

by Cindy Estis Green, Mark Warner

Survey of Attitudes and Approaches: Hotel Internet Marketing and Distribution

Background

In the fourth quarter, 2005, a group of hotel directors of sales and revenue managers were surveyed through an online questionnaire to explore how Internet marketing and distribution are being handled in U.S. hotels. There were 60 hotels represented in the study including a wide range of property types from branded downtown hotels, resorts, independents, upscale, midscale and suburban properties. Prior to this study, there has been very little information available to describe the current attitudes about costs and benefits of online distribution from a unit level perspective in the hotel industry. This study was intended to provide an overview of this topic. Many hotels had their sales and revenue managers respond as a team to provide complete answers to the survey questions.

Methodology

TIG Global worked with the report authors, Cindy Estis Green and Mark Warner, on devising the survey topics. Cindy Estis Green is the managing partner of The Estis Group. Mark Warner is director of graduate programs and professor at the NYU Tisch Center for Hospitality, Tourism and Sports Management. Sue Heilbronner, executive vice president, business development was the representative at TIG Global. HSMIAI supplied the list of directors of sales and marketing and revenue managers. Jason Smith from HSMIAI set up the online survey in the online tool used for this purpose and distributed the messages with the survey attached to the selected member list. The HSMIAI survey tool was used to collate the data and provide some analysis capability. Besides drafting the survey, Warner did some further analysis on the data and Estis Green did the balance of the analysis and synthesized the data into this report. An incentive was offered by TIG Global to encourage participation. Two iPods were given to two respondents selected at random from those who returned a completed survey.

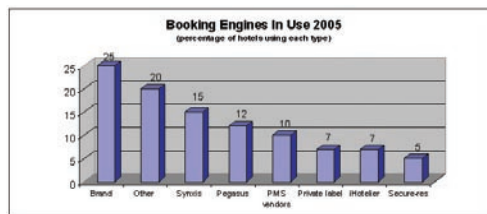
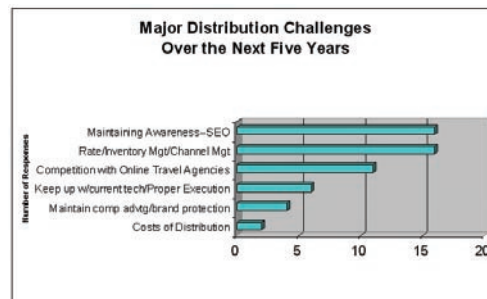
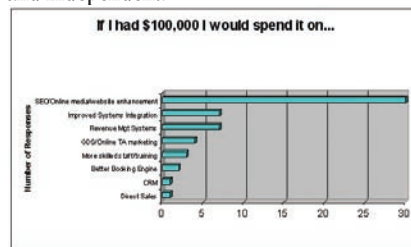
Executive Summary

In general, the surveyed hotels have seen increases in online traffic and are trying to gain expertise with the technology and marketing techniques to take advantage of this new form of demand. They have experimented with many channels of distribution; they have experienced success with some and have been frustrated with others. A great challenge is managing so many channels of distribution. One of the concerns that emerged revolved around the process of setting prices to optimize revenue and having consistency between prices in different distribution channels.

Overall, the respondents felt that maintaining awareness in this crowded cyber-marketplace is one of the most difficult tasks they face. They are willing to invest to develop their online presence, particularly through the use of their own Web site. There is a wide range of acceptance and utilization of online marketing within the hotel community. Without a doubt, the first choice for spending any

incremental marketing funds against distribution channels would be on improved marketing of their Web site.

The respondents in the survey were experienced sales and marketing executives along with revenue managers. The hotels in which they worked were generally 300 to 500 rooms in size and ran close to the industry average in occupancy: 70.7 percent in 2004 with higher occupancies expected for year end 2005. The skewed more upscale and were divided between chain-branded and independent.



- Industry organizations and the conferences they host are high on the list for go-to places to gain information and knowledge about online distribution. HSMIAI and HEDNA were most often cited. In addition trade publications and networking with colleagues are important information sources.

- The channels of distribution that deliver benefit* to these hotels were divided 56 percent off-line (direct telephone to a reservation office) and 44 percent online (divided 20 percent GDS/TA and 24 percent own Web site and online TA). *The revenue shares were self-reported so may not reflect actual financial records of each property.

- The respondents rated their own Web site as more effective than any other online channel of distribution. They rated their off-

Continued on page 145

Hotel Internet Marketing Survey: continued from page 144

line reservation department as the most effective at delivering business volume they want at the price they want. Meeting planner Web sites were considered least effective of all channels to deliver the desired business volume.

- Surprisingly, while almost all hotels had their own Web site, there were still a small number (10 percent) that did not. Of those who did, there is still a small number (10 percent) that did not yet offer booking capability on their Web site. There was a wide range of booking engines in use. SynXis and Pegasus were the most often named vendors after brand-supplied booking engines.

- The average spending for online marketing was just over \$50,000 per year. The range was from \$1,000 to \$180,000 and the most often cited range of spending was \$25,000 to \$35,000 per year. While many hotels have begun to embrace the use of online marketing, fully 25 percent of the hotels claimed their online budget was “too small to note.”

- Revenue managers are onsite in most hotels and spend almost 2.5 hours per day on channel management. The revenue manager is most often the decision maker on online travel agency usage with the directors of sales and marketing a close second.

- While many hotels are starting to use their online channels to collect customer profile information, there are more than 33 percent who are not. Just over half of the respondent hotels report actually using customer profile information to drive marketing campaigns.

- Most hotels expect increases in small groups and leisure market segments and relatively flat results in most other segments. They expect to spend more marketing dollars overall, particularly focusing increases in online initiatives. In spite of this added spending for online marketing, there is little change expected in sales staffing levels for the forthcoming year. It could be assumed that additional online funding

would come from some overall budget increase and some shifting from print advertising rather than sales staffing funds.

- While a minority of hotels actually documents their distribution strategy, the hotels that do commit it to writing feel their efforts are effectively deployed.

- The greatest area of concern for these hotels over the next five years is maintaining awareness of their property in the online space on their own Web site, through search engines and online travel agencies.

- Most hotels anticipate significant growth in online business volume with the average expected increase to be at least 50 percent by 2008 over 2005 levels. These projected increases were for businesses through their own Web sites and third party Web sites, and excluded changes in GDS volume.

- Most respondents expected search engines to be the online channel to have the greatest impact followed by third party travel agencies.

- When asked how they would spend \$100,000 to improve distribution channels, the lion's share of the respondents indicated they would spend money on their own Web site and on the interactive media and search engine marketing that would further improve its results.

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