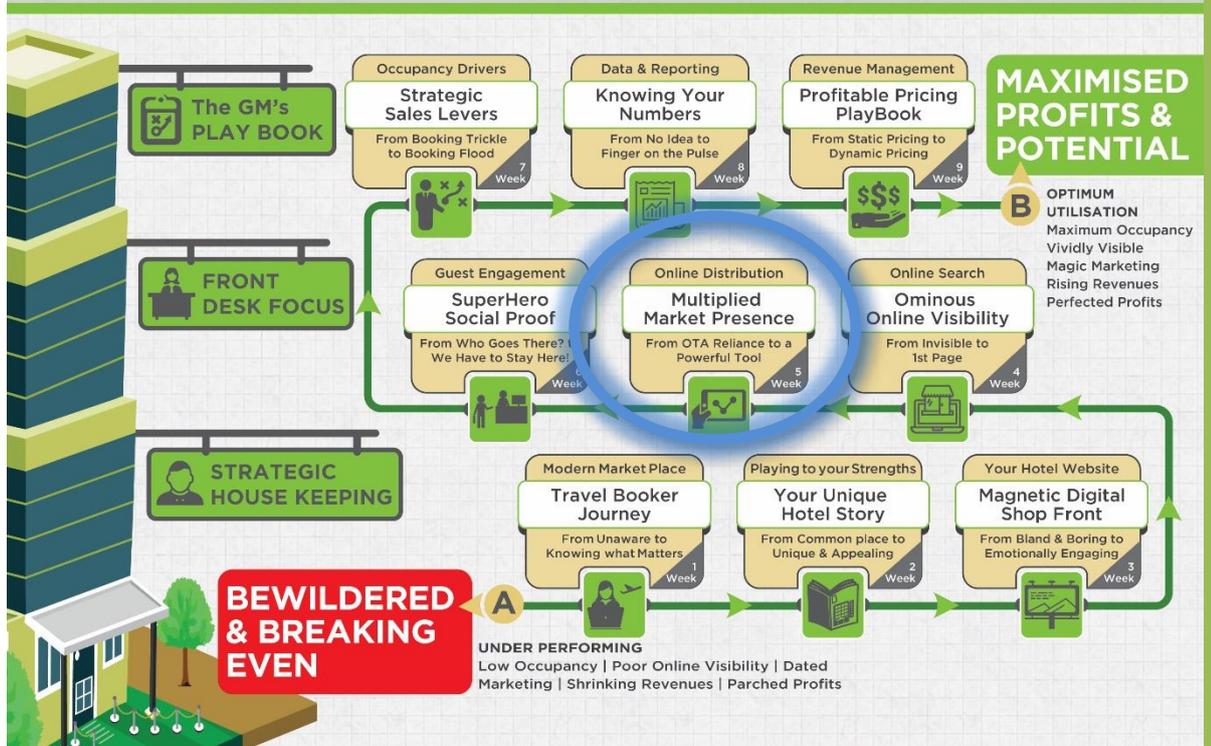


# 63 Day 80%+ Occupancy ROADMAP



## The 63 Day 80%+ Occupancy ROADMAP

A proven step by step system for Independent Hoteliers to increase their profit by up to 50% in 63 days without increasing stress or work load



# Module 5

## Multiplied Market Presence

Michael Harper & Andreas Palmqvist

Hotel Rescue 2017

# Multiplied Market Presence

*From OTA Reliance to a Powerful Tool*

## Module 5 – Online Distribution

# Multiplied Market Presence

*From OTA Reliance to a Powerful Tool*

Section 1.	The Necessary Evil	Pg 2
Section 2.	Who's Who in the OTA Zoo?	Pg 3
Section 3.	Why the OTA's Dominate	Pg 5
Section 4.	Getting Started with Distribution	Pg 6
Section 5.	Best Online Distribution Hacks	Pg 8
Section 6.	FRAMEWORKS	Pg 11

# Multiplied Market Presence

## *From OTA Reliance to a Powerful Tool*

### **Section 1.**

#### **Online Distribution, the Necessary Evil!**

You don't need to look far, to read numerous articles on how to avoid using Online Travel Agents (OTA's) and gain more direct bookings. Whilst most properties work tirelessly on maximising their bookings via their own websites and direct channels, OTA's do play an important part in your Online Distribution Strategy. From a cost perspective OTA's are a necessary evil. Distributing your room stock on online channels, allows your property to be marketed, and ultimately your rooms sold in exchange for a commission. There is a temptation to try and avoid using online distribution to not incur this cost, which we understand, however it is our strong opinion that you should be leveraging off these powerful companies and their marketing abilities and budgets to maximise the performance of your property.

Whilst it is important to control the reliance of OTA's, in order to keep commissions down, OTA's do play an important role in the online space for your property. They run with far larger budgets and far larger teams of people, with superior marketing abilities, all focussed on trying to get people to book beds in your property! Sure you'll pay a commission, but there's a broader impact at play other than just trying to get the right mix of direct & commissionable bookings. **In fact, we'd like to suggest that you need to stop calling it OTA Commission, and start referring to it as your Marketing Spend.**

A research paper written by Cornell University School of Hotel Administration titled [The Billboard Effect](#), suggests that traffic volumes to your own website will reap the benefits from being listed on the OTA's.

#### **Here is the actual Abstract from the paper;**

*Hotels that are listed on third-party distributors' websites, commonly known as online travel agents (OTA), gain a reservation benefit in addition to direct sales. That benefit, often called the billboard effect, involves a boost in reservations through the hotel's own distribution channels (including its website), due to the hotel's being listed on the OTA website. This report provides a quantitative assessment of the incremental reservations through non-OTA distribution channels received as a result of being listed on an OTA site. To quantify the billboard effect, this pseudo experiment examined the effects for certain properties operated by JHM Hotels that are listed on Expedia.com. The study found that when the hotels were listed on Expedia, they saw an increase in reservations from their own distribution channels (that is, not through Expedia). **The theory behind this phenomenon is that the would-be guest gains information about the hotel from its OTA listing, but then books the room through a channel controlled by the hotel or its chain family.** The study estimates the incremental reservations from listing on Expedia (not including the reservations actually made at Expedia) at 7.5 to 26 percent for the four properties in this study*

So in summary, by listing on an a single OTA, this study suggests that;

- a. You should obviously receive additional bookings from the OTA that are commissionable.
- b. You should receive additional traffic to you direct website/channel
- c. You can expect between 7.5% to 26% in increased reservations on your direct website/channel

**So, it is not just the incremental transactions created on a specific external channel that is benefit. It is the broader distribution and increase in consumer awareness of your product that plays a role also.** This is supported by the statistic that 60% of travel bookers will visit your direct website after finding you on an OTA at some stage during their research. And the evidence continues in [follow up research](#).

# Multiplied Market Presence

## *From OTA Reliance to a Powerful Tool*

### **Section 2.**

#### **Who's Who in the Zoo?**

The Online Travel Agency landscape has evolved greatly since the early years. To help understand the historical landscape, we encourage you check out this helpful infographic developed by mashable.com which brings you up to speed from 1946, when American Airlines developed the first automated booking system through until the early 2000's where online travel agencies are in full swing with numerous mergers and buy outs occurring and emergence of meta-search came into play. You can find the infographic here [The Evolution of Online Travel](#)

Some Definitions;

**Online Travel Agent** or OTA as we tend to refer to them as, is a travel website that specializes in the online sale of travel products to consumers. Some agencies sell a variety of travel products including flights, hotels, car rentals, cruises, activities, and packages. They typically hold real-time available inventory from providers (hotels) and sell the inventory on behalf of the provider on a commission basis.

Wotif.com was an early pioneer in this space in the late 1990's and early 2000's with typical commission rates being at around 8-10%. Today typical commission rates are 12-15% and you even have the option to pay higher commissions to gain more prominent placement on the sites. This is what we call OTA rankings, but more on this later.

**Online Review and Reputation** sites came about in 2000 with the launch of TripAdvisor which is an American travel and restaurant website company providing hotel and restaurant reviews, accommodation bookings and other travel-related content. It also includes interactive travel forums. TripAdvisor was an early adopter of user-generated content. This was a game changer as people become more and more inclined to trust the opinions of real travellers and their authentic reviews, rather than all the glitzy marketing and advertising claims.

**Meta Search** first came into play in 2004 when Kayak was launched and soon followed by sites such as Trivago and Hotels Combined. Quite simply, a meta search website is an automated function that looks across the web to find options on flights, hotels, cars etc based upon a consumers search query. The key benefit is that rather than going to multiple websites to compare deals, a meta search site aggregates information from multiple OTA's and branded booking engines to display comparative rates for the same rooms. It is a way for the customer to "shop" multiple sites quickly. The site then offers the functionality for the booker to be referred (by a click through) to the chosen OTA or branded site. The Meta-Search makes their revenue primarily on a 'cost per click' basis where the OTA's pay for every time a potential booker clicks on their link/offer on the meta-search site.

**Fast forward to today and there are now 2 dominant players in market. Expedia & Priceline.**

Expedia were founded in 1996 by Microsoft whilst Priceline came along 2 years later. In Australia, close to 90% of OTA bookings are made via the two main players simply because they have been on a rampant merger and acquisition strategy since the late 1990's. It seem that no sooner does a new OTA or Met Search launch, then it is quickly gobbled up by one of the 2 big boys.

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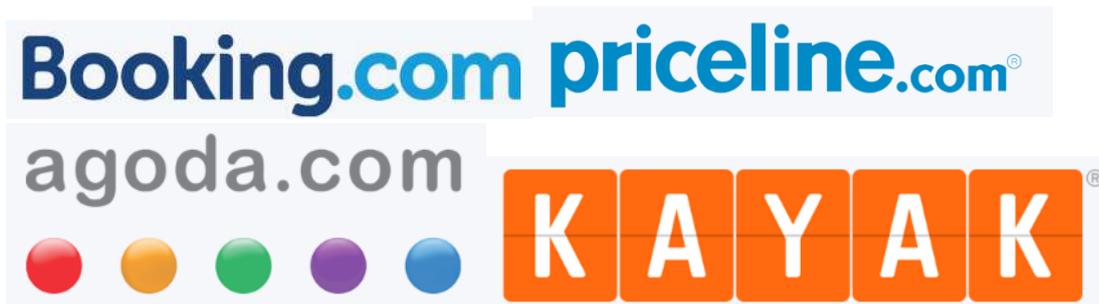
## EXPEDIA Group

Expedia own the below brands, not to mention Wotif.com, who of course were the dominant players in the Australian market until Expedia bought them in 2014.



## PRICELINE Group

Booking.com and Agoda are the main sites with a presence in Australia. Booking.com are not traditional OTA's as they only deal in accommodation rooms, not flights, car hire or other travel experiences.



## The Other 10%

There are still a few sites taking some of the business away from the big 2. In some cases they offer something unique, such as Qantas (QFF points) and Entertainment Book (exclusive travel offers). Others include Not1nite, Laterooms, Ezibed and Needitnow, Qantas, Jetstar and the likes.

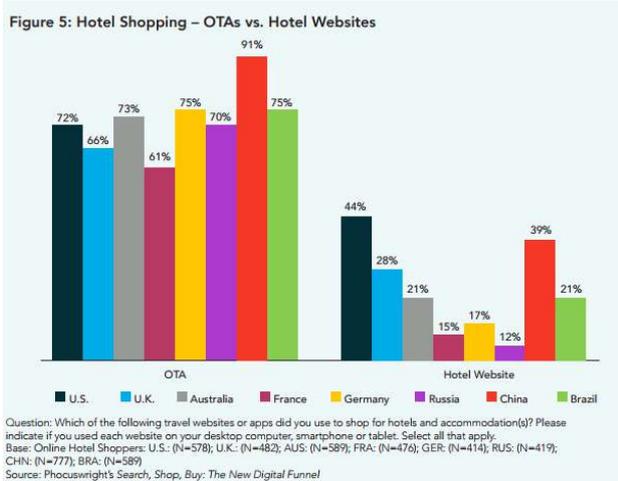
# Multiplied Market Presence

## From OTA Reliance to a Powerful Tool

### Section 3.

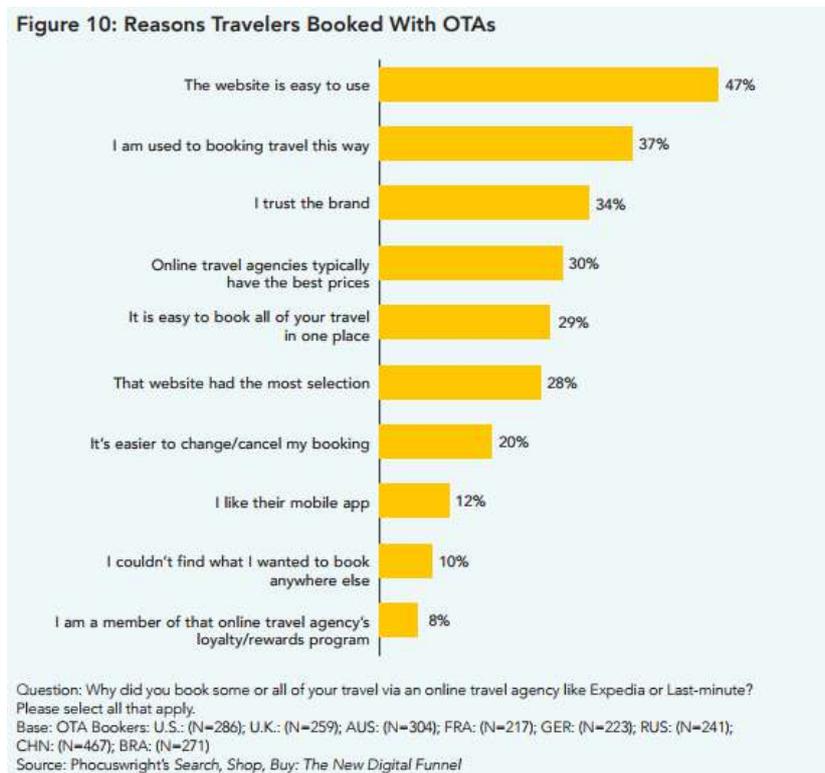
#### Why the OTA's are dominating?

The OTA's have a very strong value proposition for consumers and as a result, they are significantly more likely to visit OTA websites as opposed to specific hotel websites to start their travel research. However not only start their research but transact and make a booking. It varies across the globe, but as an example in developed markets 61-75% of online hotel shoppers used an OTA when shopping for hotels and accommodation, compared to just 15-44% who visited a hotel website.



Data and charts courtesy of Phocuswright White Paper 2016 – Channel Surfing: Where Consumers Shop for Online Travel  
<http://www.phocuswright.com/Free-Travel-Research/Channel-Surfing-Where-Consumers-Shop-for-Travel-Online>

The reasons why consumers have this strong preference can be varied, but the below chart helps to demonstrate, and in doing so gives us all some hints as to how we can serve our potential guests better.



# Multiplied Market Presence

## *From OTA Reliance to a Powerful Tool*

### **Section 4.**

#### **Getting Started with Online Distribution**

Sometimes it's not just the reluctance of paying commissions that stops hoteliers from broadening into online distribution of rates & availability. It can often be perceived as a large step due to 3 main reasons:

1. Time and effort required to set up
2. Technical skills to gain familiarity with various platforms
3. Ongoing upkeep of rates, availability and hotel information

Whilst certainly the setup process does take time and effort, and some continuous upkeep is required to maximise your success via OTA's, there are various tools to help you keep the day to day management of rates and inventory to a minimum.

#### **Preparation is the key for Set Up**

Each platform is different, however reasonably intuitive these days. Typically they provide a step by step process that continually prompts you and identifies which areas are yet to be completed before being able to go live. If you've followed our advice in module #2 and completed your unique hotel story template, this will go a long way towards helping you populate the fields required. It is also helpful if you are clear about all your terms and conditions and use the same on all channels. Having a nice set of Hotel Amenity and Room photos is also critical to your set up. See earlier information in module #3 about Photos as your images are critical in your setup and optimization on the OTA's.

#### **Follow your Nose for Optimization**

Again each platform will continually prompt you for ways you can enhance and optimize your listing. For example booking.com has the 'opportunities' section that provides suggested actions for you to take, which you either ignore, postpone or adopt. So you can simply be guided by each channel as to what can help, however don't follow their advice blindly. Read carefully and make up your own mind about what suggestions to adopt or not. Best practice for optimizing on the OTA's is to always have great, high quality photos (preferably with people in them) and always have consistent information about your property across all the channels you are listed. (See Section 5 for OTA Best OTA Hacks)

#### **Automation via Channel Managers**

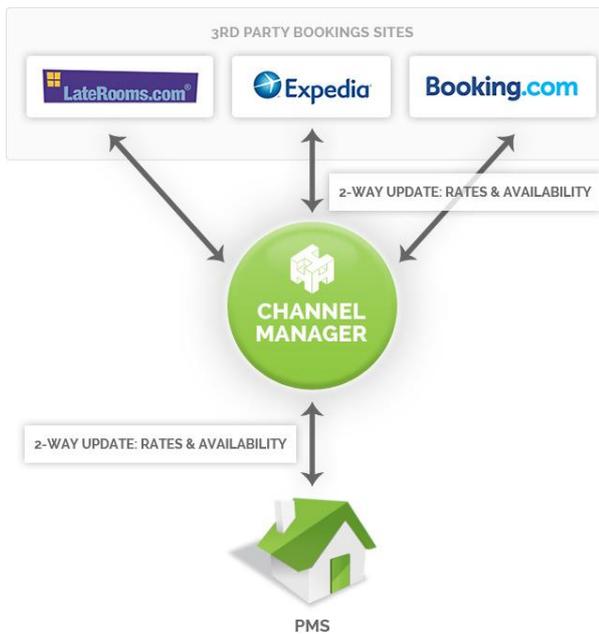
Channel Managers are far more common now than ever. A Channel Manager is a technology solution that allows you to distribute your rates and availability across one or multiple channels and have your inventory automatically update with the core allotment of your room stock you provide to the channel manager. Companies such as Siteminder, STAAH, Rategain and TravelClick allow you to update all your OTA's at once and likewise they do so in reverse when rooms are sold. Many channel managers have also developed two-way interfaces between the Channel Manager and Property Management Systems (PMS), meaning rates, restrictions and inventory will be automated as well and reservations dropping straight into the PMS. Also, a good channel manager will push rates automatically to your own direct booking channel on your website.

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## How a Channel Manager Works

Images courtesy of [High Level Software](#)



## THE PROCESS



### **Section 5**

#### **Best Online Distribution Hack's**

##### **1. List on Two Platforms ASAP – Booking.com & Expedia**

As stated above, Priceline and Expedia dominate 90% of the market and so our number 1 tip for you to rapidly increase your distribution is to list with both booking.com and Expedia straight away. Not only will those two platforms give you the lion's share of your bookings, it will also mean you will automatically be populated on a number of other platforms at the same time, through their subsidiary relationships. For example listing on booking.com will also place you on priceline.com, while listing with Expedia will also populate you on Hotels.com, Wotif and then you'll begin being populated on the Meta Search sites like Kayak and Trivago as well.

##### **2. Increase your OTA Rankings**

Much like a search engines such as Google, the key to success is to get a high ranking on each site. Ranking means the position you sit on the page of search results after a typical search for accommodation in your area is conducted. The algorithm is determined through various factors, and vary between OTA's, but usually include the following criteria.

- Pricing (parity with other OTA's and your owned website)
- Content Score (the level of content you have completed), this also includes...
- Images and rich media (both volume and quality of images and labelling of images)
- Commission levels (yes you can increase your commission % - clearly OTA's are in it to make money)
- Conversion Rates (ie "converting looks to a booking")
- Cancellation rates.

##### **3. Practice Rate Parity**

So, you distribute rooms directly via your own site, maybe via the GDS and of course through direct channels like over the phone and email. Most of those channels are probably cheaper than OTA's. So the temptation is to place some "mark-up" on your rates to recoup some of the commission costs? The short answer is NO. If you do, you will be penalised by the OTA by being pushed down the search page rankings, not to mention breach of contract (most of the OTA's require access to your cheapest rates). Our very strong recommendation is that you should offer rate parity across your OTA's and other channels. As already mentioned this ensures the best possible conditions for your ranking on the OTA listing, but it also ensures rate integrity for your property. Rate parity helps to build trust in the market place and can ultimately result in more direct bookings. In the end, if you believe you can generate a higher rate, just lift it across the board.

What if OTA's are running a promotion and want your involvement? By all means, participate (OTA's have huge member databases and marketing budgets). Just ensure you make it available on other OTA's and channels as well. Gone are the days where OTA's expect access to exclusive deals. As long as there is rate parity, they are happy.

##### **4. Guest Reviews**

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More on this in the next module #7 on Guest Engagement, but having a high volume of recent (and positive) reviews as well as being responsive to your reviews by thanking guests for their review, bodes really well for higher conversion rates. Because as we know, once someone goes through the primary stage of finding the right property at the right price, the next common step is to check for social proof. If there are only a few reviews, and worse still you're not responding to it, it is not a great advertisement for your business.

### **5. Promotions & Specials**

So on a day to day basis, as you see fit you may fluctuate your rates up or down to meet the market. This is all good and provides some increased functionality on the site to show potential bookers the changes. However, as you see, dips in your future holdings, here is where the power of the OTA's can really help. Rather than simply dropping rate via your channel manager, we suggest, running a 'Promotion' directly on the OTA platform. Most platforms provide this functionality and they are really easy to follow with a number of different mechanisms and boundaries you can put around your special.

The key point is that by running a 'promotion' it increase your visibility and rankings on the platform with extra pop ups and alerts indicating to the consumer that your offer is different from 'normal'.

This is a really valuable tool to but we suggest it shouldn't be used all the time or even too regularly, as the 'promotion' or 'special' effect, loses its impact both with the consumer and the platform itself.

### **6. Opportunities Adoption**

As mention above in section 4, each platform typically has suggestions for how to improve your listing and gain more bookings. It's important to remember that you have mutually beneficial relationship with the OTA in that you both want to sell more rooms. These suggestions, or as they are often called 'opportunities', have that same goal in mind. Again don't follow them blindly, however it worth regularly logging into to the different platforms and reviewing their worth.

### **7. Drip Feed Inventory**

This one is a little left field and not suited to every property, however you do have the ability to restrict how much of your total inventory you make available to the channels. Some operators always like to 'keep a few rooms up their sleeve' in case something goes wrong! While this can't hurt, we believe the best result would be to have all your rooms sold automatically online (on both Direct and Third Party channels) and so most the time you should distribute all your room stock online to gain the full impact of distribution.

However, the OTA platforms are so intuitive that they will prompt bookers when the number of rooms left available of a given room type is getting low , so to create a sense of urgency. You could use this to your advantage by limiting room stock at times to trigger the alerts. Depending on the size of your property, this is a strategy that may help your conversion rate, but we suggest not using it as a 24/7 strategy.

### **8. Rate Shoppers & Competitive Sets and Other functions**

There are many additional tools being built within the OTA platforms that can prove very useful (albeit they tend to increase your reliance on them!). When it comes to pricing your hotel, a large part of the equation is what your competitors are doing. But rather than scouring the internet (acting as a consumer) to discover what your competitors are doing, now you can often use a rate shopping function against a competitive set provided by one of the OTA's.

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## *From OTA Reliance to a Powerful Tool*

For example, Expedia has a tool called 'Rev+' which provides graphical and detailed future pricing of you and your competitive set. This intel helps you make better informed pricing adjustments and decisions in a streamlined manner.

Best practice would be to use a similar function, if offered by your channel manager as it will have a more wholistic view of the market (Rather than just the data from an isolated OTA). For Example, Siteminder have a free service called 'Prophet' which provides 14 day forward rate comparisons against 2 competitors.

Booking.com has a great 'Analytics' section with a bunch of reports and insight to assist also.

### **9. Other Channels that can add volume**

Our #1 hack was to list on 2 OTA's immediately. But in saying that, it really is just a starting point if your serious about filling your hotel. A longer term strategy would be to broaden your distribution to not have all your eggs in one (or two) baskets. Plus, by using other OTA's outside of the Priceline/Expedia duopoly, you help strengthen the Third Party market place itself. Below is a prioritised list of other OTA's that we fell most properties could benefit from.

Priority	Channel	Description/Rationale
1		
2		
3		
4		
5		
6		
7		

### **AirBnB, Stayz and the Sharing Economy**

There is much talk about AirBnB and the impact they are having on the market. Interestingly, and really from a high level, while masses of room stock have been inserted into most markets in recent years, with the continued growth of the travel and tourism sector, most hotels are still doing fine.

AirBnB attract a different style of traveller, one looking for unique experiences, and so they seemed to have created their own level of travel demand that they have added to the mix. There are a couple opportunities that exist here;

- a) Does your property lend itself to offering 'Unique Experience' and if so what are you doing about leveraging this?
- b) Could AirBnB become part of your distribution mix? Why not list on AirBnB yourself and expand your presence?

### **Summary**

At the end of the day, while it is good to maximise direct (non-commissionable) bookings, the premise that we talk about a lot here at Hotel Rescue, is that you have a perishable stock item. Most of the time, you are better off having a bum in that bed than not, even if you are paying a 'commission'. Or should I say 'Marketing Spend'! Get the Hotel near full first – than later optimise your channel mix.

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## Section 6.

### FRAMEWORKS

Explore the frameworks for Module # 5

Logon to the Hotel Growth Gurus Portal and download the available FRAMEWORK files.

Use the STRATEGY SELECTION TOOL to decide which frameworks to add to your MASTER HOTEL STRATEGY & Action Plan

## FRAMEWORKS Module #5

#	Name	Type	
1	<a href="#">The BILLBOARD EFFECT</a>	Concept	
2	<a href="#">WHO's WHO in the ZOO</a>	Resource	
3	<a href="#">SOPHISTICATED SOURCE STANDARDS</a>	Action - MILESTONE	
4	<a href="#">CHANNEL COVERAGE CURATOR</a>	Action - MILESTONE	
5	<a href="#">DISTRIBUTION GAME PLAN</a>	Action - Checklist	
6	<a href="#">ROOM MAPPING TEMPLATE</a>	Action - Template	

*Click on the HyperLinks*