Direct and Indirect Online Channels.

For example Hospitality eBusiness Strategies' Internet Distribution Monitor Report (IDM Report) offers concrete recommendations and easy to understand comparison charts that will help you understand not only how you fare with the comp set, but what you can do to remedy and improve the situation.

eBusiness Professional Development

No meaningful direct distribution strategy can exist without mastering the principles of direct online distribution. Are you investing in professional development? Is someone in charge of Direct Online Distribution and eMarketing at the property? Make the investment to learn the principles of direct

online distribution. Add eBusiness skills to your professional toolkit and make part of the corporate core competency. Your hotel will gain a competitive edge if the knowledge base is held at the property level. Never allow a web design shop or outside consultancy control your website or hide the knowledge necessary to make important strategic decisions. And it is about time the Internet-savvy intermediaries stop taking advantage of your hotel. Stay in control of your cyber destiny and know that what you don't know may hurt you.

For example, Hospitality eBusiness Strategies has developed a suite of customized eBusiness Professional Development Services and e-Learning Programs that help our client hoteliers understand eBusiness, online distribution and eMarketing concepts, gain competitive advantage, benefit from "best practices" and latest online industry trends, build their own robust Internet strategies, and take their direct-to-consumer online distribution and eMarketing efforts to the next level.

Start by Building a "2004 eMarketing Budget"

This is where the fun starts. Winners on the web are shifting away from traditional media and devoting more attention to online. Costly billboards, newspapers, paper brochures and other traditional marketing are quickly being replaced by eMarketing services. Once the website is built and optimized, you now have to market it online. Build an Internet Media Plan that includes Search Engine Strategy, PPC Marketing, Customer Email Capture, Email Marketing, Link Creation Strategy, Online Intelligence (e.g. IDM Report), Online Sponsorships and Advertising, eBusiness Professional Development.

Conclusion:

Direct to Consumer Online Distribution is a living and breathing strategy. Even if you are addressing some of the items described above, areas requiring urgent attention in 2004 include website optimization audit, balancing Direct vs. Indirect Channel exposure, enhancing PPC and email marketing performance, gaining crucial competitive online intelligence, evaluating new online distribution channels and trends, introducing new web technologies and applications, and attention to key areas such as eBusiness professional development and e-Learning.

There has never been a better time to embrace Direct Online Distribution. You have already realized that the Web can be either your best ally or your worst enemy. Consider retaining a consultancy like Hospitality eBusiness Strategies to help you navigate the often confusing Internet "Dos" and "Don'ts" and provide you with the "best practices" tools needed to utilize the Direct Internet Strategy to its fullest potential. This year will be a great year for you so start addressing your Direct Distribution Strategy. Make 2004 the Year of Direct Online Distribution