



Mastering Internet Marketing in 2010: Results of the 4th Benchmark Survey on Hotel Internet Marketing

| HeBS Team

With 2009 over and hoteliers feeling more optimistic, HeBS sees two very different approaches to hotel Internet marketing in 2010: on one side, some hoteliers are still extremely cautious when spending marketing dollars; on the other, hoteliers are hitting the ground running with more expansive online marketing budgets and an enthusiasm to participate in new initiatives.

How are hoteliers shifting the balance between offline and online marketing budgets? Which initiatives do they believe will bring the highest ROIs in 2010, and to which initiatives are they willing to start devoting more of their budget? Are hoteliers finding any more “wigggle-room” in their budgets now that the recession is coming to an end? With social media and mobile marketing dominating conversations these past few months, are hoteliers finally willing to invest a significant portion of their budgets to these up-and-coming marketing formats?

The purpose of the Benchmark Survey on Hotel Internet Marketing Budget Planning and Best Practices is to answer these questions and to assess hoteliers' Internet marketing priorities and strategies for the year ahead. With these direct responses from hoteliers in the field, HeBS can provide the industry with insights on how Internet marketing strategies for the hospitality industry are developing year after year.

Who Participated this Year?

The survey experienced global participation, with almost a third of the responses coming from the US and Western Europe. This year, we also saw more participation from hoteliers in the Asia-Pacific region (14.8% vs. 12.3% last year).

Hospitality executives included general managers (22.2%), sales and marketing directors (16.7%), e-commerce managers (25.9%), and revenue managers (13%). Similar to previous years, the full spectrum of hospitality and travel verticals were represented, including boutique hotels, upscale hotels, budget, mid-scale and luxury franchised properties, major brands, real estate trusts, resorts, hotel management companies, casinos, and more. Over half of participants were hoteliers from independent properties (55.6%), and the majority was from mid-scale and luxury hotels (37% and 35.2%, respectively).

Here are the results of the **4th annual** Benchmark Survey on Hotel Internet Marketing Budget Planning and Best Practices.

Main Findings from the 4th Benchmark Survey

- As expected, the economic environment prevailed as a factor when planning budgets. Even so, hoteliers continued to shift budgets from offline to online marketing formats. In this year's survey, 51.1% of respondents said they were shifting a portion of their budgets to online because they believe Internet marketing produces the best results (55% vs. 10% that think traditional marketing is more effective). This is a smart move considering the online channel is still the only growth channel in hospitality and the most measureable marketing channel.
- For the first time, we saw static marketing budgets rather than budget increases. Thirty-nine percent said they were not increasing their overall marketing budgets in 2010, vs. 33% last year. HeBS anticipated this, as many hotels experienced a very difficult year and needed to scale back in 2010.

- Year after year, more and more hoteliers are engaging in social media. This year, 50% of respondents said they were planning on creating profiles on social networks in 2010, a dramatic increase over last year (14%).
- In the 2010 survey, we asked hoteliers which mobile initiatives they were planning for 2010. Over one fourth of respondents (25.9%) are planning a mobile-ready website this year. This is further testament to how quickly mobile is evolving as mobile ready websites were hardly in the hotelier's arsenal in 2008 and 2009.
- Hoteliers are under the assumption that they have hotel Internet marketing under control. Seventy-six percent responded that they believe their property conforms to the latest best practices in terms of Internet marketing, compared to just under half last year. As the industry matures, more and more hoteliers are professionally developing in this area.

Now that the Recession is Finally Coming to an End....Has Hotel Budgeting Changed?

The online channel, confirmed by the latest eTrack Full Year 2009 report on hotel bookings by channel, remains the only growth channel in hospitality. In 2009, Internet bookings for the top 30 hotel brands represented 54.2% of total CRS bookings (growth of 6.6%), while GDS and voice bookings declined by 3.7% and 2.9% respectively. Read HeBS' blog article on the subject.

According to PhoCusWright, 60% of leisure and 40% of business travel will be booked online in the U.S. this year, and 45% of hotel bookings in 2010 will be via the Internet (HeBS). Even with these encouraging signs, survey results show that for another year, hoteliers' Internet marketing budgets were greatly affected by the economy.

HeBS first introduced the economic environment in last year's survey. This year, the economic environment still has a significant impact on hotel Internet marketing budget planning for 2010. Last year, 81.6% of respondents said the economy would affect their budget planning for 2009, down to 70% this year.

With these economic constraints, what portion of hoteliers' budgets were devoted to Internet marketing activities in 2009? Again, similar to last year, most respondents devoted between 11-20% and 21-49% of their budget to the online channel (23.1% and 24.6%, respectively).

With these limited funds, what are hoteliers planning to spend their budgets on this year? In Table A below, you may see that spending on the various Internet marketing initiatives has not varied greatly from 2009. What we are seeing is a re-organization of budgets, with hoteliers making room in the budget for Web 2.0, social media and mobile marketing.

Table A

Of your total Internet marketing budget, where did you spend your money in 2009?

	2006	2007	2008	2009	2010 (projected)
Website re-design/design	18%	22%	19.6%	16%	13%
Website optimization	9%	11.3%	12.8%	10%	10%

Strategic links to property website from online					
directories, portals	6%	9.6%	7.5%	8%	11%
Paid Search Engine Marketing: Pay-per-click (PPC)	14%	8.6%	17%	16%	16%
Local search/Online Yellow Pages	3%	3.6%	4.2%	4%	3%
Meta search (Kayak, Sidestep, etc.) (SEM)	2%	2.6%	2.6%	3%	4%
Search Engine Optimization (SEM)	10%	11.5%	8.7%	12%	11%
Display advertising (banners)	6%	6.6%	7%	5%	4%
Email marketing	10%	11.5%	8.7%	7%	8%
Mobile marketing (mobile search, mobile					
ready websites, SMS messaging, etc.)	N/A	N/A	N/A	2%	4%
Web 2.0 Functionality/Social Media Advertising	1%	3.1%	3%	6%	8%
Consulting fees	6%	7%	5.1%	7%	4%

While these figures still correlate with initiatives from which hoteliers believe they will achieve the greatest ROIs, there were some surprises this year. As you'll see below in Table B, hoteliers found room in their budgets in 2010 for Web 2.0, social media and mobile marketing because they believe these initiatives will bring some of their highest ROIs. In 2009, hoteliers stuck to the basics. In 2010, many are willing to experiment with new initiatives.

Let's Talk about ROI

In this economy, which Internet marketing formats do hoteliers believe generate the highest ROIs for their hotel?

In the past few years, website design, website optimization, and search engine optimization were the initiatives which hoteliers said brought the best returns. This year, we see in Table B that even though social media and mobile marketing recently made their way into budgets, hoteliers are expecting real successes here.

Table B

What Internet marketing formats do you believe produce the best results and the highest returns on investment (ROI)?	2007	2008	2009	2010
Website design/redesign	62.9%	70.19%	56.3%	61.7%
Website optimization	71.9%	68.27%	81.6%	70%
Strategic links to property website from online directories, portals	52.7%	41.35%	48.3%	48.3%
Paid Search Engine Marketing: Pay-per-click (PPC)	40.7%	39.42%	56.3%	38.3%

Search optimization – Organic search	68.3%	56.73%	60.9%	58.3%
Display advertising (banners)	16.2%	12.5%	28.7%	21.7%
Email marketing	58.7%	60.6%	51.7%	48.3%
Email sponsorships	6.6%	26%	37.9%	10%
Mobile marketing	N/A	N/A	N/A	15%
Web 2.0/Social Media formats (e.g. TripAdvisor, Facebook, Twitter, blogs, etc)	16.8%	26%	37.9%	41.7%

Hoteliers may be on to something. According to eMarketer, social media, blogs and SEO are more cost-effective for lead generation. Data by HubSpot shows that more than 2/5 of companies using social media marketing channels directly acquired a customer.

How Have Web 2.0 & Social Media Evolved in the Hoteliers Action Plan?

In addition to hoteliers believing that social media will produce greater ROIs, the survey also showed a surge in the types of social media that hoteliers are participating in (or planning for 2010). More hoteliers are planning to engage in all types of Web 2.0 and social media initiatives across the board, as you may see in Table C:

Table C

What type of Web 2.0 & Social Media marketing initiatives are you planning

for 2010?	2008	2009	2010
A blog on the hotel website	14.5%	14%	37.9%
'Share this site' and RSS on the website	N/A	N/A	24.1%
A photo sharing functionality on the hotel website	12.7%	4.7%	32.8%
Sweepstakes and contests on the hotel website	9%	3.5%	36.2%
Survey and comment card on the hotel website	18.4%	14%	31%
Subscribe to a reputation monitoring service	8.4%	2.3%	19%
Create profiles for my hotel(s) on the social networks (Facebook, Twitter, Flickr, etc.)	13.3%	14%	50%
Create and post videos on YouTube	N/A	N/A	46.6%
Actively participate in blogs that concern my hotel	12.7%	5.8%	24.1%
Advertise on social media sites (e.g. TripAdvisor, Facebook, etc.)	8.1%	15.1%	39.7%

I am not planning on Web 2.0 and Social Media initiatives for 2010 N/A 15.1% 6.9%

We may also see from Table C that half of hoteliers surveyed (50% exactly) responded that in 2010 they are planning to create profiles for their hotels on the social networks. The days of just waiting to see how social media develop seem to be over. In 2010, if hoteliers are not investing time on social media, their competitors are going to have a great advantage. This hot topic of 2009 continues to be a big part of the conversation. This year, however, more and more hoteliers are going to actually act on it. The “Hotelier’s 2010 Top Ten Internet Marketing Resolutions” article is a good resource for where to start.

Mobile Marketing Proves to be a Big Addition in 2010

Mobile Marketing has quickly become one of the most talked-about marketing formats in 2010, and rightly so. The number of mobile devices has surpassed the number of personal computers worldwide. Seventy-eight percent of the U.S. population has a mobile device of some sort. Sixty-seven percent of travelers and 77% of frequent business travelers with Web enabled mobile devices have already used their devices to find local services (e.g. lodging) and attractions (PhoCusWright). More information about the Mobile Marketplace is available in the recent HeBS article, “Mobile Marketing & Distribution Strategy in Hospitality: the Future is Already Here.”

Hoteliers must quickly respond to mobile users’ demand for instant access to information as well as an Internet experience that rivals the one via traditional PCs and laptops. From Table D below, we can see that hoteliers are indeed taking this topic very seriously.

Table D

What mobile marketing initiatives are you planning for 2010?	2010
Mobile site	25.9%
Mobile booking engine	22.4%
SMS Text marketing	27.6%
Mobile banner advertising	19%
iPhone app	24.1%
I am not planning on mobile marketing initiatives for 2010	32.8%

While a significant number of hoteliers surveyed are not yet planning on mobile marketing initiatives for 2010 (32.8%), many are taking some very crucial first steps. Building a mobile-ready website and planning for a mobile booking engine, for instance, are in the plan for 2010 (25.9% and 22.4% respectively). In the HeBS article concerning mobile marketing (referenced above), we highly recommended that hoteliers start with a mobile-ready website and a mobile booking engine if possible, and that they start collecting mobile numbers (m-lists) for future SMS Text marketing.

Brand Restrictions are an Issue Once More

2010 Survey results show that brand restrictions are slowly becoming an issue again. While a high percentage of hoteliers felt there were major restrictions on their online marketing efforts between 2007-2009, the percentage was decreasing year after year. As shown in Table E, this year the percentage of hoteliers who find there to be major restrictions is slowly but surely creeping back up.

Table E

If your hotel is franchised or managed by an outside major chain or brand, do you find there to be any major restrictions in online marketing conduct due to brand standards and regulations?

	2007	2008	2009	2010
NO	76.2%	81.8%	85.6%	77.6%
YES	23.8%	18.2%	14.4%	22.4%

Here are some of the responses:

- "Limitations on personal blogs, Facebook and social media"
- "Want us to drop our own website"
- "Pressure to spend more than we can afford"
- "No flexibility, conversion tracking, etc."
- "In every way we are restricted - we don't own the brand"
- "Limited Freedom. Chains are too slow to react to the changing Scenario"
- "Lack of clear vision and not allowing us to go outside the box"
- "Brand like to restrict SEO to their own efforts or restrict our ability to measure ROI"

As survey responses from the past 4 years have shown us, there will always be restrictions on online marketing conduct for franchised properties. This year, some brands are especially restricting activity on social media sites by banning profiles altogether. As hoteliers are becoming smarter in their hotel Internet marketing efforts, and popular online marketing initiatives such as social media and mobile marketing are becoming mainstream, the major hotel brands will need to find some sort of resolution – and quickly.

Conclusion

What can the industry take away from this year's survey results?

Hoteliers are still shifting their budgets from offline to online, they are still focusing most of their budgets on proven, ROI-generating Internet marketing initiatives, and franchised properties continue to struggle under major brand restrictions on their online marketing efforts.

Survey results showed that many hoteliers are putting the recession behind them and considering exciting new Internet marketing formats in 2010, including Web 2.0 enhancements on the website, social media profiles, and mobile marketing.

The online channel is the only growth channel in hospitality, period. Hoteliers must embrace the online travel channel, especially the direct online channel, as it continues to be the only viable option for any growth during what continues to be a difficult economic environment. At HeBS we believe that while it is important to start dedicating a portion of the hotel's resources to the newer online marketing formats such as social media and mobile marketing, it is still crucial that hoteliers not forget about the basics and that they focus on having a comprehensive, ROI-centric Internet marketing strategy to help them succeed in 2010.

About the Authors and HeBS:

Max Starkov is Chief eBusiness Strategist and Mariana Mechoso Safer is VP, Marketing at Hospitality eBusiness Strategies (HeBS), the industry's leading full-service hotel Internet marketing and direct online channel strategy firm based in New York City (www.HospitalityeBusiness.com).

HeBS has pioneered many of the "best practices" in hotel Internet marketing and direct online distribution. The firm specializes in helping hoteliers build their direct Internet marketing and distribution strategy, boost the hotel's Internet marketing presence, establish interactive relationships with their customers, and significantly increase direct online bookings and ROIs.

A diverse client portfolio of over 500 top tier major hotel brands, luxury and boutique hotel brands, resorts and casinos, hotel management companies, franchisees and independents, and

CVBs has sought and successfully taken advantage of the firm hospitality Internet marketing expertise offered at HeBS. Contact HeBS consultants at (212)752-8186 or

sales@hospitalityebusiness.com.