



# Out in the cold

Slashing rates before you've determined that the market demand even exists is a perilous line of attack, says TravelCLICK's Vice President of eCommerce, **Jerome Wise**. But to stand still and believe that freezing marketing altogether is the alternative could also be dangerous, as you risk being left behind

In today's increasingly difficult and competitive economic climate, many companies across all industries are taking dramatic actions in order to survive. With global, corporate travel reducing, and increasing pressure on travel expenses, with consumer confidence low and many currencies in a state of flux, these are some of the most uncertain times for the hotel industry in recent history. A number of responses to the current market situation are available to hoteliers; but the focus of the right mix between occupancy and rate remains as valid today as it ever was.

Attention to occupancy and revenue share amongst a hotel's competitive set, a tight control on the cost of sale, and the appropriate investment of marketing budgets are the most important sales and distribution strategies a hotel can deploy.

While hotels need to remain competitive in the market in which they operate, slashing of rates is a very dangerous strategy to follow and often does not stimulate the demand required. If the demand simply does not exist, then slashing the rate will not stimulate the market. Further, once a new rate has

been established in the market as the base, it is very difficult to raise this when the economic climate does start to pick up. There are many examples of hotels that found this out the hard way after the 9/11 and SARS downturns at the beginning of the decade.

Use the hotel market intelligence reports available to see how your rate strategy compares with your competitive set in order to remain competitive, but do not be tempted by the short term gain of a rate war, as this will surely become an unwanted lasting legacy.



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The two best measures of success are to look at occupancy and revenue market share and the cost of sale by channel, as these can both be influenced by hotel sales and distribution strategies.

The actual size of the market has many external influences and is beyond a hotel’s control, but the amount of the share of the market that you take is within your capability to influence through strategic actions. Equally significant is the cost of sale that you are paying for the business that you transact. While you may not be able to grow

overall revenue or occupancy, if you can cut your cost of sale, then these savings go straight to the “bottom line”. There has never been a better time to look at your business mix and fully understand how much this business is costing. Understanding this, by segment, or by distribution channel, will very quickly highlight where action needs to be taken.

**Typical costs of sale by channel are as follows:**

Wholesale business	40%
OTA or Third Party	21%
GDS	14%
Direct to hotel website	8%

Looking at these figures, it becomes very obvious of the benefits of adopting a clear channel shift strategy. For example, each reservation that can be moved from the wholesale channel to the direct channel will deliver an incremental 32 per cent revenue to the hotel in the above scenario.

Beyond the cost saving benefits of bringing clients direct to your own website, the other benefit is that you have a far greater chance of “owning” the customer and building customer loyalty to your hotel, rather than to the third party or wholesaler that they booked through. This is a less tangible, but equally important consideration, as if you have the clients’ loyalty, then ongoing marketing through e-mail or social media marketing becomes possible and extremely effective.

**So how do you channel shift?**

There are a couple of very basic first steps that can be taken to drive business direct to your hotel website and to reduce your reliance on other,

more expensive, sales channels. These are to ensure that your website can easily be found by the search engines, by appointing an agency to perform Search Engine Optimisation (SEO) on your website and also through the implementation of search engine Pay Per Click (PPC) advertising campaign. The combination of these two activities will ensure that you are very well placed to receive the maximum number of consumers possible from the search engines through both the natural, or organic, search results and also through the sponsored, or paid-for, links.

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Until you have taken the steps to drive incremental traffic to your own website, you cannot reduce the inventory you make available to the other sales channels, so this must be done cautiously and over time. However, it is a strategy that works well and something that TravelCLICK has frequently helped hotels to realise.

There is a cost to both SEO and running a PPC campaign, but generally the results are extremely strong. We frequently see hotels achieving a return on advertising spend in excess of 15 to one at a cost of sale of 8%. Once you are getting these results, then it is certainly possible to reduce your reliance on the wholesale and OTA providers who will have significantly higher cost of sales. This is not a time to stop investing your marketing budget, but it is a time to focus the budget on activity that is going to produce the strongest returns.

Once you have brought customers to your hotel through a combination of SEO and PPC, it is very important to retain them as a repeat customer for ongoing marketing through e-mail marketing and to encourage them to become your ambassador and advocate to their circle of associates through the social media channels.

Email marketing is a vital element of a hotel’s marketing mix and remains one of the cheapest, and most

dynamic, ways of retaining customers and strengthening customers’ brand loyalty.

Ensure you are constantly working on ethical and legal methods of growing the email database and that you have a communication plan in place with the appropriate messages and frequency of communication relevant to your hotel.

The Social Media channels represent a new, and very exciting, opportunity for the hotel industry and the correct engagement in these new channels will yield the following benefits:

- Enhanced presence and brand awareness
- Improved SEO rankings and placement, driving incremental traffic
- A free, and instant, sales and marketing channel
- Spread awareness through recommendation and endorsement
- The ability to market to consumers who are in a passive search mode

This is a fast-moving area, and it is important that your hotel is present in the appropriate channels, based upon your hotel profile and the demographics of your target customers. Developing the right strategy, and establishing a presence through the correct utilisation of

social networking, video and image sharing and consumer review sites, such as Facebook, YouTube, Flickr, Picasa, Reviewcenter and TripAdvisor will help you realise the above benefits. But it is also very important that your sales and marketing departments utilise these channels appropriately in order to build a fan base and establish appropriate ongoing communication.

The combined approach of investing your marketing budget to drive as much business as possible direct to your own website, reducing your reliance on more expensive distribution channels and implementing brand loyalty and awareness activities will give you the best return for your marketing budgets and will help you better navigate your way through the current turbulent trading conditions that we face. It will also place you in a far stronger position when the economic climate does show signs of recovery. ■

