The Long Tail
Implications for Hotel Sales and Marketing

Most everyone has heard the phrase the long tail by now but many are unclear as to what exactly this means and how does it affect my hotel.

The term was coined in 2004 by Chris Anderson, the editor and chief of Wired Magazine. His book, “The Long Tail – How Endless Choice Is Creating Unlimited Demand,” postulates that the mass market is fracturing into infinite niches due to the nature of the Internet and the infinite choices it offers – that what once was obscure is now available to everyone.

For example as the entertainment industry wrings it’s hands over the lack of hits and declining ticket revenue, it fails to grasp that everyone now has access on the Internet to films from independent film makers, documentaries and YouTube so choices based on interest are now spread among multiple channels and these so called interest groups become multiple niches. Hit movies and theaters are being challenged by a variety of specialized offerings on multiple channels.

At the November 2007 conference PhoCusWright drilled into the long tail concept and it’s implications for the travel industry. “The Long Tail is a positive force, holding great promise for travel, tourism and hospitality,” said Philip Wolf, president and CEO of PhoCusWright, during the opening address. “Yet, it also has the potential to become a major market disruptor in travel distribution. There are already warning signs that the democratization of travel content is enabling new competitors and value equations.”

Wolf outlined the following five tenets for realizing the power of the Internet in travel distribution:

1. The little guy’s (product, channel, site, business) influence is significant
2. The sum of the niches is embraced
3. The 80/20 rule is debunked (law of the vital few)
4. The size of your reputation matters more than the size of your marketing budget
5. Distressed, out of print or discontinued product now has value

Let’s look closer at points one through four. The first point supports the premise that the Internet which spawned the long tail is the true democratizer that levels the playing field in the hotel world. The independent and boutique properties not only experience equal exposure in the world of targeted search but it also validates their uniqueness or niche. Hence the rush on the part of large chains to roll out a huge range of new boutique-like brands. This misses the point to a great extent unless these new brands are marketed uniquely rather than as commodities like their legacy brand counterparts.

As marketing on the Internet is cheaper and makes it easier to target specific niche customers and track effectiveness, it is possible to roll out promotions aimed at many niches all from the same resort or hotel. This supports No. 2, the sum of the niches, and No. 3, the 80/20 rule referring to 80 percent of your business comes from 20 percent of your customers. Now we can realize equal if not greater revenues supporting multiple profit centers by niche marketing rather than pushing product on the same group of repeat guests, the 20 percent that are supposed to provide 80 percent of the revenue.

For example, savvy e-commerce companies can target e-blasts or RSS feeds to multiple niches for the same property. They can slice their lists by those travelers that have requested information on type of property in a certain destination, spas with certain treatments, golf experiences or wine cellars. They can also sort by geography and income so that a single property can target multiple niches through targeted promotions. The sum of the niches can generate far more revenue than in traditional CRM models that are confined to market incremental revenue solely to frequent guests.

No. 4 speaks directly to the hotel’s online presence. The rise of the customer in control through review sites and social media
means that the hotel’s reputation is the ultimate decider in many travel decisions, both business and leisure. One example is a 70-room independent property in a tiny, difficult to reach destination area. They have a stunning Web site but do no other marketing, not even e-marketing to past guests. The hotel is the darling of Trip Advisor in their area. They have a great product and take care of their customer better than anyone else in this destination. This has created raving fans who are inspired to post glowing reviews on travel review sites without even being prompted by the hotel. Incidentally, this hotel is rated higher than any other hotel product within 20 miles by about $50 per night, including franchise products in that perimeter.

This applies to group business as well as leisure travel. Meeting planners routinely check the review sites for potential issues in a property they are considering. Sales managers routinely receive calls from clients and potential clients asking if they have fixed an issue that appeared in one or two reviews, even if all the rest are good reviews. Part of the hotel’s reputation depends upon responding to reviews that have expressed issues as to how those issues have resolved.

The small meetings market is another example. Many sales departments feel that their time is wasted on securing and servicing small meetings. The steps are the same to pursue large meetings with higher revenue per event, they reason. What they miss is that the revenue of the small meetings market as a whole far surpasses that of the larger meetings market. So while they actively pursue the meeting planners with the big meetings, knocking over every other hotel sales person in the competitive set for the business, some hotels are quietly pursuing the smaller meetings market and face less competition for this revenue – the sum of the small.

At the beginning of this article, one of the phrases in the PhoCusWright reference mentions that democratization has the potential to force a major disruption in travel distribution and thereby enable new competitors. To which I would respond – long live disruption! The industry can only benefit.

Readers are encouraged to download and listen to Chris Anderson’s book “The Long Tail” and to review the reports from the PhoCusWright conference available at www.phocuswright.com.

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"The Long Tail and Travel," Philip Wolf, www.phocuswright.com

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