
Hotel sales and marketing: key trends and issues



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1. Introduction

This report aims to discuss the key trends and issues that are currently impacting sales and marketing within the hotel industry. This particular sector has been transformed over recent years, by advances in technology which in turn have changed consumer's buying habits.

The report begins by discussing the main processes in sales and marketing, and providing up-to-date examples of sales and marketing programmes within the industry. The report also gives examples of the sales and marketing structures and strategies of the leading global hotel chains.

Distribution channels that are used by hotels are discussed, with particular reference to the online channels that are becoming increasingly important. The web and mobile technology are reviewed in depth with industry examples helping to highlight the main issues.

Social media, one of the key issues affecting the industry at current is examined in detail, considering key media and their impact upon the marketing of hotels. Another increasingly important aspect of marketing is evaluated, that of hotel review sites.

Both revenue management and brand management are explained, before the report moves to discuss loyalty programmes.

The final section of the report presents the key trends and issues that impact on the marketing function, and will look at multi-channel management, marketing in a social, local and mobile (SoLoMo) world, the advent of Google into the travel market place and what Big Data will mean to the hotel industry.

2. Sales and marketing: the basics

2.1 Marketing

Kotler, Bowen and Makens define marketing as “the process by which companies create value for customers and society, resulting in strong customer relationships that capture value from the customers in return¹.”

An important aspect of marketing is the marketing mix which includes product, price, distribution and advertising and sales. Marketing also includes research, information systems and planning.

The four-P framework calls on marketing professionals to decide on the product and its characteristics, set the price, decide how to distribute their product and choose methods for promoting their product.

If marketers do a good job of identifying customer needs, developing a good product, and pricing and distributing and promoting it effectively, the result will be attractive products and satisfied customers. Marketing means “hitting the mark”. Peter Drucker, a leading management thinker, put it this way “The aim of marketing is to make selling superfluous. The aim is to know and understand customers so well that the product or service fits them and sells itself”

This does not mean that selling and promotion are unimportant, but rather that they are part of the larger marketing mix, a set of marketing tools that work together to produce satisfied customers.

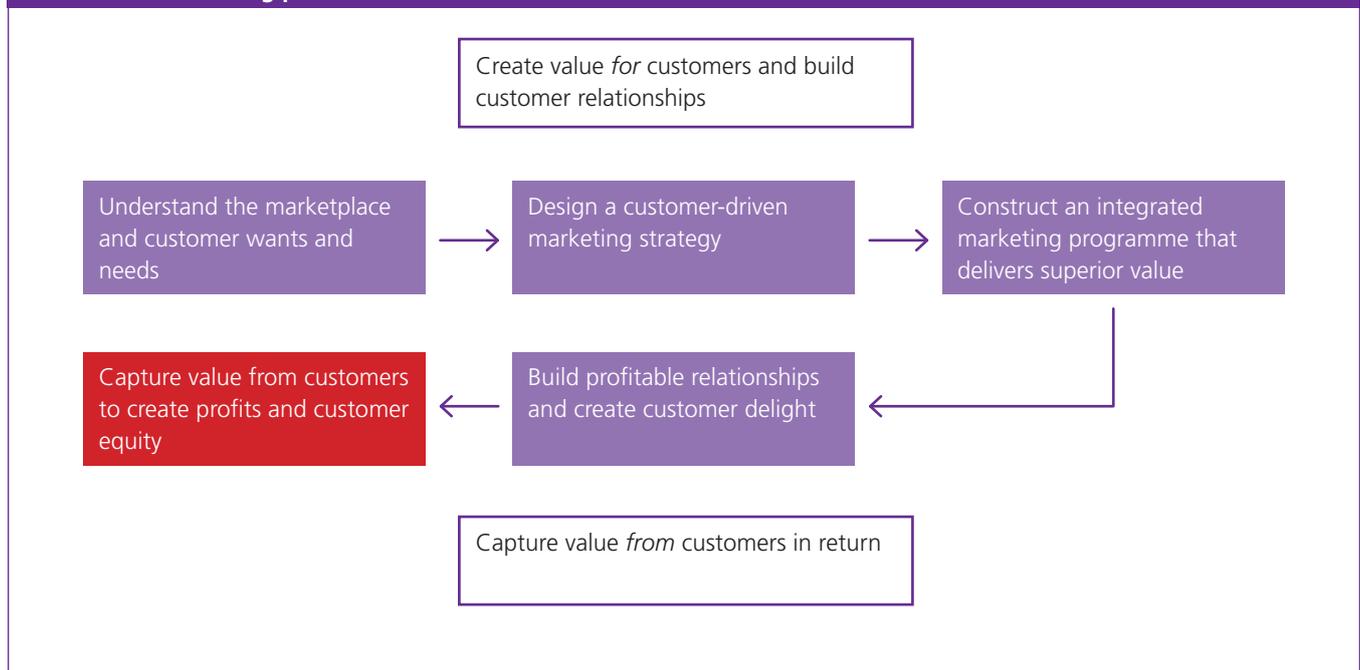
“Marketing is so basic that it cannot be considered a separate function. It is the whole business seen from the point of view of its final result, that is, the customer’s point of view..... Business success is not determined by the producer but by the customer”. (Peter Drucker)

The marketing process

Chart 1 shows a simple five step model of the marketing process. In the first four steps companies work to understand consumers, create customer value and build strong customer relationships. In the final step, companies reap the rewards of creating superior customer value. By creating value for customers, they are in turn capturing value from customers in the form of sales, profits and long-term customer equity.

The first three steps in the marketing process – understanding the marketplace and customer needs, designing a customer driven marketing strategy, and preparing an integrated marketing plan – all lead up to the fourth and most important step: building profitable customer relationships.

Chart 1: The marketing process



Source: Marketing for Hospitality and Tourism

¹ Kotler P, Bowen JT & Makens JC, Marketing for Hospitality and Tourism, Sixth Edition, Pearson

Meliá Hotels International¹¹

Sales

- Bases its sales team on a regional structure with strategy for each segment, co-ordinated as a whole.
- The team is present in the main markets of origin, with each region having sales targets not only for their own market but also for abroad.
- The main regions covered are:
 - Spain with 100 employees in six Spanish cities, where sales are centralised and managed in all segments
 - EMEA – has offices in the UK, France, Italy and Germany. Has 40 employees.
 - America – corporate office in Miami. Mexico City and Cancun have sales offices as well as a Group Reservations Desk.
 - Brazil – regional management are based in São Paulo, as well as marketing, administration and sales. Has 20 employees.
 - Asia – has team of four in Shanghai who are in charge of Groups, Business and Resorts.
- Segments covered include Meetings & Events, Business Travel, Leisure and OTAs.

Rezidor

Rezidor's strategy based on the five pillars of Loyalty, Sales & Marketing, Revenue Optimisation, Travel Intermediaries and Brand Web. In 2012, material progress had been made towards its key deliverables – especially with a strong performance of its loyalty programme Club Carlson and Sales. The Global Sales Teams were enhanced to develop and foster increased sales between the Americas, Asia-Pacific and EMEA. In order to fully support the drive towards decentralisation in EMEA, the commercial organisation has also been aligned and fortified to optimise Revenue Generation to the areas of operations. SNAP, its price optimisation tool, is now used at 180 Rezidor hotels across EMEA, and further maximises the properties' RevPAR performance

Sales

In Europe, Middle East and Africa (EMEA), Rezidor has over 100 sales specialists in its global and national/regional sales organisations. It has expanded through Carlson its sales organisation to cover the Americas and Asia Pacific. Globally, it has 200+ people to serve the client and drive revenue.

Its worldwide distribution system includes a strong sales forces, with more than 250 sales representatives and 200 reservation agents in 15 Global Sales Offices, along with four Reservation Centres – in Omaha, Dublin, Delhi and Meishan¹².

7 Days

The company focuses its efforts on its core targeted guests which consist of the growing Chinese population of value-conscious business and leisure travellers, as well as tech-savvy guests.

7 Days has sales and marketing personnel at its headquarters and at a local level. Sales and marketing efforts focus primarily on its 7 Days Club membership programme, as opposed to simply selling rooms. This membership programme provides the company with a proprietary database to conduct lower-cost, more targeted sales and marketing activities to its members through its brand.com website and by email, WAP and SMS.

Each hotels local sales efforts are supported by corporate office sales executives who develop and implement new marketing programmes, and respond to specific market needs and preferences corporate marketing and advertising programmes are designed to enhance customer awareness and preference for 7 Days Inn brand and the 7 Days Club. In its marketing efforts, 7 Days encourages guest's use of its e-commerce platform, and the company has been successful in migrating its guests to these platforms and away from its call centre and more – costly third party agents¹³.

Starwood Hotels & Resorts

Strategy

At one of the hotel group's investor days in 2013, Starwood forecast that mobile bookings will overtake computer-based bookings in the near future. Executives also discussed its strategic shift to digital marketing, company president and CEO Frits van Paasschen commented "Marketing for us has gone almost entirely digital from a central perspective, for all the reasons you would imagine: better information about people that we're engaging with, more accessibility, a better ability to tell our brand stories, and, in a way, to start to increase the dialogue and direct interaction that we have with our guests. We have that through our websites, but increasingly also using social media as part of that digital marketing function. In many respects, we lead in terms of our penetration through various forms of social media."¹⁴

The Starwood sales and marketing efforts feature both a top down (global) and bottom up (local) approach to ensure that new demand opportunities are generated from the greatest number of sources possible. This includes the Starwood Preferred Guest (SPG) loyalty programme, Global and Field Sales teams and its Central Marketing Channels, helping to ensure every opportunity is realized.

¹¹ www.melia.com
¹² www.rezidor.com

¹³ 7 Days Group Holdings, 20-F, April 2013
¹⁴ Hotel Analyst Distribution & Technology, Issue 14, April 2013

Sales

- It has 33 international offices, with nearly 450 Global/ Divisional sellers. In 2012, USD5.9 bn in revenue was driven to Starwood hotels globally.
- On-Property Sellers: a network of 4,600+ property-level sellers work with local and regional customers to drive bookings and increase loyalty, complementing its global sales executives who focus on major accounts of Starwood's largest corporate and leisure clients.
- TeamHOT: the hotel-to-hotel group referral programme is designed to drive incremental business to all Starwood hotels by rewarding property sales professionals with cash incentives when their leads result in definite bookings at other Starwood hotels. In 2012, TeamHOT generated USD200m from property to property referrals. Having this programme in place motivates each property sales professional within the organization to become a seller not only for their property, but also for every hotel in the Starwood portfolio.

Marketing

Starwood propels business 24/7 through a synergy of state-of-the-art booking technology, customer contact centres and online vehicles. Starwood Centralized Marketing Channels propel 50% of total room revenue globally and provide unrivalled cross-sell and up-sell opportunities.

- **Branded Web Channels:** Representing every Starwood brand with imagery, online support and available in nine languages. In 2012, Starwood Web channels handled more than 334 million visits.
- **Customer Contact Centres:** Starwood is the only major hotel company to offer brand-dedicated support at its Customer Contact Centres, which handled nearly 20million telephone calls and guest interactions in 2012, provided 24/7 in 25 languages.
- **MARS:** Minimized Abandoned Reservation Calls (MARS) works around the clock and allows hotels to seamlessly transfer their property reservation calls to a Customer Contact Centre associate to ensure that every possible booking is realized.
- **Field Marketing:** Starwood Field Marketing teams serve as a local marketing agency that creates and executes specific online and offline marketing plans.

Wyndham Hotel Group (WHG)

Wyndham Worldwide gave two of its strategic priorities as¹⁵:

- To strengthen the value proposition by upgrading and improving all of its brand websites and building an international platform. It aims to drive direct bookings and improve conversion rates. It wants to enhance content by overhauling information and images of 7,000 properties and improve search engine results.
- To drive organisational excellence through consolidating CRS, optimising the IT infrastructure and improving call centre efficiency

The aim of Wyndham's Apollo Strategic Initiatives was to drive incremental revenue to franchised and managed hotels and strengthening the value of the brand. These initiatives and other strategies to strengthen the customer value proposition are:

- Improving consumer conversion on brand websites by enhancing navigation, content, rate availability and technology.
- Improving the overall content of its hotel brands across all web channels.
- Optimising rate information for hotel owners through all distribution channels
- Growing and strengthening the Wyndham Rewards loyalty programme
- Continuing the deployment of the service culture tool, 'Count on Me'.

Sales

WHG has three call centres in Canada, the US and the Philippines.

Marketing

The international marketing team is dedicated to supplying strategies and campaigns aimed at raising brand awareness and generating bookings. Some of the key initiatives include:

- Advertising campaigns tailored to various regions and key feeder markets
- Websites
- Wyndham Rewards loyalty programme
- Regional marketing co-op programmes that supplement individual hotel's marketing investment
- Brand identity tools and consultancy
- Monthly e-mail property newsletter with updates on campaigns and promotions
- Business-to-business marketing campaigns.

3. Distribution channels

A distribution channel is “a set of independent organisations involved in the process of making a product or service available to the consumer or business user¹⁶”

Distribution networks in the hospitality industry consist of contractual agreements and loosely organised alliances between independent organisations. In the hospitality and travel industry, distribution systems are used to move the customer to the product: the hotel, restaurant, airplanes.

Most reservations are booked with the hotel directly. This includes rooms booked by the sales department, those taken at the front desk and phone calls directly to the hotel. This is followed by brand.com which is reservations booked through the brand's website site, e.g. Hilton.com, Marriott.com etc. other sources are voice calls to a central reservation office (CRO), GDS and online travel agents (OTAs). The marginal cost of these different channels varies greatly. Obviously a reservation via the brand.com website is the cheapest. However, when a hotel has rooms to fill, OTAs can help sell the rooms. A revenue manager has to manage the channels¹⁷.

There is no doubt that hotel distribution has changed dramatically since the advent of the internet. Online distribution, social media and the mobile web have all changed how hoteliers connect with, engage and ultimately convert customers. But the fundamental principles of hotel distribution have not changed that much. Hoteliers need to focus on distribution channels that pass the litmus test; in other words, those that are cost-effective, generate the most bookings, protect rate parity and price integrity and reach the targeted customer segments.

Not all bookings are created equal, and hoteliers usually consider that any booking via a more discounted channel (such as flash sale sites like GroupOn, LivingLocal.com and SniqueAway.com) is one less booking for the same hotel via the hotel website, call centre, GDS or OTA in that order.

The main focus and priority for any hotelier should be (or has historically been) to sell as much inventory via the most cost-effective distribution channels that can potentially generate the most bookings, while preserving rate parity and price erosion¹⁸.

3.1 Use of distribution channels

Recent data from TravelClick's North American Distribution Review, Q2 2013 showed that of bookings during Q1 2013, a quarter went through brand.com website and another quarter direct to the hotel, some 21% were made using GDS, 15% through a CRS and some 12% used OTAs. However, with regards to growth, online channels that included OTAs and hotel websites (brand.com) continued to experience the most growth. OTA channel saw 14% increase in demand in Q1 while bookings through the Brand.com channel increased by 5%. The hotel direct channel, consisting of phone calls direct to the property and walk ins increased by 4%. The GDS (used by travel agents) and CRS (calls to a hotels 800-number) channels, however, showed decreases of -0.3% and -4%, respectively, from a year ago¹⁹.

With regards to Europe, a study by Susquehanna Financial Group found that OTA Booking.com has emerged overwhelmingly as the dominant distribution channel for European hotels according to a survey of more than 200 properties.

While hotels use an average of 3.5 online travel agencies for distribution, on average 50% of online reservations, are coming from Priceline-owned booking.com.

A further 30% of reservations are from a combination of other OTAs, with Expedia and its sister brands featuring quite strongly, while the remaining 20% come from the hotels' own websites²⁰.

As far as individual hotel company's bookings are conducted, for Home Inns, for example the member from their loyalty programme are important to the company, accounting for over half of all bookings in 2012.

16 Stern LW & El-Ansary A, Marketing Channels, Third edition, Prentice Hall
17 Kotler P, Bowen JT & Makens JC, Marketing for Hospitality and Tourism, Sixth Edition, Pearson
18 <http://www.hebsdigital.com/blog/controlling-hotel-distribution-costs-in-todays-multi-channel-world/>

19 HotelsNewsResource.com; Online distribution channels experience healthy growth in the first quarter 2013, May 2013
20 <http://www.tnooz.com/article/booking-com-driving-50-of-european-online-hotel-reservations/>

3. Distribution channels continued

Table 2: Examples of leading hotel company's mobile technology

| Company | Mobile website | Apps |
|----------------------------|---|--|
| Accor | Mobile website & apps – 10million unique visitors | New mobile apps on Android, iOS and Blackberry for Ibis megabrand and umbrella Accorhotels.com |
| Best Western | BestWesternToGo – introduced in 2009 and refreshed in 2013 | BestWesternToGo apps for iPhone and Android |
| Choice | Has mobile website | Single app for all brands- RapidBook app for mobile devices |
| Hilton | Has mobile website | iPhone and Android apps for each brand |
| Hyatt | Has mobile website | Single app for all brands |
| IHG | Launched In 2009 | iPhone apps for all 7 brands iPad app for Priority Rewards |
| Jin Jiang | | JJHotelsLite booking app launched |
| Louvre Hotels Group | Launched mobile websites for budget brands – July 2013 | "HotelforYou" app launched 2009 for iPhone and Blackberry and in 2012 for Android |
| Marriott | 10million visits/month | Single app for Marriott – downloaded 2.3million times |
| Meliá Hotels International | Launched in July 2013 | MeliáRewards App – 2013 For iPhone and Android |
| Starwood H&R | 2013 – launched enhanced mobile website across all 9 brands | Single app for Starwood brands through its SPG app for iPad, iPhone and Chinese app for Android |
| Wyndham | Has mobile website | Single app for all brands |

Source: Company press releases

'App'tivity among the major hotel chains

Accor said that it had seen mobile bookings "booming" with sales through the channels up 20-fold in four years. Last year the group's apps and mobile websites recorded over 10 million unique visitors.

Accor said that the new accorhotels.com app would allow users to book stays at any of its 3,500 hotels in over 90 countries. It includes features such as a tailored search function, a new more user-friendly design, hotel videos, photo previews and access to reservations. The apps are available in 15 languages, and integrate fully with Accor's loyalty programme and best price promise.

The group has also launched a new, dedicated, Ibis app, across the three Ibis brands: Ibis, Ibis Styles and Ibis budget. Accor said that the move was part of the group's strategy to modernise and renew the three brands and represented a "new, significant stage in Ibis' drive to become the digital benchmark in economy hotels by 2015".

With mobile on the rise, all operators must now consider having an app alongside their website, whether their website is available on mobile devices or not. In the competitive world of economy hotels, being seen to be driving innovation is particularly important.

The launch of the Ibis app coincided with the company's deadline for converting all the former Ibis, Etap and All Seasons hotels over to the new branding, and will be key to Accor's attempts to persuade the user and hotel owner that the Ibis family is a serious global player³³.

INDUSTRY INSIGHT: With the majority of both its portfolio of hotel properties and its primary customer base on continental Europe, it's no surprise that Accor is continuing to invest heavily in the mobile environment. M-commerce is growing rapidly, particularly in the key French and German markets, and Accor needs to be at the forefront of developments in order to capture this wave.

It's clear therefore that having an effective mobile presence is a given for the company. Although not quite mobile-first, this latest series of developments does integrate most of its core accorhotels.com's website functionality and make it available from mobile devices.

When combined with some of the facilities that can only be provided on mobile, such as for example, geo-localisation, this results in a very powerful customer proposition that will undoubtedly result in increased booking levels.

Given its current move towards a franchise development model, Accor also needs to demonstrate leadership in both the technology and the distribution fields in order to be attractive to franchisees. That they are aggressively attacking the mobile arena, and the spectacular growth figures that they can show as a result, are powerful arguments that they are at the cutting edge of this rapidly developing game.

As well as marketing, Accor is also using digital media to drive its recruitment programme. In April 2013, the company launched the Accorjobs mobile site. Available in two languages the site offers an interface adapted to smartphones to consult the whole website and all Accor job and internship offers.

Source: Hotel Analyst Distribution & Technology, Issue 7, February 2013

In the hotels industry, **IHG** was one of the first global operators to launch an app for each of the brands in its stable³⁴.

IHG is reported to have forecast that its mobile revenue will overtake web revenue in the next few years. Mobile bookings represented 30% of its web traffic in 2012. In three years the company has grown bookings made from mobile websites and apps from USD3m to USD30m.

IHG would be one of the few operators to focus on mobile, according to research note by Nomura released in 2013. The note said that, according to data gathered in the US in November 2012, of the hotel operators, IHG had 2.18million unique visitors to its mobile website, ahead of its nearest rival, Hilton with 1.17million. Marriott had the highest number of visitors to its mobile app, with 544,000 against IHG with 466,000³⁵.

Mobile is **Marriott's** fastest growing consumer channel. Mobile accounts for 10 million visits per month, and the Marriott Mobile app has been downloaded 2.3 million times. Last year, mobile devices (smartphones and tablets) accounted for over USD700 m in revenue. Marriott mobile revenue has grown more than 80% during the past year³⁶.

July 2013 saw the launch of Marriott's mobile check-in. Initially it was launched at 31 Marriot branded hotels, and is now throughout US and Canada. With the Marriott Mobile App, check-in is simple. All Marriott Rewards member can check-in after 4pm the day before their arrival and will receive an automatic notification when their room is ready. Because credit card details are already stored on their Reward profiles, members simply walk up to the mobile check-in desk where their pre-programmed key card is waiting.

Further innovations are being tested at Marriott's 'mobile incubator' hotels, including checkout and guest service requests. Marriott has plans to expand mobile guest services outside of the US and Canada³⁷.

In a nod to its increasingly mobile and global guests, Marriott will begin testing mobile check-in in 15 other countries, including the UK, China, United Arab Emirates, Mexico and India beginning in November 2013³⁸.

Jin Jiang has launched a same-day booking app, known as Jin Jiang Hotels Lite, which it claims is a first for the Chinese market. The group said that the app offered the best rate available for that day and was an alternative to the intermediaries offering last minute services. The company states that the app offers an alternative distribution channel and strengthens its leadership in terms of distribution methods in China.

The app is the latest in a line of technological innovations from Jin Jiang, as it aims to increase its levels of direct bookings. Initiatives such as the J-club customer loyalty scheme is progressing, with more than 230,000 members. And the company has its JREZ unified reservations system up and running, helping to bring together the management of third party sales.

It can be seen that being proactive, and attacking the market, Jin Jiang is avoiding many of the mistakes made by its Western competitors. With a relatively dominant position in the Chinese market, the company has quickly realised the rapidly growing importance of electronic distribution, and is doing its utmost to remain ahead of the curve in terms of how best to interact with the customer.

Podcasts

Podcasting and vodcasting are on-the-go, on-demand technologies. With podcasts, consumers can download audio files (podcasts) or video files (vodcasts) via the internet to a handheld device and listen to them or view them at a convenient time to them.

34 Hotel Analyst Distribution & Technology, Issue 7, February 2013

35 Hotel Analyst Distribution & Technology, Issue 13, April 2013

36 <http://news.marriott.com/2013/09/the-convenient-faster-and-easier-marriott-mobile-check-in-just-got-a-whole-lot-bigger.html#more>

37 www.hotelnewsresource.com, Marriott Hotels launches mobile check-in, July 2013

38 <http://news.marriott.com/2013/09/the-convenient-faster-and-easier-marriott-mobile-check-in-just-got-a-whole-lot-bigger.html#more>

3.4 Distribution systems and strategies

Accor SA

Accor Central Distribution System (ACDS)⁶⁵ is more than just a database connected directly to distribution channels (the hotel Property Management System and Revenue Management tools), the ACDS connects hotels to all the reservations systems necessary to boost performance.

In 2012, 63% of Accor lodging revenue was generated via Accor Distribution Systems, of which Le Club Accorhotels (14%), Direct 30% – Calls and mails 13%, Web Accor 17%; Indirect OTAs 11% and GDS 8%.

Website: a multi-brand portal (14 hotel brands); 28 versions; 13 languages, 16 destination mini sites, 8million visits a month. There are 14 brand websites, plus four sites for professional users.

Smartphones: all functions now available on iPhone and Blackberry; more than 650,000 visits each month; more than 1million app downloads.

Call centres: Accor's 9 platforms in cities such as Paris, Bangalore, Sao Paulo, Sydney, Dalian and Rabat manage more than 9million contacts and 300,000 calls and mails in 15 languages.

Sales centres: around the world, 34 sales offices and 700 sales professionals manage 600 strategic accounts, and more than 20,000 Travel Agencies.

Central Reservations System: TARS comprises of 8 modules:

- Resa Web – web application for bookings used by hotels
- Fast.com – web application to manage intermediaries remunerations
- Report Hotel – web application giving access to TARS production statistics
- Data Web – web application integrating hotel database
- Apol – web application allowing secure online payments for accorhotels.com and brand websites
- Le Club – Le Club Hotellink, the tool to manage Le Club Loyalty Programme
- ASA – the Accor Sales Application to manage B2B commercial offers
- Tracking – Accor clients commercial segmentation

Accor is looking to increase online sales to 50% of its revenue by 2016. The group is pushing mobile, social networks and private sales, which will see loyalty club members and newsletter subscribers offered up to 50% off rooms, taking on the OTAs and discounters. In March 2013, Accor announced that it would invest EUR30m annually, gradually ramping up to reach of total of EUR120m by 2016, competing with the OTAs by leveraging its 'unique relationship' with its customers.

The group is enhancing its key brand.com portal, Accorhotels.com. The company announced that website traffic had increased by 25% from 2010 to 2012, with more than 100 million visitors in 2012 and 10 online bookings registered every minute.

Accor has attributed this success to adaptations to the local specificities and to local customers' expectations, with the site available in 14 languages and through 31 geo-localised versions. The company will launch two new languages in 2013 – a Turkish and an Arabic one.

The website is structured around three pillars: mobile, social networks and exclusive private sales. With the former, February 2013 saw the company announce new mobile apps on Android, iOS and Blackberry operating systems for its Ibis megabrand as well as for its umbrella accorhotels.com website. The company said that it had seen mobile bookings booming with sales through the channels up 20-fold in four years.

The company has an established community on Facebook, with more than 200,000 fans and exclusive games and contests, but it is the exclusive private sales which look to set it apart from the other operators, as well as the OTAs, which might not offer both regular booking and access to deep discounts.

⁶⁵ Accor.com

INDUSTRY INSIGHT: Having come from far behind, Accor now seems to be clearly positioning itself as one of the leaders in hotel electronic distribution. Unlike many of its competitors, the company seems to have a well-defined (if debatable) brand.com strategy, seems to have found a way to work equitably with the OTAs and rather than playing catch-up is now focusing on preparing for the future by exploring and experimenting with social and mobile.

Although what will happen following Hennequin's departure is unknown, the company also seems to have committed the funds necessary to drag its technology and other distribution infrastructure kicking and screaming into the 21st century.

With OTAs accounting for over EUR1bn in revenues for Accor last year, and average commission levels in the high teens, shifting even a minor amount of share each year should immediately generate a very good return on investment as well as help better strategically position the company vis-a-vis owners and investors.

It's clear that the company's loyalty club, currently called Le Club by Accor, will form a key part of its future strategy. Although the programme has been consistently growing membership, the company has not to date been able to leverage its potential very well, one suspects due to its inadequate technology infrastructure.

However, as the private sale initiative shows, such problems are gradually being addressed, with different databases being merged and consumer focused electronic marketing campaigns, with clear objectives to drive bookings, being put in place.

Baring a change in strategy by the new management, Accor therefore seems to be on track as regards distribution and looks more and more poised to be able to take on the OTAs at their own game .

Source: Hotel Analyst Distribution & Technology, issue 15, April 2013

Accor has launched a paid-for loyalty card for its Ibis brand, offering discounts of 10% on rates at an annual cost of EUR59.

The card is the latest move by the company as it battles to increase its direct bookings, a strategy it is willing to invest up to EUR120m to achieve.

The group already has a paid-for card for its business customers, which offers discounts of between 5% and 15% for a one-off fee of EUR170. The card works across the company's brand portfolio, with other benefits including up to 15% discounts on car rentals with Europcar and guaranteed room availability for any reservation made at least three days before arrival.

The Ibis Business card is the latest strategy to engender loyalty for the brand within the business community, using guaranteed discounts rather than a more vague points system.

The card should also help to bolster direct sales for Accor. The group is investing EUR30m annually, taking on the OTAs by leveraging what it has described as its "unique relationship" with its customers. The company aims to increase its online sales to 50% of total revenue by 2016.

Hotel Analyst questions the reason why with such good schemes available from OTAs for free, would anyone pay for a similar level of discount? The answer lies in the mass market – those who travel really infrequently and might not even qualify for programmes such as that offered by Hotels.com. Ibis's 10% discount kicks in immediately, and also applies to in-hotel purchases, something that OTAs (so far) cannot access. As a result even the most infrequent traveller can see concrete results immediately, which should help to drive increased amounts of bookings through direct channels for the brand.

With this new Ibis card, Accor has an undoubted winner. The concept will resound with the right audience, drive increased amounts of bookings and at the same time deliver precious revenue. The French public (one of the key markets for the Ibis brand) are already used to paying for loyalty cards that deliver tangible benefits, and will undoubtedly jump on this opportunity in large numbers⁶⁶.

4. Social media marketing

4.1 Introduction

Social media refers to the means of interaction among people in which they create, share, and/or exchange information and ideas in virtual communities and networks. Another definition from Andreas Kaplan and Michael Haenlein define social media as "a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user-generated content." Furthermore, social media depends on mobile and web-based technologies to create highly interactive platforms through which individuals and communities share, co-create, discuss, and modify user-generated content. It introduces substantial and pervasive changes to communication between organizations, communities, and individuals⁷¹.

Traditional advertising methods are not considered appropriate for the new global online community. It is all about communicating the brand rather than advertising. And the methods used to get this message across are changing. The focus is now on social networking, on sites such as Facebook, and Twitter.

However, this is not just a fad, it is already considered a large market and one which can prove to be a legitimate way to conduct business for hotels.

Table 3: Key social media statistics⁷²

Social media

| | |
|---|--|
|  | <ul style="list-style-type: none"> – Over 1.5bn active Facebook users (source: Facebook) 699million people log onto Facebook daily, up 26% from 2012 (source: Facebook) In Europe, over 223million people are on Facebook (source: Search Engine Journal) 79% of social media log ins by online retailers are with Facebook, compared to 12% for Google+, and 4% for Twitter (source: Gigya) – Facebook will account for 13% of worldwide mobile ad revenue in 2013 (source: L2) – Facebook users share 2.5B pieces of content on the site each day (source: Nielsen) – 70% of business-to-consumer marketers have acquired a customer through Facebook (source: Hubspot) |
|  | <ul style="list-style-type: none"> Twitter users send 400 million tweets each day (source: Nielsen) 50% of technology companies have acquired a customer through Twitter (source: Hubspot) 25% of consumers who complain about products on Facebook or Twitter expect a response within 1 hour (source: American Express OPEN Forum) 69% of online business-to-consumer marketers use Twitter, compared to 80% for business-to-business (source: Brafton) |
|  | <ul style="list-style-type: none"> – 700 YouTube video links are shared on Twitter every minute (source: Relevancy Group) – 500 years of YouTube videos are watched on Facebook every day (source: Relevancy Group) – The equivalent of 100 hours of video is uploaded to YouTube each minute (source: Kleiner Perkins Caufield & Byers) |
|  | <ul style="list-style-type: none"> 70% of brands have presences on Google+, up 4% from Q4 2012 (source: Simply Measured) 41% of online business-to-consumer marketers use Google+, compared to 39% for business-to-business (source: Brafton) 12% of social media log ins by online retailers are with Google+ (source: Gigya) Facebook's share of social logins dropped from 54% to 49% during 4Q12, while Google's share increased from 25% to 31% (source: Janrain) |
|  | <ul style="list-style-type: none"> 90% of US online specialty retailers use Pinterest, up from 81% in 2012 (source: L2) 83.8% of luxury brands have a presence on Pinterest (source: L2) 69% of brands have presences on Pinterest, up 10% from Q4 2012 (source: Simply Measured) 25% of online US women use Pinterest, compared to 5% for men (source: Pew Research Center) |

⁷¹ http://en.wikipedia.org/wiki/Social_media

⁷² <http://socialmediatoday.com/steveyoung/1656466/24-must-see-social-media-statistics-2013>

Table 3: Key social media statistics⁷²

Social media

| | |
|---|--|
|  | <p>Instagram users upload 40million photos to the site each day (source: Nielsen)</p> <p>41% of brands post 1 or more photos per week to their Instagram accounts, up from 34% in Q4 2012 (source: Simply Measured)</p> <p>59% of brands have presences on Instagram, up 9% from Q4 2012 (source: Simply Measured)</p> <p>17% of teens say Instagram is the most important social network, up from 12% in 2012 (source: Piper Jaffray)</p> |
|---|--|

Hoteliers are recognising how important mobile and social media are to their guests, and they have begun to put more resources towards this area. In a recent poll by TravelClick, of respondents that were planning to increase their workforce, 30% were planning to employ staff specifically for social media.

Consumer behaviour is changing rapidly. The traditional methods of driving traffic to hotels will evolve to include social networking. According to Google, by 2012 networking on social media sites will be the second most popular online activity, overtaking shopping. Hotels will need to be present on sites such as Facebook, however the content must be kept fresh and relevant to the Facebook community. Companies are using Facebook as a free marketing channel to increase brand awareness, connect with new audiences and build stronger relationships with target markets. Although the verdict is still out on whether Facebook and other social networking sites can drive actual booking revenue, they do provide benefits. The value of the sites is in its ability to build brand awareness and community interest in the individual hotel.

However, as with each new social media development that comes along, hotel companies must weigh up the costs and benefits of being involved. There may be benefits to the brand of being linked to an up-and-coming site, which may counter the possible lack of direct sales opportunities. Likewise, even the most up-and-coming site may be defunct in a few months' time, replaced with the next big thing, or having its features copied by an existing site.

For hotels, the debate over which social media systems to leverage and which to ignore increases in time and cost seemingly daily.

Hotel Analyst Perspective comments that one of the biggest challenges faced by hotel brands wishing to manage their reputation on social media channels is knowing where to invest their limited resources. For most companies while certain systems, notably Facebook, Twitter and YouTube, are a given, an array other types of systems and sites exist, with many more developing and disappearing daily.

Deciding which to focus on can be difficult, as making the wrong choice means both missed opportunities and wasted effort.

Social media is set to have a major influence on hoteliers with one in three (35%) pledging the biggest increase in their marketing spend in the area⁷³.

Social media offers tremendous opportunity for the boutique hotel industry sector to compete with the larger international hotel groups. Industry experts feel that social media has grown to become one of the most important and levelling aspects of marketing today, offering boutique hotels opportunities to connect with their guest. Social media channels including Facebook, Twitter, Tumblr and Flickr allow hotel brands to 'emotionally engage' with guests. Social media strategies can bring results, for example Thomson Hotels, one of the Commune Hotel's brands, had determined guests who were 'fans' of its properties on a social media channel spent 35% more during a stay than those who were not⁷⁴.

A company's social media strategy should fit the goals it wants to achieve with its social media. The company's presence in social media should also fit its brand image. For example Travelodge would use different tactics than a Four Seasons hotel. In general social media should be used to engage and listen to customers. It is also an excellent vehicle for customer complaint resolution. A properly managed social media programme will bring customers together with a sense of community and loyalty⁷⁵.

Social media has moved marketing into a new era. Those hotel companies that provide the customer with a good product that is value for money and consistently deliver than product will benefit from thousands of people seeing the positive comments from recent customers. Those that do not provide this will suffer.

⁷³ Travelution.co.uk Social media's influence on hotels set to increase, May 2013

⁷⁴ Breaking Travel News, Leondakis: Social media remains vital to boutique hotel sector, May 2013

⁷⁵ Kotler P, Bowen JT & Makens JC, Marketing for Hospitality and Tourism, Sixth Edition, Pearson

4.3 Industry thinking on social media

InterContinental Hotels Group

IHG CEO Richard Solomons, commented that IHG is very active with social media, with its brands “generating over 1bn impressions within social space”. He added: “Like many companies we are still experimenting with getting value from this, but early signs are very encouraging. We have tools which allow our hotels to collect feedback and comments from social media. We’ve launched our own guest ratings and reviews”, which he said, was “in many cases more effective” than reviews listed on third party sites due to guest’s knowledge of the product”.

Holiday Inn has launched the ‘Smart Thinking’ platform, which revolves around an online hub where users can engage with the brand. The brand utilises an array of social media platforms in its hub, becoming the latest flag to try and appeal to the millennial generation.

The brand said that it understood that “when you stay smart, you know stuff”, and so it wants to give consumers the chance to “share their smarts” with others through popular social media outlets. Consumers can submit their Smart Thinking content by creating and post a Smart Thinking Vine video, 15-seconds or less YouTube video, Instagram photo or Tweet.

Rezidor

The company has also updated its Social Media procedures and developed new, comprehensive guidelines supported by webinars and training sessions – including a dedicated Social Media course at the Business School. Furthermore, it rolled out “Revinat”, an online monitoring tool for Social Media, which is already used by 215 hotels across EMEA. Its Facebook presence increased by 30% in 2012: more than 300 hotels are on Facebook, and have a total of 200,000 Facebook fans⁸⁶.

Best Western International

In December 2012, the company announced that the brand’s Facebook page has surpassed 500,000 fans. Best Western now reaches more than 14,000,000 travellers each week through Facebook.

Best Western were one of the first lodging companies to embrace social media and since then has made it a priority to involve a social layer in every major brand initiative at Best Western to better engage with our customers and travellers. The company understands that social media platforms and Facebook in particular are where people discuss, research and plan their travel.

2012 was a remarkable year in social media growth for Best Western, which saw the brand increase its Facebook fans by more than 200% during the calendar year. Other notable social media achievements in 2012 included:

- Becoming the first major international hotel chain to allow customers to book a hotel room directly through the brand’s Facebook page
- Launching the “Be a Travel Hero” campaign – a Facebook app allowing travellers to invite friends on a virtual dream vacation and earn points towards prizes and free hotel stays
- Holding the first ever Best Western Fan Awards, a Facebook contest allowing fans to vote for the most unique Best Western properties in the world
- Integrating TripAdvisor directly into the new Bestwestern.com – allowing travellers to view property reviews, rating and read guest comments without ever leaving the brand website⁸⁷.

Meliá Hotels International

MHI has included social media as one of its strategic initiatives. The Company has a specific Social Media Department, with a network of Community Managers who supply information, manage conversations and maintain activity on all the hotel profiles. Meliá Hotels International has managed to generate a high level of participation among its fans and a strong emotional link with its brands.

Choice Hotels International

Choice Hotel’s social media strategy centres on its presence on Facebook. With its Facebook page, Choice Hotels is reaching, responding to and engaging with customers and guests who want to connect with the company on this platform, while also driving traffic to ChoiceHotels.com. All brands are represented, as well as Choice Privileges, and members of the Facebook community are being invited to “like” Choice Hotel’s page. The company and its brands also have a strong presence on other social platforms like Twitter and Google Plus.

Marriott International

The company stated in its 2012 Annual Report that it is focused upon the next generation travellers. The company is looking to ramp up mobile bookings and other flexible, intuitive technologies, and are building and investing in social media to better understand and deliver what these consumers want⁸⁸.

Hyatt Hotels Corp

In September 2013, Hyatt hosted The World’s Largest Focus Group, a series of online activities centred on the question, “How do YOU travel?”

Via discussions about travel on Twitter and Facebook, Hyatt aimed to gain consumer insights and ideas about new offerings, amenities and services in addition to engaging with guests in real time across the globe⁸⁹.

86 Rezidor Annual Report 2012

87 <http://www.bestwestern.com/about-us/press-media/press-release-details.asp?NewsID=858>

88 Marriott International 2012 Online Annual Report

89 Hotels; Hyatt hosts social media discussions to gain consumer insights, September 2013

4.5 Trends and issues in social media

INDUSTRY INSIGHT: With the majority of clients starting their travel planning and purchase processes from the major search engines (which in the Western world essentially means Google), positioning on search engine results listings remains the key issue in online marketing. Unfortunately for hotels, in most cases search results for their properties are dominated not by their own web pages but by the listings of the major OTAs and their affiliates.

In most cases these intermediaries dominate because of their superior content. By consolidating content from different places together, rewriting or reworking it if necessary, translating it into different languages and structuring it well, they have managed to convince the search engine spiders that their pages are more relevant when it comes to answering potential customer's queries and thus should be listed in prime position.

Until now, much of their strategy has been keyword based, so that when someone searches for hotel X in city Y, they have an (often automatically generated) page that gives the most relevant, comprehensive and topical answer. And even though they are often the originators of the content in question, hotel sites, with much more static perspective, usually trail significantly in relevance and thus are pushed further down the results listing and rarely seen by the potential client.

Recent changes to the Google ranking algorithm increase this need to have outstanding content. In particular the increasing importance being given to social media, and the reactions of people to content on such channels, presents an interesting challenge.

Most of the recent studies clearly show that managing to convince people to react to your content on social networks such as Facebook and Google Plus has a significantly positive effect on search engine results ranking. Given that overt selling messages are rarely well received on social media channels, this could present hoteliers willing to invest in developing a real relationship with their customer with an interesting way to reclaim the organic search space.

While the OTAs can leverage their significant marketing resources to develop their own presence on social media channels, they cannot repeat what they have done in search in the social media space. Social media is all about detailed, personalized and authentic content, and OTAs simply cannot drill down to this level of granularity for each and every hotel that they sell. Since the process cannot be automated, they are effectively blocked. Hotels on the other hand already have this granular detail from their day-to-day operations and interactions with their customers and could leverage it to improve their search rankings.

But what of the OTAs' claims that social media marketing is a waste of time as it generates few if any subsequent transactions? In effect this is true, as most people these days agree that except in truly exceptional circumstances Facebook bookings engines are a total waste of time and effort.

But in fact the OTAs comments are meant to disguise a deeper issue. Ecommerce is all about traffic, which essentially makes it all about search. As the studies cited above show, appropriate activity on social media sites can help increase search engine result page positioning, which will ultimately drive traffic and (assuming that the website is not a total disaster) bookings.

By claiming that social media and commerce do not mix, in effect what OTAs are doing is using misdirection – telling the truth but at the same time trying to divert attention away from what will surely be one of the key success factors for distribution in the future.

Source: Hotel Analyst Distribution & Technology

5. Guest review sites

5.1 Introduction

Reviews help businesses gain credibility, brand awareness, and of course engagement, as well as giving Google an indication of how a particular hotel business is perceived. And there are clear signs, that ‘review signals’ have become ranking factors for Google.

Online reviews continue to become increasingly popular as a way for users to find out more and decide who to trust in the online world. Despite a large amount of fraud and fakery, which is now being cracked down upon, users frequently turn to reviews in order to make a decision.

According to SearchEngineLand’s 2013 study 79% of consumers trust online reviews as much as personal recommendations. This is an increase of almost 10% on 2012. More users are reading reviews, however users are making decisions quicker, therefore reading less reviews per decision.

Over the past few years there has been an influx of guest review sites for hotels, some of the most popular being TripAdvisor, Yelp, Zagat etc. Although at first they were met with mistrust from many industry players, now hotel companies are either incorporating guest reviews onto their own sites or through partnerships with TripAdvisor. The reason for this about-face is pure economics. A 2011 study by Boston-based global research firm Forrester found that close to 50% of consumers won’t book a hotel that doesn’t have online reviews. Phocuswright similarly reported that people who read online hotel reviews are 59% more likely to book.⁹⁴

With regards to posting guest review on the brand.com website. The trend began with Starwood, which debuted its guest review programme on starwoodhotels.com at the end of 2011. At press time, the site had more than 12,000 candid, unedited posts, ranging from “perfection to “very disappointing. The key to its programme: all reviewers are verified Starwood guests. TripAdvisor, which is still under scrutiny for the authenticity of its reviews, relies on staff and automated tools to weed out planted posts – a process that’s far from fool proof.

Marriott has followed suit by publishing reviews from rewards-club members on its Marriott Rewards Insiders website. (Neither Starwood nor Marriott offer any incentive to guests to post reviews.)

Other hotels are taking the “If you can’t beat them, join them” approach by teaming up with TripAdvisor. For example Wyndham Hotel Group has a stream of its five most recent TripAdvisor reviews—the good, the bad, and the ugly. Earlier in 2013, Four Seasons unveiled a new website complete with highlights of (only favourable) testimonials about its properties on TripAdvisor—an example of the “If you can’t beat them, edit them” approach. Hilton, Hyatt, and IHG meanwhile, are all planning to bring user reviews onto their own websites.

But with 100million reviews and opinions, TripAdvisor is still the undisputed leader here. Whether or not hotels can compete may depend on how receptive they are to this new era of digital transparency, embracing not only reviews, but also photos, videos, and more. Soon, perhaps, there will be no surprises left when you get to your hotel⁹⁵.

94 <http://www.travelandleisure.com/articles/how-hotels-are-embracing-the-online-customer-review>

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6. Revenue management

In hospitality industry, a hotel faces the twin problems of meeting business expectations (that of maximizing revenue, occupancy and profits across all their locations (for hotel chains) and rooms for each property for every given day of their operational year) while meeting customer expectations. This is the goal that revenue management aims to fulfil by providing the required service to the customer at the right price at the right time. Revenue Management, as a factor to organizational success, has gained significant prominence in recent times for the hotel and hospitality industry, with several hotels creating dedicated full-time positions of Revenue Manager. Performance metrics like RevPAR, Best Rate Guaranteed, Best available rate (BAR), Average daily rate, Rate Parity, etc. have been developed to measure and track revenue performance of hotels and its management.¹⁰⁰

Although Hotel Revenue Management is very complex, the most important elements are as follows:

- **The Basics:** review the basic concepts of hotel revenue. Before starting to manage revenue for a property there are some basic concepts. Since each hotel room is perishable and has a shelf life of one day, it cannot be stored up for the peak season. Rather, a hotel needs to have a way to generate demand in low patterns and ration the rooms in peaks. This requires dynamic pricing techniques to act as the lever that matches fluctuating demand to a fixed supply of rooms on property.
- **Historical Results:** Establish relevant Revenue History. It's good to look back because demand patterns tend to follow historical trends and patterns. Seasonality and Day of week patterns show up quickly in individual property results reflecting the current market place and the prevailing rate strategies. At a minimum, hotel should track the last year revenue, Rooms sold and ADR by segment.
- **Segmentation:** Determine the key market segments that use the hotel. A market segment is a group of guests who have similar characteristics like booking patterns, price sensitivity, etc. A hotel can have as few as two or as many as 20-30 segments, as long as it can track their performance and make meaningful distinctions between them.
- **Booking Pace:** Start tracking and monitoring booking pace for each segment. Booking pace is a key element of Revenue Management. It measures how many bookings you have on the books at any given time for a future date. A matrix of stay dates by booking dates provides the booking pace or booking curve as it is sometimes called. The idea is to begin measuring it as soon as possible so a hotel can build up some history on how fast its rooms filled up for each day last year. Then, as this year unfurls it can easily determine if demand is stronger or weaker based on whether the booking pace is a head of or behind the same day last year. This enables a hotel to determine if it should be in a promotional mode or an allocation mode in your sales strategy.
- **Pricing:** Review current and past pricing and set a pricing structure and strategy. The single quickest way to improve revenue and profit is to raise the price of your rooms. But that does not always go well with the marketplace. Instead, a hotel needs to set up a pricing programme that makes sense to its target market and that provides it with the profits required to keep in business. Although there are thousands of ways to price a property the key function of price is to provide a lever to regulate demand and to feel right for guests so they will come back. Most hotels today meet this challenge by BAR pricing methods. BAR stands for best available rate and hotels usually set up a schedule of 5-10 sets of BAR rates. These BAR rates will have a different rate for each level of room type and will have rates for all the qualified segments like AAA. Then if demand picks up the property simply shifts to a higher BAR and all the rates escalate uniformly. Although Bar rates are the most common, they are by no means the best solution for every market or property.
- **Channel Management:** Define Distribution channels appropriate for the property. Where customers shop for hotel rooms can affect the amount of business that a hotel can earn. These places are distribution channels and if a hotel is not on sale in them, it will not be an option for those shoppers. So, it may be a good idea to be in all channels. On the other hand, each channel has costs that the hotel must pay for the bookings, sometimes as much as 30-49% of the revenue the hotel charges for the room. So, the choice of channels to utilize is a key one to determine not only room nights sold but also net revenues received for that business.

¹⁰⁰ <http://en.wikipedia.org/wiki/ChannelGain>