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Getting Back to the Basics: The Hotelier's Internet Marketing Action Plan for a Difficult Economy

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The current economic environment is forcing hoteliers to rethink their marketing strategies. It is more important than ever to take on a ROI-centric marketing approach. This is the time to stick to proven marketing tactics!

The slowing economy is affecting the hospitality industry in a number of negative ways: commercial bank credit is extremely tight, energy and food prices are on the rise, leisure travel consumers are staying home, and companies are re-assessing their corporate travel budgets. Smith Travel Research reports that year-to-date (January-April 2008) occupancy rates in North America fell by 1.9%; in Europe by 0.7% and in Asia Pacific by

3.1%, compared to the same period a year ago. What should hoteliers do in an unstable and uncertain economic environment? What are the strategies that would help alleviate the adverse impact of negative growth in occupancy? What action plan should hoteliers follow at this time? What should hoteliers do to survive and succeed right now?

The Internet – Your Survival Tool in 2008-2009

In a difficult year like this one, Internet marketing can help smart hoteliers generate incremental revenues, improve marketing ROIs, attract more affluent travelers, and out-smart the competition. For the past 13 years, our experience shows that Internet-savvy hoteliers with robust Direct Online Channel strategies in place are the winners in economic downturns like this one. We believe that a comprehensive, ROI-centric Internet marketing strategy is the perfect survival tool in the current economic environment.

Fact: 83% of travel planning in the U.S. is done online (TIA). Online travel planning will only intensify this year, fueled by travel consumers searching for the best deals online.

The Internet has established itself as the most important distribution and marketing channel in hospitality. In 2008, 37%-38% of all hotel bookings will be generated from the Internet (one-third in 2007, 29% in 2006). At least another third of all hotel bookings will be influenced by the Internet, but done offline (call center, walk-ins, group bookings, etc). All major hotel brands are already generating an excess of 40% of the CRS bookings via their brand websites. By the end of 2010, over 45% of all hotel bookings will be completed online (Merrill Lynch).

Fact: Europe and Asia Pacific are experiencing an unprecedented growth in Internet adoption rates and are recording a double digit growth in online hotel bookings.

What should Hoteliers do in 2008?

- Unlike the competition, do not cut your marketing spend, but re-evaluate the marketing efforts and advertising budget, and focus on proven ROI-centric efforts and formats
- Shift funds from offline to online advertising formats
- Shift funds from brand-building to direct-response initiatives
- Track every dollar spent with sophisticated website analytical and campaign tracking technology (e.g. Omniture Analytics)

2008 Do's and Don'ts

So what should hoteliers do? What marketing initiatives should they avoid right now? Hoteliers should NOT:

- Experiment with unproven advertising formats

- Advertise on Third-Party Intermediary Sites (TPIs) –ad cost+TPI commission = total cost of 30%-40%
- Try sexy new media initiatives (e.g. advertising on social media sites like YouTube, Facebook.com, MySpace.com, etc.)

Here is what you should focus on right now:

- Proven, ROI-centric Internet marketing strategies + formats
- Launching a comprehensive Internet Marketing strategy to reach potential customers
 - o Launching a Local Internet Marketing Strategy to reach drive-in and impulse-buy customers
- Launching a Differentiation Strategy as a top priority: identifying and promoting the unique value proposition of the hotel

Take a hard look at what you are doing: are you taking chances with new and unproven marketing formats? Is your Internet marketing budget ROI-centric? Are you a smart marketer, or are you advertising blindly, distributing limited marketing dollars in unproven or incalculable areas? Most importantly, have you satisfied the basics? These include:

- Website Re-design and Optimization
- Search Marketing
- Email Marketing
- Strategic Linking
- eCRM
- Website analytics and campaign tracking

The following case study is a reminder of how important some traditional Internet marketing formats, such as the good old search engine marketing, are to the hotel's bottom line.

Fact: eMarketer reports that 80% of all Internet activity starts with the search engines.

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Case Study: Search engine contribution to hotel website traffic and revenues:

	Percentage	Percentage Website Revenues
Boutique Hotel Brand in California	57%	62%
Franchised Hotel in Orlando	55%	47%
Luxury Hotel South Beach FL	57%	69%
Upscale Beach Resort in Mexico	48%	53%
Franchised Hotel in Los Angeles	62%	50%
Resort in Napa Valley	57%	52%

A Word about Advertising on Social Media Sites

Social media sites like YouTube, Facebook.com, MySpace.com, etc. have become very popular over the past three years. These Web 2.0 sites play an important role as social networks and for keeping in touch with friends, colleagues, and alumni.

We are monitoring hundreds of hotel websites via Omniture, the industry's leading website analytical and campaign tracking tool. We have not seen any meaningful number of bookings coming from these very popular, but extremely broad and travel-unfocused sites. Why? The reason is very simple. These social media sites play an insignificant role in travel planning.

People do not go to these sites to purchase airline tickets, book hotels, or even read customer reviews (i.e. these sites rarely influence any travel purchasing decision).

We are not undermining the importance of social media sites. On the contrary, we believe that hoteliers should monitor the Web 2.0 universe, and especially the travel-related social media sites. HeBS, one of the pioneers in social media strategies and implementations in hospitality, creates and implements Web 2.0 strategies for many of its clients. HeBS' principals have written some of the most popular articles and research papers on the subject, including Consumer Generated Media, a Threat or an Opportunity? –

2006, Web 2.0 vs. Search Engines: Are Search Engines Becoming Obsolete in the Web 2.0 Frenzy? – 2007, and have conducted Web 2.0/Social Media workshops and presentations at major industry forums.

As part of the Brand Defensive Strategy, hoteliers should be monitoring and reacting to customer reviews on the social media sites that matter, like TripAdvisor.com (25 million unique visitors a month) and HotelGuide.com (both indexed by Google), or on major online third-party intermediaries like Expedia.com. Hoteliers should be implementing Web 2.0 features and functionality on their own websites, including customer testimonials, experience and photo sharing, expert blogs, etc.

Therefore, advertising on travel-unfocused social media sites such as YouTube.com or FaceBook.com in a difficult year like this one is simply not recommended. These broad social media sites are more suitable for brand building and long-term brand awareness initiatives (e.g. the New Zealand promotional video on YouTube.com), than for short-term, ROI-oriented marketing.

There are just a handful of travel-related social media sites like TripAdvisor.com, HotelChatter.com, and others that can produce meaningful ROIs with the right marketing

A Word about Advertising on Online Third-Party Intermediary Sites

Back in March 2005, HeBS' principals predicted in their article **The End of the Merchant Model as We Know It** that in addition to the dynamic packaging model which will become the norm, the online intermediaries will embrace the advertising model and start offering enhanced listings and positioning, pay-per-click (PPC) and display advertising programs, to supplement their decreased margins.

Three years later, here comes TravelAds, the latest pay-per-click advertising program by Expedia and Hotels.com. Expedia proclaims that, similar to traditional search engines, this pay-per-click auction model is great for any budget. The only caveat is that when users click on the sponsored listing, they do not go to the hotel website, they go to the hotel page on Expedia to make the reservation. In other words: advertising cost plus Expedia's margin equals a total cost to the hotel of as much as 30%-40% from the booked hotel revenue.

Back in the spring of 2003, in the article **Brand Erosion, or How Not to Market Your Hotel on the Web**, HeBS President & CEO characterized hotel-advertisers on the online intermediaries as being the Web reincarnation of the Stockholm Syndrome where the kidnapped victims (hoteliers) fall in love with their kidnapper (online intermediaries).

Does it make good business sense to pay online discounters (who already make hefty profit margins from your net rates) to profit even further from your own inability to properly utilize the Internet? To allow them to damage even further your brand and price integrity? This is yet another proof of the existence of a new kind of disparity in the hospitality vertical: between smart, Internet-savvy intermediaries on one hand and Web-illiterate hoteliers on the other.

Five years later, advertising on third-party sites makes as much sense as it did back in 2003. Hoteliers should learn from their mistakes and prevent history from repeating itself.

2008-2009 Step-by-Step Action Plan

Step 1: Audit the 2008-2009 Internet Marketing Budget / Plan

- Overhaul the budget to become ROI-centric
- Hold off on online advertising that has not proven to bring you ROIs in the past
- Customer Segmentation Analysis + Action Plan:
 - o Take a hard look at how your property markets to your key customer segments (e.g. meeting planners, business,leisure)
 - o Re-evaluate the importance of your key customer segments and feeder markets in 2008-2009 (e.g. if fly-in guests' share is decreasing due to airfare hikes, cuts in corporate travel budgets, or reduced airline capacity, focus more on your drive-in market)

Step 2: Become a Smarter eMarketer

- Focus on marketing formats that generate above industry-average returns
- Implement the latest website analytics+ campaign tracking technology
 - o Track post-impression and post-click activity
 - o Track bookings, room nights, revenues from every campaign
 - o Adjust marketing spend instantaneously based on ROIs
 - o Don't fall for free analytical tools—they simply do not work

Step 3: Back to the Basics: Focus on the Direct Online Channel

- Your hotel's efforts in the direct online channel provides both short-term, immediate as well as long-term, strategic benefits
- Your ROI-centric marketing plan should include:
 - o Search engine marketing, including: Organic search, paid search (PPC), local search, meta search, mobile search, Web 2.0 search
 - o Email marketing to your own list
 - o Online sponsorships
 - o Proven display advertising (banners, etc.)

- o Strategic linking
- o Customer segment and feeder market initiatives

Step 4: Audit the Hotel Website Asset

Hotel Internet marketing starts and ends with the hotel website. The hotel website has become the first, the only and in many cases—the last point of contact with the travel consumer. It is only natural that enhancing and optimizing the hotel website should be the top priority. Our experience shows that any website optimizations, enhancements or re-designs pay for themselves within 3-4 months.

Here are some important items to consider:

- Maximize the value of the site – it is the hotel’s most important marketing asset today
- Make the site reflect 2008-2009 industry’s best practices: user-friendly, search engine- friendly, travel booker-friendly, and Web 2.0 friendly
- Optimize, enhance, and re-design if necessary.
- If the site is over 12 months old, a website optimization is now due, in order to take full advantage of the much cheaper organic search related visitors to your site. Make sure the hotel website is optimized for:
 - o Travel consumers: the site must describe all aspects of the hotel product and services
 - o Search engines: make sure the site H1 headers, body copy (keyword density), page titles, description tags and meta tags adhere to best practices.
- If the site is over 2-3 years old, a website re-design should be considered, or at least budgeted for in early 2009

Step 5: Identify Your Hotel’s Unique Value Proposition

- Identify which aspects of your product resonate best with your customers: why are people staying at your hotel to begin with? Good location, business amenities, free breakfast, etc.
- Market your hotel’s unique value proposition to potential customers, for example create unique hotel offers based on your unique hotel product attributes or attributes in the local environment
- Value vs. Price Equation: do not compete on price only! Focus on the value side of the Value vs. Price Equation

Step 6: Develop Your Hotel's Differentiation Strategy

- Hotel Product Differentiation vs. Third-Party Intermediaries (e.g. stay within rate parity, but provide gas rebates, room/suite upgrades, etc. if people book on your site)
- Hotel Product Differentiation vs. Your Hotel's Comp Set (i.e. offer what your competition does not)
- Offer a broader selection of specials and packages than the competition and provide the variety of choices your customers expect:
 - o seasonal specials
 - o suite specials
 - o weekend specials
 - o family specials
 - o romantic getaways
 - o Differentiated approach to the hotel's different key customer segments (i.e. luxury lifestyle leisure, family travel, business travel, meeting or wedding planners,etc)

Step 7: Establish Several Achievable Objectives for the Year

- Hotel website:
 - o Create a system for fresh website content creation on an ongoing basis
- Web 2.0/Social Media:
 - o Develop a Brand Defensive Strategy and at least one Web 2.0 initiative for the hotel website
- Make eCRM your top priority
 - o Building interactive relationships; Owning the customer
 - o Pre- and post-stay email communications; cross-sells and up-sells, surveys and sweepstakes, and more
- Building Loyalty should be a main objective:
 - o Via product differentiation (offering unique value proposition; de-commoditization of the hotel product)
 - o Via customer differentiation (know your customer, personalization, promote existing or create a simple reward program)

- Professional development and training

Conclusion

In the difficult economic environment we are experiencing this year, getting —back to the basics is hotelier’s most prudent marketing strategy. The Internet is the largest and most important marketing and distribution channel in hospitality and by using the step-by-step action plan outlined in this article, smart hoteliers can generate significant revenues, increase market share, and outsmart the competition with a ROI-centric online marketing strategy based on industry’s best practices.

We believe that a comprehensive, ROI-centric Internet marketing strategy is the perfect survival tool in the current economic environment. Focusing on the most important Internet marketing fundamentals should become a top priority for the remainder of the year and 2009. Smart hoteliers with robust Direct Online Channel strategies in place will be the winners in economic downturns like this one.

As you re-evaluate your hotel marketing plans for the year, seek advice from an experienced and ROI-centric Internet marketing hospitality consultancy to help you adopt industry’s best practices, implement latest trends, and utilize the Direct Online Channel to its fullest potential.

Note: Mariana Mechoso, VP, Marketing at HeBS, also contributed to this article.