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Digital Marketing Budgets for Independent Hotels: Continuously Shifting to Remain Competitive in the Online World

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The hotel marketing budget, typically amounting to approximately 4-5% of an asset’s total revenue, must remain fluid, so that the marketing director can constantly adapt the marketing tools to meet consumer communications methods and demands. Though only a small amount of a hotel’s revenue is traditionally allocated for the marketing budget, the hotel’s success is directly reliant on how effectively that budget is utilized. Thus far in 2015, over 55% percent of hotel bookings are happening online, and mobile search queries have surpassed desktop queries (Google Research 2015). So as the world becomes deeply immersed in today’s digital universe, the marketing departments of independent hotels have directed their resources to the digital stratum, a necessity in today’s cluttered marketing environment and competitively branded arena.

The Continuous Adaptation

Such a stratum, though very complex, is extremely flexible. “The beauty found in digital marketing is in the ability to adapt until a niche is found,” says Jay Haverty, Chief Executive Officer of d50 Media, a marketing communications agency based in Chestnut Hill, Massachusetts. “If one method is not proving to be a success, it is easy to shift those resources into other methods until efficiency through volume is achieved.” Haverty notes that 25-30% of most marketing budgets (not necessarily in hospitality) are now in digital marketing, but within the last year, some budgets are showing 50% of their resources turning to the digital world. He also notes that 6-12% of the digital marketing budget is going to consumer-facing marketing,

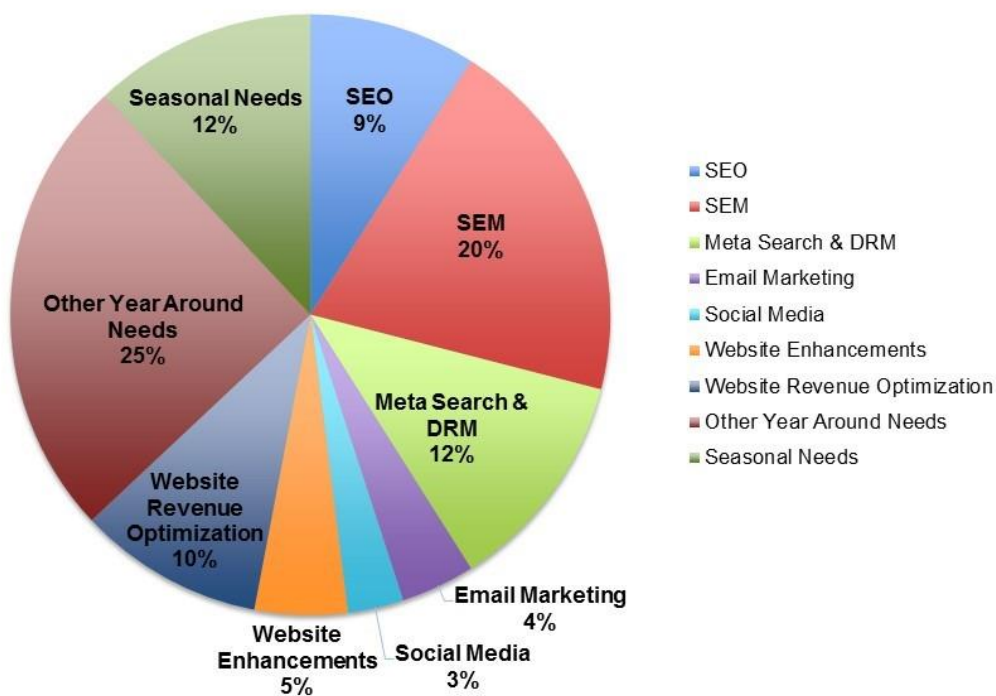
which includes tactics such as search engine marketing and promoted advertisement on social media platforms including Facebook and Twitter.

Looking at the hospitality industry specifically, Max Starkov, CEO of HeBS Digital, and Mariana Mechoso Safer, Senior Vice-President of Marketing at HeBS Digital (Hotel eBusiness Strategies), state in *The Smart Hotelier's Guide to 2015 Digital Marketing Budget Planning*, that 75% of the (hotel's) marketing budget should be allocated to digital marketing. Why such an increase compared to the general marketing budget statistics provided by Haverty? The hospitality industry is wholly reliant on word of mouth, as it is the simplest distribution channel for a business. Guest loyalty does generate business, yet positive reviews provided by word of mouth marketing encourages new guests and higher revenue margins. In a study done on hotel bookings by TripAdvisor, reports show that out of 12,659 responses, 77% of those travelers choose to use reviews and recommendations from the website before booking a hotel room. Such a statistic speaks loudly to the dire necessity for an online presence that is not only informative, but distinct and able to be discovered among the "clutter" of hotel advertising and promotion.

Digital Budget Allocation

Regarding the marketing budget, independent hotels, particularly those with no affiliation to a soft brand or alliance with a marketing consortium of some manner, may need to spend more dollars on their marketing than those that are branded. Lesley Silberstein, Corporate Director of Sales and Marketing for Boston-based Saunders Hotel Group, warns of the lack of "the safety nets" that a brand usually provides. Silberstein, also an adjunct professor at Boston University's School of Hospitality Administration, advises, "Independent hotels have to be efficient and prudent. They have to be far more conscious about which channels they determine to utilize, especially when new tools are continually coming along." When new, innovative concepts such as Dynamic Content Personalization, , come to light, independent hotels must be educated and handle their research and due diligence. If the return on investment (ROI) is lower than expected, there is a risk of wasted dollars and even a tarnished reputation leading to a more difficult recovery. But the fear of lost dollars has been over-shadowed by the bright light that is innovative digital marketing. For independent hotels, website enhancements and website revenue optimization strategies provide for a strong foundation for the digital marketing approach.

Digital Marketing Budget Allocation



**Percentages based on high end of ranges. Source: HeBS Digital's The Smart Hotelier's Guide to 2016 Digital Marketing Budget Planning.*

Website Enhancements

Website redesign is a never-ending challenge, and one that is easily lost or mismanaged when a short-cut route is taken. Less costly designs and/or functionality may save money upfront, but in the long term, lost revenue damages the hotel's bottom line. This is especially true of independent hotels, as they do not possess the benefit of a brand's reputation to depend upon. Independent hoteliers must take the extra step of caution when investing in the proper website presentation and function for their property. According to Starkov, CEO, and Sara O'Brien, Associate Director of Marketing at HeBS Digital, website re-design and enhancement should constitute 4-5% of the digital marketing budget. Hoteliers need to appeal to consumers on multiple devices, thus the need for the "responsive" website. Desktop users are looking for as much information as possible, whereas mobile users require short, slimmed down content. The tablet user desires deep, visually enhanced content. The more satisfactory the consumer experience, the more likely a transactional booking will occur.



1 Responsive websites ensure a design adapts to desktop and mobile users automatically, enhancing the customer experience. Photo by Viktor Hanacek.

Website Revenue Optimization Strategies

In a survey asking 376 hoteliers where they see the most ROI, a staggering 70% said they see the best results from their online investments (Cullen, 10). Approximately 73% of those same hoteliers say they depend upon in-house staff to operate and manage their digital marketing efforts, but recent research from the Hospitality Sales & Marketing Association International (HSMAI) indicates that increased ROI would result from actually outsourcing these efforts to an electronic marketing firm. Such outsourcing would generate more visibility and revenue, and ultimately prove more cost-effective. According to HeBS Digital, this avenue of consulting should approximate 8-10% of the digital marketing budget. The revenue optimization consultant, whether in-house or outsourced, is expected to utilize a variety of digital marketing efforts in the hopes of maximizing revenue. For independent hotels, these efforts include, but are not limited to, Search Engine Optimization (SEO), Search Engine Marketing (SEM), meta search, Dynamic Rate Marketing (DRM), email marketing, and a strong Organic and Paid Social presence.

1. Search Engine Optimization (SEO) & Search Engine Marketing (SEM)

Together, SEO and SEM could constitute approximately 27-29% of a hotel's digital marketing dollars. SEO is extremely vital when having to meet standards set by search engines. Search engines demand a constant improvement of unique web content, but they also demand the rejuvenation of already existing content. SEO is where independent hotels have the opportunity

to penetrate the crowded arena, as they strive to remain unique and memorable in their guest experience. Safer also notes that it is important for SEO to align with SEM for greater ROIs. SEM, including paid search, which may total 20-22% of the digital marketing budget, has experienced the most change over the years. SEM is far more complex today and also requires a stronger time commitment to properly execute. Increased competition with Online Travel Agencies (OTAs) adds to such complexity for branded hotels, as they are insistently commanding brand key words. Again, an advantage for independent hotels can be found. Independents do not rely on brand key words when executing SEM; their challenge is rather to stand out among the Goliath brands.

2. Meta Search Marketing & Dynamic Rate Marketing (DRM)

For independent hotels, meta search marketing is a must, as it is part of the constant effort to shift Internet data share away from OTAs and increase direct bookings. It should equal approximately 11-12% of the digital marketing budget. In the hospitality industry, meta search marketing is a form of online advertising that requires real time room rate and availability information. Meta search site TripAdvisor receives 375 million unique monthly visitors (TripAdvisor 2015). Its reviews on properties serve as a conduit to direct bookings for hotels, also bringing meta search sites even closer to the purchasing point. “Contrary to some perceptions in the industry, meta search is not a distribution channel, nor is it a ‘set and forget’ marketing initiative,” Safer notes. “It is a cost-per-click (CPC) advertising format, where the advertiser only pays when someone clicks on the listing and is then led deeper into their booking engine.”

The screenshot displays the PriceFinder website interface for a search in Boston from 11/06/2015 to 11/08/2015. The search results are sorted by 'Just for You' and show four hotel listings:

- The Lenox Hotel:** 2,709 reviews, #5 of 82 hotels in Boston. Special Price: 15% off room rate. Rates range from \$310 to \$311 per night. Bookings available on Booking.com and TripAdvisor.
- Hyatt Boston Harbor:** 1,394 reviews, #32 of 82 hotels in Boston. #1 Just for You. Rates range from \$372 to \$372 per night. Bookings available on Expedia and TripAdvisor.
- Nine Zero Hotel - a Kimpton Hotel:** 1,985 reviews, #12 of 82 hotels in Boston. #2 Just for You. Rates range from \$359 to \$359 per night. Bookings available on Booking.com and TripAdvisor.
- Seaport Boston Hotel:** 2,979 reviews, #1 of 82 hotels in Boston. #3 Just for You. Rates range from \$259 to \$259 per night. Bookings available on Expedia and TripAdvisor.

2 TripAdvisor provides real-time room rates using the meta-search model. Source: TripAdvisor.com

Yet another advantage of search engine marketing and CPC or pay-per-click (PPC) marketing is the ability to “turn it off” when it doesn’t work – or when it works for that matter. Marje Bennetts, General Manager of the Beach House Hotel in Hermosa Beach California remarks that the retail-like advertising response of pay per click can work wonders when trying to fill “need dates.” When advertising on the OTAs for example, for a particularly slow period for that part of Southern California, “we can immediately fill rooms at an attractive rate thanks to the power of the PPC advertising. When we fill rooms to a certain point, and then have less inventory to work with, we can ‘turn off’ the faucet so to speak. At that point, the guest books our rooms from other mechanisms and we can achieve a higher ADR (average daily rate) for those remaining rooms.”

DRM goes hand in hand with meta search, as it is a direct-response marketing system that allocates for real-time hotel inventory and pricing. When a consumer accesses hotel information on TripAdvisor, they are not only able to access a plethora of reviews, but also the real time ADR. If a consumer were to go to the property site and book through the CRS (central reservation system), they would find an identical ADR. This is a prime example of a meta search site making use of DRM. It is cost effective and takes little time, which is why so many hoteliers reap its benefits today.

3. Email Marketing

Email marketing gives hotels the opportunity to reach as many potential and prospective guests as possible, given the multi-device era in which we live. This, suggests HeBS Digital, should realize 4-5% of the independent hotel’s digital marketing budget. What is important is that each email is optimized as responsive for desktop, tablet, and mobile devices. Email marketing secures great advantages with its use of dynamic content personalization. Data collected on website viewers is translated into personalized emails -- about information they were just viewing on the website. Pair email marketing with social media presence (a suggested 2-4% of the digital marketing budget) and an independent hotel has the ability to appeal to a user on multiple communication levels.

4. Organic & Paid Social Media

Instagram has accumulated 77.6 million users in 2015 in the U.S. alone, 50% of whom are millennials (Zero-In). Utilization of this social media channel could enable an independent hotel to distinguish itself among current buyers, and also imprint a lasting message and/or visual for the Instagram viewer. The key to a good social media presence is a strong foundation (Starkov and Safer 9). This means that in addition to making use of various social media platforms, the hotel must execute this properly. Facebook, Twitter, and Google+ pages, for example, should be an extension of the property website and part of the hotel’s online network presence. The social sites should continuously be updated in order to reply to customers promptly, provide viewers with the most current of information, and perform its function in real time effectively.

As Haverty notes, a strong, organic, social presence is essential, but it will only take a brand so far. Looking past the likely sizeable core of vocal brand ambassadors that carry its weight on social channels, Paid Social becomes vital. Its promotional and advertising campaigns are both robust and well-designed, effectively aiming at both increasing the amount of bookings, and building an email database. This social channel in turn is required to be competitive, especially for operators looking to survive against larger brands. “Paid Social – particularly on Facebook, Pinterest and soon on Instagram can have a tremendous return on investment,” notes Haverty, “Facebook, especially, allows for extreme niche targeting, and provides access to audiences flagged for business and leisure travel, vacationing, cruises, and the like; other interest and behavioral targeting layers combined with age, life stage, and income targeting can make for extremely high-performing ad campaigns”

5. Contingency or Reserve Funds

Not always available for independent hotels with tight marketing budgets, but when there is the ability to reserve dollars for unanticipated advertising needs during the fiscal year or the desire to experiment with new techniques of digital marketing, reserve marketing funds would be fundamental to ‘line item in.’

What the Future Holds

The budget line items indicated above are merely educated suggestions. How each independent hotel determines to allocate its budget depends on its comfort with the channel, willingness to take risks, and measured tracking of the ROI. The beauty of digital marketing is in its fluidity. Hotels have the ability to experiment with digital marketing initiatives, and if the results are ineffective, the marketing director can redirect the efforts essentially immediately. As Greg Bodenlos, brand marketing manager at The Charles Hotel in Cambridge, Massachusetts pragmatically stated, “independent hotels have to do more than branded hotels with less of a budget.” These hotels have the unparalleled opportunity to be completely unique, but that comes with its own set of challenges. It will be interesting to see where the digital marketing stratum leads us as consumers, as hoteliers, and as hotel marketing managers. The constant innovation and vivacity has pushed marketing far beyond what was ever expected, and so, the future seems to be both excitingly complex, while curiously bright.

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