

**A Benchmark Survey on Hotel Internet Marketing Budget Planning and Best
Practices in Hospitality
By the HeBS Team**

Over the past few years, hoteliers have been hard at work trying to grow their online marketing revenues. Using techniques like website design, search engine optimization, paid search marketing and email blasts, many have been very successful. However, with all of the new Internet marketing channels now available (ie. Consumer Generated Media, Meta Search) many hoteliers find themselves at a loss, with no clear structure on the best strategy to produce the highest returns. They know they can do more but not sure as to what. They are willing to invest more but not certain as to where. They want to stay current with their peers but do not know what that means. This year, one-third of bookings in hospitality in the U.S. will be generated from the Internet and another third will be directly influenced by online research, but booked offline. Therefore, it is important that hoteliers know where the best places are to spend their online marketing dollars.

In a recent benchmark study, conducted in conjunction with NYU's Tisch Center for Hospitality, Tourism, and Sports Management, Hospitality eBusiness Strategies (HeBS) set out to identify trends in online marketing techniques that have developed in the industry to help grow this distribution channel.

This benchmark survey, a first of its kind, asked hoteliers what Internet formats and methods they are using to reach their customers, what Internet marketing practices they find most productive, why they choose to devote marketing dollars to certain mediums over others, and more. The results were impressive and foreshadow things to come in online travel marketing for 2007 and 2008.

Survey Participants

Hospitality executives worldwide, including general managers, revenue managers, sales and marketing managers, and other industry professionals participated in the survey.

Survey invites were sent to HeBS permission-based global database as well as through channel partners such as Hospitalitynet.org. A broad section of the industry completed the survey: boutique, luxury and upscale hotels, franchised and independent properties, resorts, casinos, branded or managed, mid-scale, budget and economy, etc.

Main Findings

- In 2007, a remarkable 68% of hoteliers will be shifting their budgets from offline to online marketing activities, representing a huge shift from traditional methods.
- US properties rely more on direct to consumer bookings via their stand-alone websites compared to intermediary sites as a percentage of their overall Internet business (20.7% and 16.6%, respectively) than do their international counterparts (15.3% and 17%, respectively) who are still receiving, on average, more of their Internet bookings from intermediaries.
- The top three Internet marketing formats hoteliers believe produce the highest ROIs are website optimization, Search Optimization + Organic Search, and website re-design.
- Interestingly enough, more hoteliers believe new media formats as consumer generated media and blogs will generate better ROIs than traditional banner advertising.
- An average of 16.2% of Internet transactions occur through intermediary websites.
- US hotels rely more heavily on keyword search marketing (PPC) and search engine optimization (SEO) than their international counterparts who favor website re-design and optimization, and strategic linking.
- Franchised hotels seem to rely more heavily on the chain websites.

Internet Marketing ROI

What are the Internet marketing formats hoteliers believe generate the highest ROIs? In the past paid search and SEO were usually named as the top drivers for increased revenues online. The 2007 benchmark survey shows 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, such as SEO and PPC.

The following chart shows hoteliers believe that long-term solutions such as website optimization produce higher ROIs vs. short-term solutions:

What Internet marketing formats do you believe produce the best results and the highest returns on investment (ROI)?	
1. Website optimization	71.9%
2. Search Optimization & Organic Search	68.3%
3. Website re-design/design	62.9%
4. E-mail marketing	58.7%
5. Strategic Linking/Partnerships	52.7%
6. Search marketing-Paid Search	40.7%
7. New media formats (e.g. CGM, blogs, etc.)	16.8%
8. Display advertising (banners)	16.2%
9. E-mail Sponsorships	6.6%

Budget Allocations Differ Across Industry Segments

Luxury vs. Non-Luxury Brands:

- Luxury hotels focus more of their online marketing budget on website optimizations and re-designs (17.1% vs. 12.2%), display advertising (banners), email marketing and new media formats (CGM, blogs) than non-luxury hotels.
- Luxury hotels spend less on paid search, strategic linking and SEO.

Franchised vs. Independent Properties:

- Franchised hotels focus more on paid search, display advertising and email marketing than independent hotels.
- Independent hotels prefer website optimizations and re-designs, strategic linking and new media formats.

This chart shows that hotelier's are spending the highest percentages of their budgets on PPC, website redesign and optimization, search engine optimization and email marketing:

2007 Budget Allocations (as % of internet marketing budget)	Overall Industry (%)	Luxury (%)	Non luxury (%)	Franchised (%)	Non franchised (%)
Website redesign	14.2	17.1	12.2	13.0	14.9
Website optimization	14.0	12.7	14.5	13.9	14.4
Strategic linking	10.1	7.4	12.2	9.4	10.4
Pay-per-click/paid inclusion	13.6	12.2	14.8	16.7	12.8
Local search	3.3	2.9	3.7	4.0	3.1
Meta search (Kayak, Sidestep, etc.)	3.7	3.2	4.1	3.1	3.9
Search engine optimization	11.4	10.7	11.3	11.5	11.6
Display advertising (banners)	5.1	6.5	4.0	6.0	4.8
Email marketing	12.8	15.3	11.1	13.4	12.8
Consulting fees	5.3	6.0	4.8	6.7	4.8
New media formats	3.7	5.0	2.8	1.5	4.5

Budget Allocations Differ in the U.S. vs. Internationally

USA vs. International Hotels

- U.S. based properties focus more of their online budget on search marketing (18.5% vs. 10%), local search and meta search, and SEO than their international peers.
- Properties based outside the U.S. spend more on website re-design and website optimizations and re-designs, strategic linking and email marketing.
- International hotels even spend more on new media formats (CGM and blogs) than their U.S. counterparts, which is an interesting phenomenon since most of the most popular CGM and blog sites are U.S. based.

	Overall Industry (%)	USA (%)	International (%)
2007 Budget Allocations (as % of internet marketing budget)	(%)	USA (%)	(%)
Website redesign	14.2	12.2	15.7
Website optimization	14.0	10.9	16.4
Strategic linking	10.1	7.2	12.1
Pay-per-click/paid inclusion	13.6	18.5	10.0
Local search	3.3	4.9	2.2
Meta search (Kayak, Sidestep, etc.)	3.7	4.2	3.3
Search engine optimization	11.4	12.4	10.6
Display advertising (banners)	5.1	5.0	5.1
Email marketing	12.8	11.4	13.7
Consulting fees	5.3	7.0	4.1
New media formats	3.7	2.3	4.8

2007 Internet Marketing Budget Allocations Trends

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

- Resources dedicated to Website re-design are expected to *decrease* by an average of 5.5 percentage points throughout the industry.
 - Non-franchised properties will decrease their spending while franchised properties will increase theirs.
 - International properties will likely limit their spending but the US is expected to increase their website redesign allocation.
- Website optimization is expected to increase in resources by an average of 3.8 percentage points throughout the industry. This is a trade-off. Where a hotel is spending money on site redesign's they will spend less on optimization, and visa versa.
- Strategic linking is expected to increase in resources by an average of 3.8 percentage points throughout the industry. The non-luxury and international hotels will likely give a major push to improve link popularity (7.1 percentage points and 5.5 percentage point increases, respectively).
- Pay-per-click/ paid inclusion is expected to *decrease* by an average of one and a half percentage points throughout the industry. Luxury brands plan to grow their spend on PPC outpacing all the other hotel categories.
- Local search is expected to receive an increase in resources by an average of one half a percentage point throughout the industry. The two exceptions to the incremental advance in resources to this tool are franchised and international properties. International properties are apparently not increasing or decreasing their allocations to local search, likely because they have not been exposed to the advantages of local search tools or the technology itself.
- Meta search is expected to receive an increase in resources by an average of 1.8 percentage points throughout the industry. This year will determine meta's strengths for the industry.
- Search engine optimization is expected to receive an increase in resources by an average of one half a percentage point throughout the industry. The industry makes a complete split decision with the use of SEO in 2007.
- Display advertising is expected to have resources *reduced* by an average of 1.8 percentage points throughout the industry.
- Email marketing is expected to receive an increase in resources by an average of 1.6 percentage points throughout the industry.
- Consulting/ third-party fees are expected to have their resources *reduced* by an average of 2.2 percentage points throughout the industry.
- New media formats are expected to increase by an average of 2.3 percentage points throughout the industry. All hotels plan to use new technological tools to enhance the customer experience on their websites, all except for the franchised properties. The motivations behind many of these changes should become clearer with the repetition of this study next year.

Conclusions

Hoteliers are trying to improve their online distribution based on their knowledge of internet marketing by trying different techniques embraced by their peers. It seems evident from the results that there are many new tools being tested, if not already trusted – and new tools are still coming as this medium gets older. In fact, it seems as though the entire industry is aligned and trying most of the same tools to grow their online sales. But regardless of which tools are being used, one thing is certain: Online marketing for hotels is growing at an incredible pace.

Shift in marketing dollars toward to the online channel will continue well into 2007-2008. The results from the survey suggest stronger emphasis on the search engines where the focus will likely be placed on optimization techniques (both website and search engine optimization). Link creation and strategic linking will play a major role in the improvement of online visibility of many hotel websites. More marketing dollars will be spent on meta search, local search and other specialized search tools as the use of these tools are becoming increasingly popular in hospitality.

Email marketing continues to be viewed as a popular tool to build one-on-one relationships between hotel and customer and influence revenues positively for the entire industry, but only so when utilized in accordance with best practices. The introduction of new technology formats and the advent of consumer generated media will likely grow in popularity and expect new business models to emerge from the practice. Many individual properties and chains have already begun to use such devices on their websites and these early adopters will determine for the industry how successful these models will become long term in the marketing mix.

Investments in website redesign will likely scale back as most hotels seem comfortable with their general website look and feel efforts accomplished in 2006 and are now planning to focus on optimizing these new sites – except for the US properties, which seem to be focusing more on design than optimization, likely because their websites are older.

Display advertising will probably take the biggest cut of any of the marketing tools discussed in this study. Display advertising is best used by the well-known brand names, as name recognition plays a big role with the individual Internet surfer's desire to click on a banner advertisement, as users are less likely and more skeptical of clicking on banner ads from companies whose name they don't recognize.

US properties clearly are ahead of the international market in terms of developing websites – as displayed by the counter budget appropriations in 2007 with regards to website redesign and optimization. However, as far as search engine marketing knowledge is concerned the two groups seem to be almost on the same level.

Overall, the results from this study show that hoteliers have become more comfortable embracing different opportunities to grow the direct distribution channel through the

Internet and will be increasing their online marketing budgets in 2007. Revenue growth was reported across the board with stand alone independent hotel websites and corporate brand websites. As a result of the expanded knowledge and use of this marketing medium, new techniques and tools are being used throughout the industry to contribute to the growth of the direct online channel, which as defined by sales via the hotel website, has increased hotel revenues and reduced cost of rooms sold.

Consider seeking advice from an experienced Internet marketing hospitality consultancy to help you make the right online budgetary decisions. Get started on planning or adjusting the budget as according to trends in the industry. Speak to a HeBS professional in getting started.

About the Authors:

The HeBS team for this project consisted of Evan Rosenblum, Max Starkov, Jason Price, and Mariana Mechoso. We would also like to acknowledge research contributions from graduate students at the NYU Tisch Center for Hospitality, Tourism, and Sports Management.

About HeBS:

Hospitality eBusiness Strategies (HeBS), the industry's leading Internet marketing strategy consulting firm for the hospitality vertical, is based in New York City (www.hospitalityebusiness.com). HeBS has pioneered many of the "best practices" in hotel Internet marketing and direct online distribution. The firm specializes in helping hoteliers build their direct Internet marketing and distribution strategy, boost the hotel Internet marketing presence, establish interactive relationships with their customers, and significantly increase direct online bookings and ADRs. A diverse client portfolio of over 350 top tier major hotel brands, multinational hospitality corporations, hotel management and representation companies, franchisees and independents, resorts, casinos and CVBs and has sought and successfully taken advantage of the firm hospitality Internet marketing expertise. Contact HeBS consultants at (212)752-8186 or info@hospitalityebusiness.com.

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