HVS

MARKET REPORT

Internet Remains The Only Growth Channel For Hotels in Recent Years

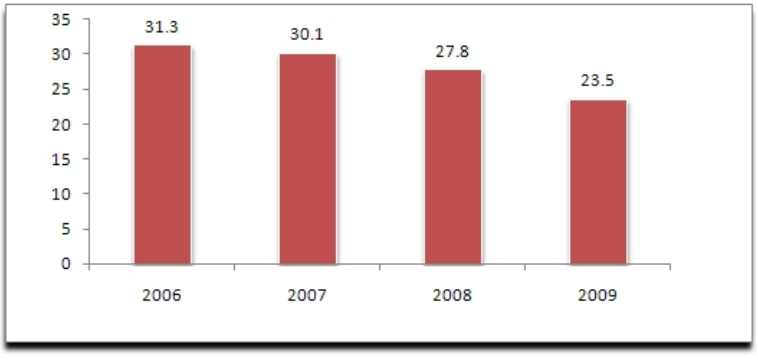
OCTOBER 13, 2010

Considering recent trends, the online channel has been the most dynamic and fast-growing segment of the overall CRS bookings for hotels. Hoteliers can take advantage of this by formulating a well aligned Online Marketing Strategy.

The last 12-18 months have been challenging for the hospitality industry. Well, for any industry for that matter. But the good news is that probably the worst is behind us and things are beginning to look good. Even during these dire economic times, a very positive trend has come to the fore – hoteliers who have been aggressive and proactive; hoteliers who have focused on ROI-centric online marketing campaigns have done much better that their counterparts who have continued to focus on traditional forms of marketing.

The online channel for hotel bookings has once again been confirmed to be the only growth channel in hospitality Industry. Statistics and data for the year 2009 has recorded a significant rise in the internet bookings for the top 30 hotel brands with a marked increase of 6.5% vs. 2008. This increase in the Internet bookings comes at the expense of the GDS and Voice Channels, both of which have been in decline for many years now. Here are some findings from recent surveys and research.[1]

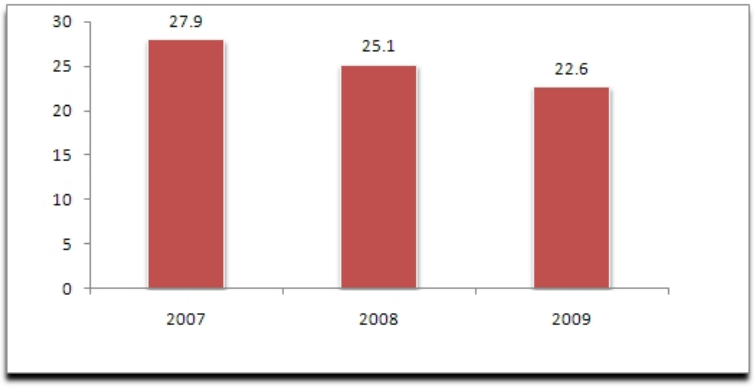
GDS CHANNEL HAS SEEN A STEADY DECLINE



GDS CONTRIBUTION IN % OF OVERALL CRS BOOKINGS

GDS hotel bookings via the CRS of the top 30 hotel brands declined by 4.3% in 2009 vs. 2008, and constitutes 23.5% of total CRS booking. Back in 2006, GDS reservations constituted 31.3% of total CRS bookings.

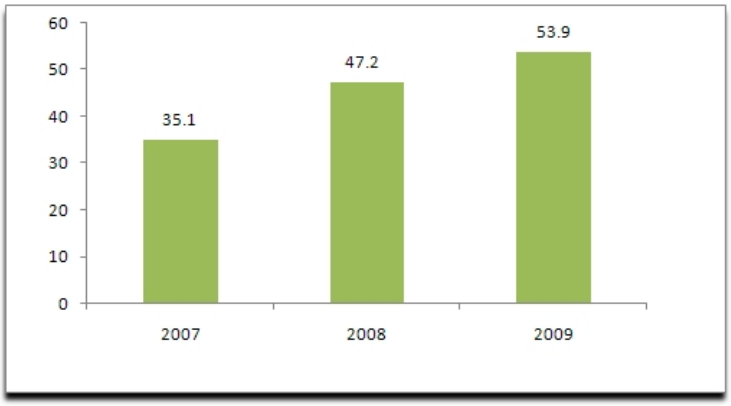
CONTRIBUTION FROM THE VOICE CHANNEL CONTINUES TO DECREASE



VOICE CHANNEL CONTRIBUTION IN % OF OVERALL CRS BOOKINGS

The Voice Channel is in decline for the 6th consecutive year.[2] Voice reservation share decreased to 22.6% in 2009.

THE SHIFT FROM OFFLINE TO ONLINE CHANNEL IS PERMANENT



CONTRIBUTION FROM THE ONLINE CHANNEL IN % OF OVERALL CRS BOOKINGS

53.9% of overall CRS bookings for the top 30 hotel brands in 2009 came from the online channel, which is an increase of 6.7% over 2008.[3]

Travel agency share has declined:

- Travel agency share in the U.S. dropped from 41% in 2006 to 33% in 2009.[4]
- U.S. travel agency locations have been decreasing at an average rate of 4% every year and their number has declined from over 35,000 in 1995 to less than 17,000 in 2009.[3]

Direct vs. Indirect Online Channel Dynamics Follow the Economy

Typical of economic times such as the past year, when everybody has been shopping around and hoteliers have been more susceptible to discounting and working with the OTAs, we have witnessed a slight shift from the direct online to the indirect online channel in 2009:

- In 2009, 71.4% of the online bookings came from the direct online channel (i.e. the major hotel brands own websites), while 28.6% come from the indirect online channel (the Online Travel Agencies-OTAs).
- There is a slight increase of OTA contribution, compared to 2008, when 75.4% of the online bookings come from the direct online channel, while 24.6% came from the OTAs.
- According to Google, search replaced OTAs as the #1 typically used resource for travel planning in the spring of 2009 and continues to increase in importance. 64% of personal leisure travelers and 65% of business travelers use search engines to begin their travel planning.

Key findings from a recent survey:[5]

- Hoteliers continued to shift budgets from offline to online marketing formats. In this year's survey, 51% of respondents said they were shifting a portion of their budgets to online because they believe Internet marketing produces the best results.
- Year after year, more and more hoteliers are engaging in social media. This year, 50% of respondents said they were planning on creating profiles on social networks.
- 26% of respondents are planning a mobile-ready website this year.
- As the industry matures, more and more hoteliers are professionally developing in this area.

The Bottom Line: Focus on the Direct Online Channel

Even in dire economic times like the past year, which has witnessed some sharp declines in travel demand, hoteliers can continue to generate increasing revenues by putting in place a comprehensive ROI-centric Internet marketing strategy and out-smart their competition.

In the light of declining GDS and voice channels contributions, hoteliers can take advantage of this, if they shift their focus from offline to the online platform as a potential Marketing channel and allocate adequate funds towards formulating a well aligned Direct Online Marketing Strategy. By exercising carefully defined online initiatives, Hotel owners can reap the maximum benefits of the growing Internet Influence. This is where HVS Web Strategies could step in for you as your consultants/outsourced marketing partners with services including website design, website optimization and SEO, paid search, email marketing and proven social media initiatives.

Companies simply cannot suspend their marketing plans when the times are tough. The Internet as a marketing platform over the years has proven itself as the most frequent touch point for travelers and it's here to stay. The best advantage of Direct Online Marketing channel is that you can measure your Return over Investment and be flexible.

Considering the past few years trend, we believe that online travel has always been the most dynamic and fast-growing segment of the overall online marketplace and will experience similar growth rates. Whatever the case might be, the online travel channel, and especially the direct online channel, has been providing the hoteliers with the only viable option for any growth during the time of recession.

1 eTRAK benchmark report, surveys and industry data from PhoCusWright, ARC and HeBS

2 HeBS data

3 eTRAK

4 PhoCusWright

5 HeBS Benchmark Survey