



What's the Deal By Daniel Lesser

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Brand.com campaigns work, but keep up vigilance on OTAs

(The views and opinions expressed in this blog are strictly those of the author.)

As stated in my recent blog, [“How the industry should respond to OTAs' new challenge.”](#) online travel agencies are essentially technology platforms that offer voyagers extensive capabilities for planning and booking travel. Roughly 10 years ago, during the Great Recession, the lodging sector was shortsighted and welcomed OTAs to place heads onto hotel beds. This experiment not only became economically expensive, it ceded control of the hotel industry's most precious commodity, namely guestroom inventory, to accommodate travelers. The lodging sector owns and controls hotel real estate (guestrooms), which serves as oxygen for the existence of OTAs.

Although U.S. hotel occupancy rates have recently and are anticipated to continue to be at all-time highs, the sector has been challenged to increase room rates as much as hoped. Clearly, home-sharing booking platforms and OTAs have placed negative pressure on hotel room rate growth. During the recent past, the major hotel brand families have aggressively marketed traveler benefits of direct booking that can include: discounted loyalty rates, free Wi-Fi, specific guest room selection (including bed types), mobile check-in, and use of a smartphone as the hotel room key.

Marriott International's “It Pays to Book Direct” and Hilton Hotels & Resorts “Stop Clicking Around” campaigns are two examples of discounted loyalty rate direct booking campaigns that have demonstrably shifted consumer behavior away from the OTA websites offered by Expedia and Booking Holdings (previously Priceline Group) and toward brand.com reservation channels. Although brand.com loyalty rates tend to offer best rate guarantees, reservations costs are much lower when compared to commissions paid to OTAs, resulting in a relative higher net average room rate.

Simultaneous with the recent success of hotel direct booking campaigns, Expedia has established relationships with G6 Hospitality (parent company of Motel 6 and Studio 6) and RLH Corporation (Red Lion) whereby Expedia will enroll website users to a brand loyalty program and gain access to discounted member rates. Furthermore, in a move that places Airbnb in direct competition with OTAs, the home-sharing giant recently launched its first global hotel technology partnership with SiteMinder, a cloud platform for hotels. Traditional hospitality businesses that use SiteMinder and meet Airbnb's hospitality standards can now list rooms on the platform.

Notwithstanding recent successes because of the brand's direct-booking campaigns, hotel owners and operators must vigilantly guard against continued attempts by OTAs and home-sharing booking platforms to make inroads into the lodging sector. In this context, the expression "Fool me once, shame on you; fool me twice, shame on me" is apropos.

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