

Mastering Internet Marketing in 2008: The 2nd Benchmark Survey on Hotel Internet Marketing Budget Planning and Best Practices - By the HeBS Team

2008-02-27

In the increasingly dynamic online travel industry, hoteliers are challenged with keeping up with changes while also keeping an eye on the fundamentals. What are hoteliers doing to reach their customers on the web?

Why are they spending their budget on some Internet marketing practices over others? Where is the most business coming from on the Internet - the hotel's own website or third party intermediaries? In the recent 2nd Benchmark Survey on Hotel Internet Marketing Budget Planning and Best Practices in Hospitality, HeBS set out to answer these questions and identify trends in online marketing in hospitality. The purpose of the survey was to assess hoteliers' 2008 Internet marketing priorities and strategies in order to compare the responses with the results received last year, and to provide the industry with insights into how internet marketing strategies for the hospitality industry are evolving.

For the second year in a row, Hospitality eBusiness Strategies (HeBS) in New York City presents the results of the 2008 Benchmark Survey on Hotel Internet Marketing Budget Planning and Best Practices in Hospitality.

Who Participated in this Survey?

The survey experienced global participation, with hospitality executives including general managers, sales and marketing directors, e-commerce managers, revenue managers, and other industry professionals. The full spectrum of hospitality and travel verticals participated, including boutique hotels, upscale hotels, budget, mid-scale and luxury franchised properties, major brands, real estate groups, resorts, hotel management companies, casinos, and more.

Main Findings from the 2nd Benchmark Survey

The survey results clearly show hoteliers understand the hotel Internet marketing strategy and respectively, should take a holistic view of the hotel online environment and adopt a comprehensive, long-term strategic approach to grow the online channel. No longer viewed as a source for only incremental sales, the website is a major revenue driver and requires an online marketing budget to support the activity.

Today's hotel marketing budget tends to include specific line items addressing direct web marketing. These are treated as 'fundamental' and include website re-designs, organic search optimizations, search marketing, email marketing, strategic linking, online advertising and public relations, and new media formats such as Web 2.0 which includes social media, CGM, and blogs.

Here are some main findings from the survey:

For the first year ever, the industry reported that online business is coming from their own website more than third parties or corporate brand sites (see Table A below).

Franchise/major brand hoteliers overwhelmingly find there to be major restrictions in online marketing conduct due to brand standards and regulations.

Similar to last year, the highest percentage of survey respondents (72% this year, 80.7% last year) use search engine optimization and organic search in their search marketing campaigns. This was followed by paid search (50%, 62.7% last year), then local search (38.8%, 37.3% last year). This year we introduced mobile search into the survey, which 6.78% of respondents said they use in their search marketing campaigns.

When asked what Internet marketing objectives they did not achieve in 2007 and would like to focus on in 2008, the highest percentage of hoteliers (44.23%) said website optimization, followed by search optimization - organic search (39.54%).

The more hoteliers learn about online direct distribution and Internet marketing, the more they realize their property website does not conform to industry's best practices. 54.62% of respondents said that no, their property website does not conform.

This year, almost half of hoteliers surveyed are planning a blog on the hotel's website. Other Web 2.0 formats planned for '08 include photo sharing, surveys and comment cards on the website, and creating profiles on social networks such as Facebook and MySpace.

Percentage of Business from the Internet

In 2007 over 35 % of hotel bookings were generated via the Internet. Approximately 62% of those (21.7% from total bookings) were done via hotel branded websites (i.e. Direct Online Channel). For the first time in 2007 the major hotel brand website bookings surpassed the brand GDS bookings (33.7% vs. 33.5%) (eTRACK).

What is the situation in the industry as a whole? As mentioned earlier, for the first time the Benchmark Survey respondents stated that in 2007, the direct website bookings exceeded the indirect (third-party online intermediary) bookings 23.5% vs. 20.4%. This result is on par with the industry and underlines the importance of the direct channel in the overall Internet strategy.

Table A

What Percentage of Your Business Comes from the Internet?		
From Your Website	From Major Chain Brand Website	From 3 rd Party Online Intermediaries
23.5%	12.2%	20.4%

Evolution of the Hotel Internet Marketing Budget

How much are hoteliers budgeting for their Internet marketing activities? How does this compare to the past two years? We found several trends in budget allocation and the use of various Internet marketing formats.

In 2007, a bigger percentage of hoteliers had a bigger marketing spend: 61% of respondents are spending over \$50,000/year on Internet marketing vs. 49.6% in 2006.

The following table shows how Internet marketing budgets have increased since 2006:

Table B

What is your total Internet marketing budget:	2006	2007
<\$20,000/year	21.7%	19%
\$20,001 - 50,000/year	28.8%	21%
\$50,001 - 100,000/year	18.9%	14%
\$100,001 - 500,000/year	18.4%	33%
\$500,000 - 1,000,000/year	3.8%	6%
>\$1,000,000/year	8.5%	8%

Are Hoteliers Increasing their Internet Marketing Spend in 2008?

Will hoteliers increase their budgets in 2008? According to Table C, yes, most of them will: over 62% of respondents plan to increase their Internet marketing budgets in 2008 by more than 10%.

Here is a summary of findings concerning 2008 Internet marketing budget trends:

More than 96% of hoteliers are planning to increase their Internet budget this year. 68.1% of these hoteliers are shifting funds from offline marketing budgets to accomplish this increase.

49.15% of survey respondents believed that Internet marketing produces better results than traditional marketing alone. Another 44.07% believe that both Internet marketing and traditional marketing work equally well. The remaining 6.78% are of the opinion that traditional marketing produces the best ROIs.

The most important factor hoteliers considered when planning their 2008 budget was last year's budget. The second most important factor was industry averages.

Table C

By what % do you plan to increase your Internet marketing budget in 2008?	
Percentage Increase	Percentage of Respondents
More than 50%	8.65%
31-50%	10.58%
21-30%	13.46%
16-20%	17.31%
11-15%	12.50%
6-10%	24.04%
1-5%	9.62%
0%	2.88%
My budget will decrease	0.96%

Most Popular Internet Marketing Formats

Which Internet marketing formats are the most popular? What are the latest trends in budget allocations for these formats?

The benchmark survey shows several trends in how budget allocations and the usage of various Internet marketing formats are changing over the previous years (2008 vs. 2007 vs. 2006), which is indicative of where the future focus is going to be:

Though still the most popular of all Internet marketing formats, resources dedicated to Website re-design are expected to decrease in 2008 by an average of 6.2 percentage points throughout the industry. Obviously concerns about the economic environment and feasibility of capital investments play a role here.

Hoteliers plan to increase their investment in website optimization for a third year in a row. The budget increase is slight at 0.8 percentage points. Some hoteliers are planning to use the more inexpensive website optimization in place of the more expensive website re-design.

Resources devoted to Strategic linking are expected to stay at approximately the same level as in 2007. Hoteliers are beginning to understand the importance of this marketing format and are allocating fairly consistent amounts to this initiative.

Pay-per-click/ paid inclusion budgets, after a slight dip in 2007, are expected to increase by approximately one percentage point throughout the industry. PPC is the fourth most popular Internet marketing format.

The Local search budget is expected to increase by an average of 1.6% percentage points throughout the industry. Hoteliers are beginning to understand that over 30% of search is local in character. International properties are less inclined to use this marketing format, likely because they have not been exposed to the advantages of local search tools or the technology itself.

Meta search, for a third year in a row, is expected to experience an increase in resources by an average of 1.4 percentage points throughout the industry. This format has definitely carved a niche for itself in the hotel marketing budget.

Search engine optimization continues to be the third most popular marketing format, though it is expected to experience a decrease in resources by an average of 1.2 percentage points throughout the industry. Hoteliers are beginning to understand that SEO alone can do more harm than good, if not accompanied by a comprehensive website re-design + optimization and strategic linking strategy.

Display advertising budgets are expected to stay fairly consistent as hoteliers begin to understand that display ads can be used as a direct response vehicle, and not only as a brand-building marketing format.

Email marketing, for a third year in a row, is expected to experience an increase in resources by an average of 1.5 percentage points throughout the industry.

Resources devoted to Consulting fees, after two years of growth, for the first time are expected to be reduced by an average of 2 percentage points throughout the industry. This is due perhaps to the fact that some hoteliers do not realize that certain Internet marketing fees (e.g. agency fees, monthly retainers for Internet marketing, etc.) are de facto consulting fees. In any case, this decrease contradicts the fact that 54.6% of hoteliers are realizing their property does not conform to industry's best practices.

For a third year in a row, resources devoted to New Media Formats such as Web 2.0 and Social Media are expected to increase by an average of 3.4 percentage points throughout the industry. In fact this is the largest increase of all Internet marketing formats. More hoteliers are realizing that Web 2.0 and Social Media initiatives should play an increasingly important role in the overall marketing mix.

The 2008 (Projected) column shows what line items hoteliers are planning on spending their budgets on in 2008. Hoteliers are consistently spending the highest percentages of their budgets on website re-design/design, email marketing, and website optimization. As you can see, Web 2.0 is on the minds of hoteliers more than ever for 2008, and many of the other Internet marketing formats-with the exception of website re-design/design which took a dip- are experiencing a fairly consistent budget throughout the past two years.

Table D

Of your Internet Marketing Budget where did you spend your money in:	2006	2007	2008 (Projected)
Website re-design/design	18%	22%	15.8%
Website Optimization	9%	11.3%	12.1%
Strategic linking/partnerships	6%	9.6%	9.2%
PPC/paid inclusion (SEM)	14%	8.6%	9.5%
Local Search	3%	3.6%	5.2%
Meta Search	2%	2.6%	4%
Search Engine Optimization	10%	11.5%	10.3%
Display Advertising (banners)	6%	6.6%	6.5%
Email Marketing	10%	11.5%	13%
Consulting Fees	6%	7.0%	5%
Web 2.0 Formats	1%	3.1%	6.5%

Internet Marketing ROIs

In 2008, what are the Internet marketing formats hoteliers believe generate the highest ROIs? In the past, paid search and SEO were usually named the top drivers for increased revenues online. The 2007 and 2008 benchmark surveys show that hoteliers have matured and now understand that long-term, strategic objectives and formats such as website re-designs and optimizations, email marketing and strategic linking produce higher ROIs than 'quick fix' solutions alone, such as SEO and PPC.

Are hoteliers spending their money on what they believe will achieve the highest ROIs? According to Table E, yes, they are. The highest percentage hoteliers are spending their budget on is website re-design/design, because they believe it will achieve the highest ROIs. This was followed by website optimization, email marketing, and search optimization-organic search.

Table E

What Internet Marketing formats do you believe produce the best results and highest ROIs:	2007	2008
Website re-design/design	62.9%	70.19%
Website Optimization	71.9%	68.27%
Strategic linking/partnerships	52.7%	41.35%
Search Marketing - Paid Search	40.7%	39.42%
Search optimization - organic search	68.3%	56.73%
Display Advertising (banners)	16.2%	12.50%
Email Marketing	58.7%	60.58%
Email Sponsorship	6.6%	4.81%
Web 2.0 Formats	16.8%	25.96%

The Effect of Brand Standards & Regulations on Hoteliers

In last year's survey, one of the main findings was that franchised hotels seemed to rely more heavily on the chain websites. This year however, we see that not only are hoteliers starting to take more control, but they are voicing their frustrations-a result of increased knowledge of the importance of direct online distribution and website revenues.

We asked hoteliers, 'if you are franchised or managed by an outside major chain or brand, do you find there to be any major restrictions in online marketing conduct due to brand standards and regulations?' Everyone who responded to this question said yes, they did find major restrictions.

Here are some of the responses:

'[I'm] not allowed to collaborate with certain websites unless the whole chain is signed. For some destinations, I think it's a big mistake.'

'Some market specific orders received by the head office do not fit in the revenue goals of our property.'

'Not enough activities [are] carried out at corporate level, yet individual units are restricted from carrying out their own activities.'

What Web 2.0 Initiatives are Hoteliers Considering?

As mentioned earlier, for a third year in a row there was an increase in marketing spend on new media formats such as Web 2.0 and Social Media. These marketing formats gained much attention in the industry last year and continue to be a hot topic. We asked hoteliers what type of web 2.0 initiatives they were planning for 2008:

What type of Web 2.0 marketing initiatives are you planning for 2008?	
A blog on the hotel website	47.06%
Photo sharing functionality on the hotel website	41.18%
Sweepstakes and contests on the hotel website	29.41%
Survey and comment card on the hotel website	59.8%
Subscribe to a reputation monitoring service	27.45%
Create profiles for my hotels on social networks (Facebook, MySpace, etc.)	43.14
Actively participate in blogs that concern my hotel	26.47%
Advertise on social media sites	9.8%

Survey respondents also had their own responses to this question:

'Create private community space for loyal customers.'

'Loyalty with instant reward redemption'

'Video uploading on the hotel website.'

We expect that in next year's survey, we will continue to see a rise in budget spending on Web 2.0, as well as a greater variety of initiatives hoteliers are planning in their Internet marketing strategy.

Conclusion

The Internet has become the largest and most important marketing and distribution channel in hospitality. As hoteliers learn more and more about Internet marketing, they are realizing that there are many missed opportunities and that the Direct Online Channel website is their most cost-effective revenue generating channel. The fundamentals of an Internet marketing strategy - a hotel website that follows best practices, search engine marketing - both paid and organic and email marketing, continue to receive the highest budget allocations. In 2008 several marketing formats are expected to receive increases: email marketing, website optimizations, paid search, local search, meta search. Web 2.0 and Social Media initiatives have become a hot topic in the industry and hoteliers are eager to explore these new media formats.

Another interesting result of the survey is that for the first time, the industry reported that online business is coming from their own website more than third parties. This shows that hoteliers are embracing direct online distribution. We expect this to become the norm over the years as hoteliers continue to increase their knowledge of Internet marketing and the benefits of making their customers their own from the first point of contact.

As you prepare for a record breaking year in website revenues, seek advice from an experienced and ROI-centric Internet marketing hospitality consultancy to help you adopt industry's best practices, implement latest trends, and utilize the Direct Online Channel to its fullest potential.

About the Authors:

The HeBS team for this project consisted of Max Starkov, Jason Price, Mariana Mechoso and Evan Rosenblum.

About HeBS:

Hospitality eBusiness Strategies, Inc. (HeBS) www.hospitalityebusiness.com is the industry's leading Internet marketing services and strategy consulting firm for the hospitality and travel verticals. As a full-service Internet marketing firm, HeBS has pioneered many of the "best practices" in hotel Internet marketing and direct online distribution, and specializes in helping hoteliers boost their hotel Internet marketing presence, establish interactive relationships with their customers, and significantly increase direct online bookings and ROIs.

A diverse client portfolio of over 450 top tier major hotel brands, luxury resorts, real estate management companies, multinational hospitality corporations, hotel management and representation companies, franchisees and independents, spa resorts, casinos and have sought and successfully taken advantage of HeBS' hotel and travel Internet marketing expertise. Contact HeBS consultants at (212)752-8186 or info@hospitalityebusiness.com.

This article comes from Hotel News Resource

<http://www.hotelnewsresource.com>

The URL for this story is:

<http://www.hotelnewsresource.com/article31349.html>

© 1998 - 2008 Nevistas and the author.

Brought to you by Hotel News Resource

Distribute your news on our Network

See what all the buzz is about at:

http://www.hotelnewsresource.com/Info-news_account_info.html