

E commerce on marketing strategy of hotel industry marketing essay



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E-commerce is defined as the complete set of process that supports business activities in 1970s and 1980s; this would also have involved information analysis. The growth and acceptance of credit cards, automated teller machine (ATM) and telephone banking in 1980s were also forms of e commerce. The web first become well known among general public in 1994 and it took four years for security protocols (like HTTPS) to become sufficient developed and widely deployed. E commerce starts its relations with hotel in twenty first century, which was very different and complex than before. This way of business attract the hotel also for upgrading their business and here the marketing strategies of hotel industry become changed. Direct link with the customers through e commerce gave ideas to the hotel industry to change the customers expectations like when, how they want their needs and what is the budget of the customers for their product (rooms). The usual expectation of the hotels is that e commerce promotes " friction-free-capitalism" (CF. [Gates 1995]), with distribution cost reduced. It is easy to see that how this can happen, as the older communication system such as the post office, telegraph, telephone and the fax have all served but the cheapest, easiest, and time reduction way for the hotel revenue is e commerce. Many hotels have registration and payment done online. By the e commerce a customer can select the hotel, days and type of rooms from those automatically listed as available. Also hotels can order their supplies from companies that have e commerce services available. It also help the customers to choose their needs without thinking of time duration weather it is day or night at anytime. (www. school-for-champions. com)

Although we all would likely agree that a balanced distribution strategy, which leverages both direct and indirect channels, including third-party sites and the GDS, is the best solution to optimize hotel revenue, if we will focus on the advantages of direct distribution. Specifically, we will look at how direct distribution is empowering hotels like never before to drive demand, generate profitable business, and maximize ROI for owners, regardless of the affiliation they may choose. Here is just one example of the power of the Internet to level the playing field across hotels of all types. What do the Royal Crown, Sofitel Brussels, Hotel Amigo and Hotel Metro pole have in common? They are luxury properties. They are located here in Brussels. They have different brand promises to their guests. They include an independent, a branded property, and representation company hotel. What they all have in common is that each of these hotels is placed on page 1 of Google's search results when searching for "Brussels luxury hotel". They are on the first page of a popular European OTA, Lastminute.com. And they are listed as a preferred placement on the GDS. (www.hospitalitynet.org)

So, the Internet is an equalizer. Hotels can compete at previously unattainable levels. Now, no matter what the distribution strategy or marketing affiliation, hotels can compete effectively across all distribution channels. What this new playing field has done is give control for all channels of distribution back to hotels. In the excitement over the Internet as a new distribution tool, hotels unintentionally relinquished too much control of their bookings to third parties. With direct distribution, hotels can take back control of their pricing, their brand identity, their promise to guests, and their

relationship with the customer. Most importantly, direct distribution allows hotels to take back control of profitability.

To understand where the marketing strategy is leading in hotel industry by e-commerce there is an example. In yesterday's model, hotels entrusted others to do their bookings. In Europe's fragmented hotel industry there is not any coordinated effort for its distribution. Here, the mostly independent and small hotels are less than 30 percent represented in the Global Distribution Systems. The travel agents and tour operators were the lifeline to most hotels. In this model, the consumer had to use the travel agent and tour operator's access to hotel information to make informed decisions, as there was little information available directly to the consumers. For those that did decide to expand their reach through electronic distribution systems, the Global Distribution Systems were the only alternative. In this model, the Brands provided the much-needed visibility. It gave hotels an identity, a way to be recognized. For the consumer, the Brand delivered a level of comfort. It was a pledge to the customer to deliver 'THE SAME' as they traveled to unfamiliar territory. There were no travel- blogs or other review sites. In yesterdays' model, the stars system was THE hotel review system that proved the level of 'Quality'. Some hotels did see the Web as an opportunity to present their selves online, displaying information pages about their hotel, more like an online brochure than an e-commerce site. This while some Travel agents did embrace e-commerce and ingeniously moved their models online with dramatically increased inventories, promising mass volume, but at the cost of profitability for hotels. (www.hospitalityebusiness.com)

Things are changing as it is mentioned before and it is crucial for hotels to stay abreast of the market. If they don't, their long-term success might be jeopardized by increasing and intensified competition. Hotels who do not diversify by leveraging the multiple channels can find themselves in situations that parallel the 70's in Spain, where tour operators dictated the room rates. The Center for Regional and Tourism Research reported that in Europe online hotel room sales increased by as much as 34 percent from 2004 to 2005 and reached over 25 billion in Europe in 2005. A further increase of about 25 percent during 2006 is expected. 120 million consumers are online across Germany, the UK, Italy, France, and Spain, according to Forrester Research. Broadband has become widely available, and prices have dropped dramatically. Phocus Wright statistics released last days predict that almost 40% of hotel booking in Europe will be booked online by 2008. Forrester, also points out that TWO of the TOP THREE most popular online activities for all users are travel related-" researching hotel for holiday destinations" and " preparing booking online." (www. hospitalitynet. org)

These changes cannot be ignored. Consumer behavior is changing and hotels need to adapt their relationships to reflect these changes, or be left behind. If we will focus we can say the e-commerce does appear to be leveling the playing field, and its transparency seems to be dictating the need for new distribution models. Now " Why would a hotel encourage its customers to buy via the intermediary for less when it means even less yield for them?" The Intercontinental Hotel Group, who was among the first to implement Best Rate Guarantees, even went so far as to implement a code of conduct and certification program for partner intermediaries. The hotel group eventually withdrew its inventory from Expedia and Hotels. com. Not <https://assignbuster.com/e-commerce-on-marketing-strategy-of-hotel-industry-marketing-essay/>

surprisingly, then, we see why many hotels are moving to a “ consistent online pricing policy” and have made their own web site top priority.

In 2005, European direct travel suppliers booked almost TWICE as much business as the intermediaries – with 66% of travel sales. (www.hospitalitynet.org) The Internet’s capabilities have matured to the point that it really is changing the way they do business. And so a new direct distribution model has emerged. This change in the online marketplace is not only changing how consumers shop, it is influencing what they shop for. Let’s see what this means to competition for a couple sample markets.

In London, where all parties are growing, independent hotels have had a growth of 21.3 percent, leading to revenue growth of 19.2 percent—well above the market average. Independents have been able to increase their ADR by 2 percent year-over-year, which has allowed them to see increases in revenue of nearly 20 percent. Reservations also grew for this segment, illustrating that independents can command the high price for the business. Independent hotels are also making gains in Paris. Independents saw an increase in bookings of 12.7 percent, leading to revenue growth of almost 10 percent. They are also seeing some other interesting trends in the Paris market. Independent hotels are commanding a \$100 premium on their ADR as compared to the branded hotels in this market. While independents have taken small increases year-over-year to maintain this high ADR, branded hotels maintained their year-over-year ADR and experienced a loss in bookings and revenue. This data, from Travel CLICK’s proprietary database, shows that independents can in fact compete with the brands today. (www.hospitalitybusiness.com)
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Indeed hotels have many choices. The choice of direct or indirect distribution is often related to brand affiliation and many times they go hand in hand. It is a business decision whether to go independent or fly a brand flag – a decision that includes distribution capability, marketing, management expertise, and more – that all together translate into a ROI. Recently, The Righa Royale, The Greenbrier, Grand American, and Grand Bohemian Hotel are just a few of the hotels that have left brand affiliations to go solo. Now the de-branding phenomenon is making its way to Europe. For example, here in Brussels, the Royal Crown Hotel recently de-branded. A brand is the product of experiences and is much more than a name or a logo. A brand is a pledge to consumers to deliver consistency in an effort to meet expectations. (www. hospitalityebusiness. com)

Franchise/management company fees do, however, represent one of the largest operating expenses for branded hotels. When we look at the average GDS fees, we come to a sample reservation cost of \$25; the average OTA reservation cost is \$33. And a direct booking through Web site will cost only \$7. 50 in this scenario. These high fees can be over 10% of room revenue, which is as significant as having a ¼ share partner! (www. hospitalitynet. org) Again, we come to the same conclusion. With a level playing field, direct distribution will yield hotels higher profits than third-party bookings.

In the new model, every customer counts. It should be no surprise that positive consumer reviews have helped increases sales on Amazon. com and eBay for years and now are doing the same for Travel city, Expedia, and Sheraton.

Today there are Central Reservation Systems and enhanced web booking engines that help hotels merchandise and differentiate their properties. New content management solutions help manage and distribute rich digital content including photos, video, room plans, and other brand-defining elements that need consistency across all channels. Today channel management solutions can quickly and easily manage the ever-increasing number of channels including GDS and OTA Web sites through a single user interface. All this, together with real time market based Competitive Intelligence, makes hoteliers informed and in charge of their distribution. In fact, those who have taken control of their destiny are being rewarded with higher revenues. Now that everything is so connected there is consistent 2-way communication. A wealth of market intelligence enables hoteliers to make even more informed decisions on their distribution and marketing strategies. And CRM-like applications keep hotels in touch with their most important assets – their customers.

Another way of e-commerce is Search engine marketing, which is an essential component of the hotel direct online distribution strategy. Almost 85 percent of Internet users rely on search engines such as Google, Yahoo and MSN to locate relevant information on the Web. Marketing is an extremely dynamic field. Search algorithms change, new search techniques and formats are introduced, new search services are launched, and new challenges emerge daily those keep search marketers busy. The result of web traffic affects a lot on those hotels, which are on the first page.

Approximately 50 percent of people on the first page went to the second

page and so on.” Which affects the hotel and its marketing strategy off course.

So the conclusion drawn from above is that competing on the search engines by appearing as early and as often as possible is of increasing importance.

How a Web site achieves top position is not simply an adjustment of the Web page, but a concerted effort that requires time, expertise, and resources in

Web site optimization and search marketing. Now another mode of attraction

for the customers are how the web page of the hotel is made up have like

how attractive is it and how much is it easier for a customer to search any information related to their need? If we will see in past there is an example,

which can make it easier to understand. In a highly competitive northern

California market, a boutique hotel needed to outsmart its competition and

boost ADRs, revenues and occupancy rates. Internet distribution and

marketing strategy developed from scratch. Actions: HeBS launched an

aggressive Direct Online Distribution and Marketing Strategy for the hotel,

including an award winning designed Web site, email marketing, search

marketing and link popularity strategies. Results: Within 12 months the hotel

opt-in e-mail list grew from practically zero to more than 10, 000 recipients.

The website ranks in top positions on all major search engines for most

popular keyword terms. The hotel website, supported by powerful email,

search marketing, link creation and online sponsorship campaigns has

indeed become the “ first point of contact” with customers and over 50% of

hotel bookings come via the hotel website.([www. hospitalityimpact. com](http://www.hospitalityimpact.com))

Many hotel sites are performing poorly as far as online distribution and

search engine strategy are concerned. Why? Many hotel sites have been

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developed by Web designers who know nothing about the hospitality industry, based on input and concepts by hoteliers who are not experts on Internet strategy, online distribution, and E-Marketing. And many of them were designed as online brochures without taking into account principles in fundamental search engine marketing and online distribution.

Such hotel sites inevitably produce poor results and few bookings. Strong search engine rankings require systematic, ongoing Web site optimization. Only a fully optimized site developed according to the best practices in online distribution and marketing can produce robust revenues, top search engine rankings, and position your hotel company ahead of the competition. Website optimization takes a comprehensive look at the Web site and prepares it for its best performance – maximum user experience, book ability and conversion rates – and yes, the search engines.