

Hotel News Now

Vital information for hotel decision makers

What's in store for brands and booking?



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The hotel industry must improve its marketing technology processes to maintain control and loyalty of its most precious commodity: guests.

By Gary Isenberg
HNN columnist

With the development and proliferation of technological booking platforms, hotel brand companies and owners face increasing competitive pressures while the hotel industry's innovative edge that initially propelled its success has dulled.

At this point, if the hotel business is to be the master of its own destiny, the sector must improve its marketing technology processes to maintain control and loyalty of its most precious commodity: guests. Understanding how to shape the future and think ahead of the curve often necessitates consideration of the past, as history frequently finds ways to repeat itself.

Yesterday

The growth of hotel brand affiliations in the United States followed the expansion of the Interstate highway system in the 1950s and into the 1960s. The concept of the "hotel chain" was originally developed to offer guests consistent and familiar travel products and services, which was previously inconsistent from a consumer satisfaction standpoint.

Franchising became a source of new capital, allowing hotel chains to expand and achieve standardized services and amenities, which resulted in brand recognition. Previously with independent hostelrys, travelers had little idea what to expect when reserving hotel/motel accommodations as standards of service and quality varied, often resulting in disappointed guests.

Developers quickly seized hotel franchise opportunities to benefit from: name recognition; a logo; a supporting reservations system; architectural plans, training/operation manuals; and national advertising/marketing campaigns. Participation in a chain's reservations system was a huge attraction for hotel owners and a significant benefit to becoming an affiliated hotel. For many owners, tapping into a brand's reservations system was as simple as turning on a faucet—new reservations began to flow like running water.

During the 1980s, the U.S. hotel industry experienced significant changes. Another substantial building boom occurred with several new accommodation types introduced and chains increasing their product lines through segmentation and the all-important guest loyalty reward programs. Additionally, the sector began focusing on the global market, and several U.S. hotel chains and many individual properties were acquired by overseas investors.

A decade later, the industry experienced additional significant paradigm shifts. The expansion, accessibility and ultimate power of the Internet have allowed consumers to make informed choices when booking hotel accommodations. This phenomenon has forced hoteliers to strategize booking channel management and segmentation, which created an important position at a hotel, the revenue manager.

With the exception of select urban landmark hotels, the notion of an independent hotel during the 1980s and 1990s was they were a dying breed. During this period of time, non-branded hotels (other than an iconic city property), were typically perceived by travelers and hotel investors to be of lesser quality than that of brand-affiliated hotels. Frankly, many suburban and rural hotels that operated independently during this time period were forced into independence due to their failure to adhere to brand's standards.

Large hotel companies morphed the hotel business into the business of hotels, as private and public equity along with other institutional capital became attracted to the superior risk adjusted returns that could be earned within the sector.

Today

A recent, rapidly expanding hotel industry concern is the business of hotel reservations. The success of a wide range of online travel agencies enables guests to shop multiple brands on one comprehensive website. The OTA booking experience is superior to that of hotel company websites as it allows travelers to shop for airlines, accommodations and car rentals simultaneously through one single guest profile. Furthermore, websites, such as Kayak, present consumers with the ability to shop multiple OTAs concurrently, a functionality that is not possible on hotel websites.

Research released by StatisticBrain.com reveals that annual online travel bookings increased to \$162.4 billion during 2012 when compared with the \$93.8 billion generated in 2007. The results indicate hotel brand websites account for 65% of all Internet bookings for accommodations, while the OTAs, including opaque sites such as Priceline.com and retail distribution websites such as Expedia or Bookings.com, comprise the 35% balance. The ferocious competitive force of the OTAs will continue to challenge the industry as hotel brands battle to keep their proprietary booking mechanisms dominant.

Investing millions on advertising, promotions and publicity, many intermediaries have created their own brand identities. Iconic "mascots" or "spokespeople" such as the hotels.com Captain Obvious and Travelocity's Travel Gnome have proved to be effective marketing campaigns that have captured the attention of travelers away from hotel brand booking portals. Further challenging the hotel industry at its own game, several OTAs now offer reward programs to attract and retain their own loyal patronage. OTAs have rapidly evolved and established themselves as successful and profitable business models and a true force in the industry. OTAs are the new "faucet."

Several hotel brand companies joined forces to [develop and launch "Room Key,"](#) a Web-based booking engine, designed to compare pricing and availability of a wide variety of hotel brands. The Room Key offerings appear after a future guest exits a participating brands website without booking a reservation.

Clearly, this is an effort to compete with the OTAs and redirect traffic back to a brand booking site. As compared to the OTAs, the marketing presence of Room Key is nonexistent. Room Key is dependent upon exit traffic from participating brand sites to drive usage. Without a significant and costly marketing campaign, it does not appear the Room Key strategy will significantly shift traffic away from the OTAs.

The evolution of social media travel sites, such as TripAdvisor, contributes another challenge to the hotel industry. According to TripAdvisor, more than 90 new contributions are posted to its site every minute. Although there is always concern regarding the legitimacy of some individual reviews, the utilization of these content-filled sites will only continue to strengthen in importance. Social media is here to stay and will surely morph into its next iteration, rather than disappear.

Hotel brand companies need to pay attention, as not only does TripAdvisor share past and current commentaries, it also allows guests to make reservations through a choice of several booking engines. Hotel brand websites are one of the choices; however, OTA branded websites are simultaneously offered as well, allowing consumers the ability to select which booking mechanism to use. Based on 10 choices offered, the math is fairly simple in that a hotel brand site has only a 10% chance of being selected, a phenomenon that is a clear and present threat to the hotel direct booking business model.

The ability for the potential hotel guest to shop service experience and easily book reservations through non-hotel-branded sites is refueling the growth and demand for independent hotels. New intermediaries have enabled independent hotels to have easy access to the global distribution system. Access to a variety of booking channels and ease for guests to locate and size up independent properties is propelling the popularity of non-branded hotels for guests and hotel owners/investors.

Tomorrow

Unless hotel brand companies listen to customer trends and modify their structure to stay ahead of the curve, additional businesses will continue to be created, further fragmenting revenue streams away from the brands/owners.

Brands need to improve their processes, technologies and business models to secure reservations through their own proprietary booking channels. The ability to review and compare guest feedback and room rates across all brand affiliations, and the ease of booking all aspects of travel directly from the hotel branded site is necessary for consideration at minimum.

History does repeat itself. It appears the intermediaries and social media travel sites today are poised to revolutionize the business of hotels, similarly as the hotel chain affiliations accomplished yesterday. Undoubtedly, the coupling of advanced technologies and new business concepts will continue to revolutionize and transcend the business of hotels for tomorrow. The question is who will lead this charge? The intermediaries and social media travel sites? Or the hotel brands?

Gary Isenberg serves as President of Asset and Property Management Services for LW Hospitality Advisors (LWHA). Mr. Isenberg's more than 30 years of diversified hospitality experience in management, asset management and finance experience resulting in a demonstrable track record of creating and enhancing hotel property values and maximizing return for owners and investors. Previously, Mr. Isenberg served as Chief Operating Officer for Field Hotel Associates (FHA), a privately held hotel development, ownership, and management company. During his tenure with FHA, Mr. Isenberg led the development of several hotels from conceptualization through opening and responsibility for day to day management. Mr. Isenberg spearheaded multiple re-organization and repositioning initiatives, and cultivated numerous revenue enhancement and cost containment programs. During 16 years with ITT Sheraton (predecessor of Starwood Hotels and Resorts Worldwide) Mr. Isenberg held a variety of positions, involving mergers and acquisitions, finance and operational disciplines. Mr. Isenberg earned a Bachelor of Science in Business Management with minors in Corporate Finance and Information Systems from Fairleigh Dickinson University. Mr. Isenberg can be reached at 212.300.6684 ext.108 and/or gary.isenberg@lwhadvisors.com

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