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The Hospitality Digital Toolbox for a New Normal

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About the Author



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Before NextGuest, Max founded and served as CEO of three Internet travel startups: Travelbreak.com 1995-1999 (direct supplier-to-consumer online travel marketplace), WhaleMedia.com 1999-2001 (Winner of Microsoft's Global RAD Award for hotel online booking systems), and NextGuest (formerly HEBS Digital) since 2001. Max received the most prestigious industry award, the HSMAI "Top 25 Most Extraordinary Minds in Sales and Marketing" and served on the HSMAI Digital Marketing Council.

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Source: Image by Max Starkov

This year, travel consumers will spend more time on digital media – 6:41 hours/day – than all other media (TV, Radio, Newspapers, Magazines) combined – 5:30 hours/day (eMarketer). With the explosion of the "digital way of life," the customer journey has turned into a *digital customer journey* that is becoming increasingly complex, forcing hoteliers to overhaul their technology and digital marketing stack and corporate strategies in order to engage, acquire, service, and retain these digitally savvy travel consumers across multiple digital touchpoints and across all digital channels and devices.

Google defines this Digital Customer Journey as a fluid series of interconnected stages: Dreaming, Planning, Booking, Experiencing, and Sharing/Retention Phases, in which every phase both influences and is being influenced by the other steps of the journey.

What should hoteliers do to reassert themselves in the customer journey and get in front of travel consumers and win the direct booking?

To begin with, hoteliers must understand that digital marketing consists of three distinct, but interconnected and interdependent categories: *Guest Engagement Marketing*,

Guest Acquisition Marketing, and Guest Retention Marketing. Second, hoteliers must “play” in all of these three categories: I.e. not in one or two, but all three.

Let’s review the three categories of digital marketing:

Guest Engagement Marketing

This category includes brand marketing, social media, public relations, influencer marketing, B2C and B2B content marketing, and more. These marketing initiatives help hoteliers connect with the online traveler in the Dreaming and Planning Phases and steer them “in the right direction” toward the next phase: Booking.

These marketing initiatives will help hotel marketers engage and connect with much-desired customer segments: leisure travelers, SMERF group planners, social event planners, wedding coordinators, unmanaged and managed business travelers, corporate group planners, and convention travelers.

According to Google, in the Dreaming Phase, 82% of leisure travelers are undecided on the accommodation they will book, which provides independent hoteliers with ample opportunities to “grab the attention” of the traveler and “ignite interest” in the hotel location, product, and value proposition. Only by engaging and intriguing travelers in the Dreaming and Planning phases, hoteliers can ensure a “fresh supply” of potential bookers to the next stage in the customer journey: The Booking Phase.

Guest Acquisition Marketing

This category includes all Performance Marketing. These include ROI-focused direct-response marketing formats, such as: SEO, paid search/SEM, display advertising, retargeting, metasearch, email marketing, affiliate marketing, omni-marketing campaigns as well as all of the hotel website related marketing initiatives – promotional slides, special offers banners, and promo tiles, limited-time offers, and personalization marketing offers. These initiatives build upon the successful customer engagements in the Dreaming and Planning Phases and help hoteliers “close the deal” – convince the online traveler to select the hotel and enter the Booking Phase. These performance marketing initiatives are ROI-centric, focusing on seasonal and ad hoc occupancy needs, and acquiring first-time guests.

Guest Retention Marketing

This category includes guest recognition marketing, CRM marketing in the pre-, in-, and post-stay, loyalty marketing, drip campaigns (sending pre-written marketing over time), and marketing automation initiatives aimed to turn that guest into a repeat guest and loyal customer.

This marketing category reinforces the brand values, enhances and deepens the customer relationships, and wins guest loyalty in the Experiencing and Sharing Phases to establish a steady “supply” of repeat guests and brand ambassadors.

Today acquiring a new guest is 15-20 times more expensive than retaining an existing guest. Increasing the number of repeat guests from the current levels could bring enormous benefits to any hotel and help lower marketing and distribution costs (eMarketer). According to Phocuswright, 79% of hotel website bookings are made by travelers who belonged to a guest recognition or loyalty program.

What is the Situation Today?

Unfortunately, our industry is vastly unprepared for this new digital reality and the digitally savvy travel consumer. Most hoteliers, especially the independents, focus only on a single digital marketing category, Guest Acquisition Marketing, while completely ignoring the other two marketing categories: Guest Engagement and Guest Retention.

The OTAs, on the other hand, have been investing heavily in digital marketing initiatives and technology solutions to engage the traveler throughout the customer journey, acquire them as OTA customers, and keep them engaged throughout their lifetimes. As a result, the OTAs have de facto monopolized the guest relationships and left independent hoteliers to handle the “clean up.” Only when hoteliers re-establish relationships with the digitally savvy customer *in all* phases of the customer journey: Dreaming, Planning, Booking, Experiencing, and Sharing will they win the direct booking, resulting in decreased OTA dependency and lower distribution costs.

How can Hotels Ensure Their Success in the Post-Pandemic Era?

Invest Adequately in Digital Marketing

In March 2021, STR released a set of disturbing data; due to the pandemic, in 2020 hoteliers slashed their marketing spending by 51.5% compared to 2019 (STR, 2021). Many hoteliers are continuing with similar budgeting decisions in 2021 without considering the long-term implications.

Systemic underinvestment in marketing has always been a noticeable issue in hospitality. In 2019, the last “normal” year before the pandemic – Expedia spent 42% of its revenue on marketing, while Booking.com spent 33%. Compare these numbers to the 2.5% of room revenue hoteliers spent on marketing, and it becomes obvious why the OTAs “own” the travelers throughout their digital customer journey.

In the post-pandemic years, hoteliers should budget a minimum of 6%-8% of room revenue on digital marketing.

Prioritize Past Guests

Focusing on past guests and repeat business should become a top priority rather than chasing new customers. Past guests and loyalty members are already familiar with the property, its location, and product. What must also occur now is the need to communicate that the property is safe for a stay. Past guests and repeat business will rule the next 24 months.

Independent hoteliers must focus on bringing back their past guests and creating a guest recognition program to reward any repeat guests. A simple program based on offering complimentary nights based on X number of room nights stayed will go a long way today. Hotels.com has 50 million members in its simple, but a very effective rewards program, which gives one free night with every 10 nights stayed at any hotel. Independents should also strongly consider implementing a cloud-based CRM technology and create a CRM program to increase repeat business, engage last and current guests, and turn them into future guests.

Sell Value Rather Than Price Alone

Selling “value” rather than solely “price” can compensate for the budget limitations and online dominance by the OTAs. Hoteliers must remember and relearn how to sell value and not price alone. The OTAs are masters of selling on price, and thus hoteliers have no chance to outwit or outspend them in their marketing efforts. But selling on value? This is where hoteliers can truly overshadow the OTAs and provide real value to customers.

Remember, the OTAs have one significant disadvantage: in spite of all of their technology and marketing might, they do not know the actual hotel product or the destination nearly as well. By positioning the hotel as “the hero of the destination,” it will result as the logical choice when visiting local attractions, attending events or participating in activities.

If an accommodation offers cooking classes, weekend specials, coronavirus de-stressing packages, spa experiences, family packages, activities, special occasion amenities, wine tastings, F&B promotions, work-from-hotel offerings, these features should all be utilized to target local, short-haul, and drive-in feeder markets.

Dominate the Short-haul Feeder Markets

STR recently released data about the severely shrinking booking windows. Over 60% of guests book their hotel within 7 days, and 80% within 14 days of arrival. These guests are not arriving in New York City from Europe, Australia or China. They are coming from short-haul and drive-from feeder markets.

In the post-pandemic world, hoteliers must “own” their short-haul and drive-from feeder markets and “delegate” to the intermediaries only the long-haul and foreign feeder markets. Effective practices include employing solid revenue management and RMS technology, enforcing strict rate parity, implementing CRM programs and technology to engage and retain repeat customers, and investing in digital marketing initiatives for those local markets.

Reach Out to New Digital Converts

The pandemic subjected millions to a very rigorous online planning and purchasing education. This situation created millions of converts and believers in online services, which will inevitably affect how they research, plan, and book travel in the future. To benefit from this "forced" conversion from offline to online, continue to invest in digital marketing, cloud technology, and applications, and "reach out" to these new online travelers. Do not shutter marketing and technology budgets.

Communicate

Communication with customers means spending on content marketing. If cuts or pauses are implemented in the marketing budget, it will be near impossible to communicate with customers about cleanliness protocols, contactless guest experiences, new or newly opened amenities, services, promotions, experiences, and special offers. The absence of communication during or post-crisis with past guests, loyal customers, group planners, tour operators or distribution partners will result in long-lasting and devastating repercussions. Continue the communication with customers, provide clarity and information about the property's and destination's current situation, municipal guidelines or regulations, vaccination rates, and assure them that the property is ready and safe for their stay.