

Opinions

The OTA battlefield: Legislation to loyalty

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The struggle to persuade guests to book direct instead of through an online travel agency is ongoing, but hoteliers have a number of factors working in their favor.



By Gary Isenberg

Hotel brands fight valiantly against the online travel agencies in an attempt to sway consumers to book direct through their proprietary channels.

It's going to take an industrywide, two-pronged attack, however. On one front, the industry must lobby for legislation to prevent third-party booking sites from misrepresenting themselves as the brand channel.

Fortunately, that's already happening. The American Hotel & Lodging Association's ongoing strategic offense targets beltway influencers. Recently, the AHLA successfully campaigned the Federal Trade Commission, which found and charged a third-party reservation center for deceiving consumers into believing they're booking directly with a hotel. The ruling of the FTC bans the misrepresentation of a hotel's identity, now requiring clear disclosure of third-party OTA status and a compliance report.

Consumers are speaking up. According to Research & Polling, 88% of consumers desire transparency in hotel booking. Media Day NY & DC has found that 72% of consumers want the government to enforce laws on these third-party affiliates. The AHLA has partnered with several consumer protection advocate groups, such as the Better Business Bureau, to educate consumers on how to avoid misleading and fraudulent sites. The AHLA is applauded for its efforts and results. It is off to a good start.

Simultaneously, several of the major hotel companies have taken the OTAs head on, launching national advertising and media campaigns educating the consumer on the benefits of booking direct with a lowest-price guarantee. Hilton, Marriott, Hyatt and IHG kicked off book-direct efforts in 2016.

In addition to the lowest-price guarantee, the brands have turned to their elite loyalty programs and conceived a slew of exclusive guest perks for their reward members in an effort to sidestep the OTAs and increase their direct bookings. These programs appear to be making headwinds.

Loyalty programs do work

A recent [J.D. Power survey](#) suggests loyalty programs do create a bond between a guest and a brand. Nearly half (47%) of the more than 4,600 hotel rewards program members polled said they had booked a hotel room within the past 12 months through the brand.

Last year, a study by Kalibri Labs found between 40% and 60% of reservations in the upper-midscale, upscale and upper-upscale segments came through loyalty programs in 2016. What's more, brands grew rewards memberships by between 30% and 40%.

These loyalty programs increase direct bookings because the brands now use the one powerful tool they have over the OTAs: delivering a superior guest experience. By delivering first-rate services exclusively to rewards members, brands have the opportunity to pry consumers away from the OTAs.

Although the efforts of the brands and industry as a whole have had some success, the brands still lag behind the OTAs in bookings, according to Hitwise. The online market trend tracker counted reservations made via the OTAs and the brands' platforms between May 2016 and May 2017 and found the OTAs grabbed 58.3% of the bookings compared to 41.7% reserved through brand channels.

The 'WIIFM' factor

If brands ever hope to persuade people to book direct, then they must give consumers a tangible value in exchange. Right now, the OTAs provide value by enabling consumers to shop hotel rooms across all brands on one platform. It's a seamless and easy shopping experience—one the brands have a hard time matching. The brands once tried to mimic the OTAs with Room Key, but that experiment failed, as it could not compete with the advertising budgets of the OTAs. Consumer awareness of Room Key was practically non-existent. It was well conceived and intended, but poorly executed.

Nevertheless, the brands can overcome this apparent advantage by thinking like a consumer and asking, "So, what's in it for me?" In other words, what benefit does the consumer gain by joining a loyalty program and booking direct? Fortunately, the brands have begun to answer the "WIIFM" question by not only by offering low rates, but by designating exclusive perks to only those who join their loyalty programs and book direct as well.

What happens at the hotel

OTAs such as TripAdvisor, Expedia, and Priceline are basically online reservations systems. They don't oversee what happens when the guest is at the hotel. The hotel brands control the guest experience. By giving frequent guests experiences the OTAs can't provide and tying those unique benefits to the loyalty

program, brands wield a formidable weapon to drive direct bookings.

Marriott's keyless entry, for example, is only available to its frequent guests. Using technology to enhance the guest experience and then targeting those state-of-the-art touches to their frequent guests will surely attract today's tech-savvy consumers. The challenge for the brands is making sure consumers know the perks they'll receive by signing up for a rewards program and booking direct.

Seeing is believing

One way to do that is by stationing those perks directly to guests when they are at the hotel. Marriott now situates its M Club in the lobby of its hotels, so arriving guests can actually see the free cocktails, breakfasts and other advantages reserved only for loyalty members.

These exclusive perks, in a sense, market themselves by being directly in front of guests, similar to how airline passengers see the benefits elite-status travelers have via priority boarding. It gets the other guests to think, "Why don't I have that?" Anything the brands can do to enhance the experience of the frequent traveler—and publicize it in unique ways, perhaps with YouTube videos—will tilt the scale toward booking direct.

For brands, the key to fueling direct bookings lies in highlighting the elite services and benefits consumers receive for joining loyalty systems and booking directly through the brands. Consumers will choose to book direct because they'll want those perks. Coupled with AHLA's continued efforts to insist third-party booking sites play fair, along with ongoing consumer education, the hospitality industry can prevail. Indeed it will be a long and bitter battle; undoubtedly the OTAs will not go quietly.

Gary Isenberg is president of LW Hospitality Advisors Asset & Property Management Services. With more than 30 years of diversified hospitality experience in Hotel Management, Finance, and Asset Management, Gary's expertise includes third-party asset management, serving as an owner's representative, due diligence for real estate investors, and development services to negotiate management or franchise agreements. His asset management specialties include, among other services, capital budgeting and PIP costing as well as internal control and accounting.

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