

## Online, Hotel Rates Define the 'Quality' of Your Facilities & Service - By Neil Salerno

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'He, who reduces his rate, is the only one who knows what his product is really worth'. The traveling consumer today is well informed. In the absence of first-hand knowledge of your facilities and service, your rates define your hotel in the marketplace. If you reduce your rates, you could be reducing consumer perception of your hotel.

If you never saw, touched, or drove a Mercedes Benz, its price tag sends a message of high quality, but it is only after you test-drive a Mercedes that can you determine its true value to you. On the Internet, it is what you say about your location, facilities, and service, in relation to your rates, which demonstrate your hotel's "value" to the consumer.

In a public forum, such as the Internet, your rates will either validate the quality of your hotel or diminish it. Most travelers are looking for the best value, not, necessarily, lowest rates. Value management is the process of positioning perceived benefits to meet or exceed posted rates. Your rates contribute to raising or lowering consumer perception of your property.

### **The Third-Party Travel /Hotel Franchise War**

Just a few years ago, the Internet was in danger of becoming a hotel rate bargain basement. In order to compete with third-party travel aggregators, hotel franchises led a two-year campaign, which was based upon offering the lowest available rates on the Internet. They were convinced that lowest available rates would attract Internet visitors to their franchise booking portals and away from online third-party travel sites.

Although franchises did gain some market share for their booking portals, they did not anticipate the collateral damage to their brand image and the huge bottom-line cost to their franchisees. Their strategy came very close to positioning the Internet as a form of bargain basement for hotels. Luckily, most franchises have since changed this strategy, it could have been lethal to our industry.

Now the hot topic is sleep quality, they finally get-it. This is a great way to boost consumer perceived value. As we used to say many years ago, "sell the sizzle, not the steak". Your online sales message should support the hotel stay experience, not simply the brick and mortar details of your hotel.

### **How the Internet is Used to Find Hotels**

Let us look at how most Internet consumers find and select a hotel on the Internet. Only about 20% of consumers search for hotels by brand, the vast majority search by location, special hotel features, then calculate the best hotel value. Your competition is then all those hotels returned in that search. How well do you compete with them?

This, of course, makes a great case for having a proprietary web site, which enables you to control all aspects of your online marketing.

This dynamic is somewhat different from local offline competition selection. Do you know who your online competition is and how they position their hotel on the Internet, location, facilities, service, and rates? When you perform a generic search for hotels in your area, which hotels fare better than yours? We know that third-party travel sites typically dominate sponsored search results, how well is your hotel represented on their sites?

Location and special hotel features are huge factors in the hotel selection process. Location will always be the first criterion for hotel selection. Unlike other industries on the Internet, consumers plan travel based upon visiting a destination, choice of housing is incidental to where they want or need to be.

### **Setting or Re-setting Hotel Rates**

Many hoteliers struggle with rate setting, especially during tough economic times. Conventional thinking might suggest that we can attract more guests by reducing rates. Reducing rates, however, has never increased demand.

Position your rates to conform to your hotel's location within the marketplace and its facilities and services as compared to its competition. Rates should make sense to the consumer. Perception is reality, if rates appear to be "too good to be true", they usually are too good to be true.

### **Evaluate Your Online Competition**

Hotels should never develop rates in a vacuum. Many independent hotels tend to set rates based upon their own facilities and services without considering their online and offline competition. On the Internet, your competition is set within generic search results. To dominate your competition on the Internet, one needs a good rate assessment of the competition to determine your hotel's rightful market position.

For those hotels fortunate enough to be in a Smith Travel Research market, there is no better guide for market positioning than their STR reports. Check them out on their web site. For a very modest fee, they can provide you with valuable market data.

Be aware of the message your rates are sending to online visitors.

**Contact:**

Neil Salerno, CHME, CHA

Hotel Marketing Coach

[www.hotelmarketingcoach.com](http://www.hotelmarketingcoach.com)

[NeilS@hotelmarketingcoach.com](mailto:NeilS@hotelmarketingcoach.com)

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