

Boston Hospitality Review

www.bu.edu/bhr

Published by the Boston University School of Hospitality Administration

The Power of Geo-Targeting

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Digital Marketing - September 2021

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The Power of Geo-Targeting



The continued dynamic of digital marketing pushes companies toward more creativity and a deeper understanding of customers. The digital economy appears to be one of the most resilient industries when facing these pandemic times; companies using digital marketing techniques had, have, and will have to adapt the targeting methods to reach their audience.

As travelers face a varying level of travel restrictions, companies must target audiences efficiently with appropriate messages, not just demographically, but also geographically. And, as hospitality finds itself marketing more locally and localized, mastering geo-targeting has become essential.

Geo-targeting means marketing to a set of specific users based on their location. The more relevant an ad is to a user, the more likely they are to convert. With geo-targeting, marketers can find customers by zip code, city or country (AdEspresso.com, October, 2017). The term should not be confused with geofencing which is even more specific and precise in terms of location, for example, a district within a city (WebFX, Berry, April, 2021). Geofencing creates a radius or boundary where ads are posted, whereas geo-targeting regards a more general location. To what effect has geo-targeting been incorporated into the digital marketing strategies of the hospitality sector?

The lodging industry, as any company, brand or sector, has relied heavily on “electronic word of mouth” (eWOM) and user-generated content (UGC) to supplement proactive SEO, paid search, and social media initiatives. Electronic word-of-mouth communication refers to any positive or negative statement made by potential, actual or former customers about a product or company which is made available to multiples of people and/or institutions and is spread over the internet (Cheung et al, 2010). Electronic word of mouth helped birth the notion that hotels would be able to create a successful geo-targeted marketing strategy by understanding their guests on a more granular level (Cheung et al, 2010).

As Blake Herring, Director of Sales and Marketing at The Royal Sonesta in Cambridge, Massachusetts shared, there are two notable areas of importance when navigating post-pandemic marketing: digital spend and geo-targeting. “Hotels can no longer take a blanket approach towards their consumers; they must understand where guests are coming from and the impact of a hotel’s digital footprint.”

Acquisition of New Customers: During the pandemic, geo-targeting allowed hotels to focus marketing efforts toward neighboring states which may have reduced their travel restrictions. Following a stringent budget and selecting where location ads would appear, generated new interest and brand awareness to those willing to travel. An important aspect of geo-targeting is that it allows a hotel to focus on the specific aspects of their existing and new guests. For example, a guest who books directly through brand.com costs the hotel between 2%-5%, while a guest booking through an online travel agency (OTA) can cost as much as 25% (skytouchblog, October 2016). Hotels prioritizing direct business capture approximately 95% more revenue versus the 80% revenue from indirect channels (Revenue-Hub.com). Utilizing a CRM software allows hotels to engage and target guests within a certain market. “A hotel CRM is a single source of truth for guest information” (Hotel Tech Report, Jan 2021). It is important for a hotel to understand how its CRM software can help identify who to geo-target and when those specific ads should show. Understanding the feeder markets to a specific region and cross-referencing existing guests’ profiles in the CRM software allows hotels to create specific marketing ads or spend geographically.

Herring also drove the point surrounding a hotel’s online digital footprint. “A hotel must focus on how they are displayed on mobile versus desktop.” According to Stratosjets.com, “72% of mobile bookings happen within 48 hours of last-minute Google searches that include the words ‘tonight’ and ‘today,’ and 70% of all customers conduct their research on a smartphone” (Steve Deane, 2021). Thus, deliberate geo-targeting, dynamic messaging, and pricing can have a significant impact. How does a hotel measure the success of geo-targeting? Simply put, revenue.



Expedia Group provides hoteliers with a tool called Travel Ads, that allows them to target clients geographically, within a 100-mile radius, through a Pay-Per-Click (PPC) campaign. According to Expedia Group Travel Ads Manager Mallory Moss, “Travel Ads allow hotels to present their story before even clicking into a marketing ad, saving the hotel money. Since 75% of all reservations are booked on the first page of an Expedia search, the importance of using Travel Ads to aid in visibility and placement becomes paramount.” Hotels can set parameters of when their ad will show on the platform or when a guest will see it.

For example, if a hotel in Portland, Maine sets a 100-mile radius for its Travel Ad, then a potential guest searching within that radius for hotels will see that hotel’s ad rather than other hotels within the search. According to a recent report from an Expedia survey, “Regardless of the type of destination, a top decision factor for respondents is a drivable destination somewhat close to home” (Jeff Weinstein, *Hotels Magazine*, May 2021). According to SmartBugMedia, 71% of consumers prefer a personalized ad experience, and three of four consumers complete an action after receiving a message when approaching a specific location (Amber Kemmis, SmartBugMedia, Jan 2020). Combining the need for driving-distance travel and geo-targeting, hotels have an opportunity to attract guests before the guest knows where they even want to go.

As appealing as this may sound, geo-targeting can have some challenges. A VPN (Virtual Private Network) hides the web-user IP address which consequently makes it difficult to know the exact location. Additionally, VPN has the feature to cross geographic borders. In other words, VPN allows the user to locate the device in a location other than the actual one. Thus, it could prevent appropriately targeting a user.



Retention of Existing Customers

Even more significant than the acquisition of new customers, is the retention of existing customers. That's also where geo-targeting can be extremely useful. Existing and past guests are "far more precious" to a property (Starkov) since the CAC (customer acquisition cost) is far less than acquiring new guests. In addition to providing optimal service and experience, hospitality digital marketing expert Max Starkov asserts that there are other manners to properly and efficiently geo-target prior guests:

1. Assessing Feeder Marketing

This is how hotel marketers begin their analyses. Where are the hotel guests coming from? Are the incoming guests here for leisure, business, or are they group travelers? This data helps determine how to grow these target markets. For example, if 50% of guests are coming from New York City, 20% from New Jersey, 10% from Pennsylvania, and 10% from Connecticut, then the hotel can know how to allocate the marketing dollars. Platforms such as Google Ads, Bing Ads, display advertising, email marketing, social media Facebook Travel Ads, online directories, and publications (i.e. New York Times Travel Digital Edition) can be utilized.

2. Customer Relationship Management (CRM) Technology

Use of CRM technology such as Cendyn, Revinate, and SHR, allows the property to create 360-degree guest profiles. Next steps include the need to de-dupe, cleanse, and augment the guest database, and categorize guests according to their current RFM Value to the property (Recency, Frequency, Monetary). Then using their physical location (not IP address, which can be blocked or not accessible), the CRM technology can conduct very precise automated geo-targeting campaigns via emails or SMS messaging with personalized offers based on the RFM value of the customer. In other words, if the property sees on a Wednesday that they have occupancy needs this coming weekend, they can schedule a weekend customized promotion going to all past guests living within 200 miles from the property. A "Best Customer" with the highest RFM Value could be offered a weekend stay with a free suite upgrade. An "OTA customer" with low RFM value could be offered a 50% discount to lure them back directly, etc.

3. Personalization

Hoteliers need to remember that guests crave personalization during the geo-targeting journey. A current example of a company successfully implementing this strategy is Denny's. Denny's implemented a geo-targeting strategy that sent specific promotions to existing customers that were within a location which resulted in an 11.6% increase to in-store visits. (BlueShift, Meg Warhurst, 2019). By combining the guest data that hotels garner, marketers have a unique opportunity to geo-target their guests with creative and personalized campaigns that most companies are not able to replicate. Bearing in mind,

can an ad campaign be too personalized, breaching privacy laws? The best path a hotel may take is to be transparent and honest with their consumer.

Conclusion

Looking forward, geo-targeting is an asset for hoteliers to stay relevant. Combining the ability to pinpoint from where a guest searches, accessing relevant guest data, and continuing to personalize, hotels have an opportunity to push marketing boundaries by micro-focusing on the decision-making stage of the guest booking process. As geo-targeting continues to evolve with technology, understanding the hotel guest and where they are traveling from is instrumental for marketing success.

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