



OPINION ARTICLE

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3 Things Keeping Hoteliers Up at Night

Hotel owners and revenue managers perform a high wire act of handling the proliferation of new technologies while keeping operations steady and finances healthy.

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From the CEO of a large chain to the owner of a smaller independent property, today's hoteliers are confronted with common, pressing issues.



Here are three things keeping hoteliers up at night.

1. The Increasing Cost of Guest Acquisition

Keeping guest acquisition costs in check is paramount to profitability. The key is finding a balance between



The number of OTA bookings is growing within all market segments. According to a 2016 study by Kalibri Labs, third-party customer acquisitions cost hoteliers between 15%-25% of total guest-paid revenue. Each of those percentage points represents approximately \$1.8 billion, totaling 27-45 billion annually. By that calculation, if hoteliers decreased customer acquisition costs by 1%, they would collectively save \$1.8 billion. And on the flip side, if customer acquisition costs increase by a mere 1%, hoteliers would collectively spend \$1.8 billion more. The stakes are high.

Most would agree the solution is not to eliminate all third-party distribution channels. OTAs invest significant marketing dollars to ultimately capture reservations that a hotel would not capture on its own. Instead, the solution is to think strategically about the optimal role of third-party distributors in the overall mix.

2. Effecting ROI within the Complexity of Distribution and Channel Marketing

Hoteliers know the costs in distributing their inventory via online channels, whether they are commissioned channels or merchant models. However, hoteliers rely on sophisticated technologies and paid resources to manage them. With those additional costs in mind, what is the real ROI for distribution and channel marketing in today's complex market?



hospitalitynet[™] as a 40% drop in 5. At the same time,

the cost of OTAs and metasearch giants are rising, with the growth rate of OTA commissions now at three times the growth rate of guest-paid revenue. However, another study from the same firm indicates that an increasing number of consumers are choosing to book on Brand.com sites rather than third-party sites for most chain sales. Although the OTA channels continue to grow, Brand.com grew at a faster rate in the last six months of 2016 when book-direct campaigns were in full swing.

But many hotels are still seeing a shift from direct bookings to the OTA channels. While some hoteliers may believe that filling up a room at any rate is better than leaving it empty, this approach doesn't necessarily drive highest profitability. By shifting customer acquisition from a higher-cost OTA to a lower-cost OTA, a hotel can greatly increase its net revenue capture. Additionally, directing more business through metasearch sites such as TripAdvisor and Kayak can ultimately prove more profitable than acquiring customers through OTA channels, especially if there is a direct link from the metasearch site to the hotel's booking engine. In fact, having a proactive metasearch strategy – one that puts your direct channel at the top of the sort and drives increased booking traffic to your brand.com site – is an essential part of improving ROI and reducing the overall cost of guest acquisition.

3. Competitive Differentiation in the Midst of Shifting Consumer Behavior



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order to market to them effectively. With such a wide range of consumers including business travelers, leisure travelers, bleisure travelers, groups, families and millennials—how can hoteliers effectively reach these consumers?

Personalization in messaging is key. Data from Skift indicates personalized marketing improves conversion rates by 10%-20%, and drives loyalty and increased revenue by three to seven times per visit. Experian's research shows personalized subject lines delivered 26% higher unique open rates overall, with travel companies getting the biggest boost from personalized subject lines.

Summary

Few would argue that the speed of technological advancement is impacting how hotels conduct business and personalize their guests' experience. In today's fast-paced environment, identifying the right solutions and determining how to best leverage them can be daunting. Hotels wanting to best leverage technology to decrease costs, improve profitability and differentiate their offerings, should take a *holistic approach* to seeking solutions. Look for opportunities to combine best-of-breed technology with services that allow your hotel to continually expand relationships with current and would-be guests.

Working with technology partners who truly understand the importance of driving increased guest connection, while also providing solutions to the



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