



Internet Marketing and Distribution Strategy for Resorts

NEW CUSTOMERS • NEW CHANNELS
NEW COSTS • NEW CHALLENGES

BEST PRACTICES INITIATIVE

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A group of nearly 30 resort executives met during an annual Resort Conference in April, 2004 at the Greenbrier Resort. The purpose of this exploratory meeting, co-sponsored by the University of Denver and HSMAI, was to consider the creation of a special interest group under the auspices of HSMAI to represent the sales and marketing executives within the resort community. Initially, the group is comprised of resorts in the United States, but over time it is expected to expand to include an international mix of resorts.

From its inception, the group began implementation of its mission and purpose outlined below. A Web site was created (www.resortmarketing.org), and another resort conference was held in April, 2005, with input on session content from the Resort Special Interest Group. This report, released in September, 2005, marks the first in the best practices series on the topic of “Internet Marketing and Distribution Strategy For Resorts.” The second study on Customer Relationship Management (CRM) and Loyalty programs will follow by the end of 2005.

The Resort SIG followed a process to determine the best practices study topics. The group’s goal was to explore three or four topics per year, but the initial plan was to focus on two topics in 2005, the first year of study. Each participating resort subscribed to two studies for the first year and all participants registered as subscribers at the beginning of the calendar year had the option to add topics to the voting list and to rank the topics on the final list. Based on the results, the topics were established, reviewed again by the participants, and confirmed. At this point, interviews with resorts began. ■



COMPELLING MARKET FORCES: WHY THIS IS SUCH A HOT TOPIC

General Internet Usage

The world is going online in massive numbers. In March, 2005 Internet World Stats reported over 200 million Americans are Internet users representing over two-thirds of the population. Broadband Internet access has grown from 20 percent in 2002 to more than double that number (44 percent) by the end of 2004. The Pew Research study on The Internet and Daily Life, conducted at the end of 2003, found that 92 percent of adult Internet users qualify the Internet as a good place to get everyday information and 75 percent say it's a good place to conduct everyday transactions. The study further quantifies the heavy usage of search engines. Almost 85 percent of American adults go online to seek information. The Center for the Digital Future has named some top trends in Internet usage. Some highlights:

- There is a decline in concern in the area of privacy and security,
- the Internet is fast becoming the country's number one source of information,

- the media habits of the nation have changed and continue to change,
- broadband will change everything, again.

International Demographics conducted a survey that showed the initial adoption of the Internet was by the younger crowd (under 35), but there is now a significant shift in Internet adoption in users aged 55 and older. E-marketer's 2004 report says that almost half of adults surveyed (46 percent) use the Internet to plan gatherings and AOL reports 75 percent of American mothers use the Internet to research and plan trips of all kinds.

Travel Planning Online

The number of Americans using the Internet for travel planning remains stable at 64 million according to the Travel Industry Association. As documented in its 2004 report, over 36 million online travelers have signed up with travel suppliers to receive e-mail offers and promotions. In addition, nearly 11 million say they have taken a trip they would otherwise not have taken based on an e-mailed travel promotion, discount, or offer. Half of the top ten Web site

categories that showed large gains were travel-related. The proliferation of travel sites is a testament to their high usage by U.S. Internet users. Online travel services that are likely to secure return visits are those that offer "best rate guarantees" according to *Consumer Reports*.

Most of the issues cited by Internet travelers regarding vacation travel research and bookings are related to inflexible travel packages, inability to choose preferred providers, and packages that do not include the desired amenities. PhoCusWright projects that by 2006, 35 percent of leisure and unmanaged business travel will be booked online which will represent almost \$70 billion in travel revenue. While exact estimates vary, most forecasters agree that about one-half of the revenue is booked in airline purchases and one-fourth is in hotel bookings. A 2005 Burst! Media survey indicated that eight in ten adult Internet users who travel have purchased tickets online, more than two-thirds booked hotel reservations, and over one-third have rented a car online. Travel services are ranked third in numbers of purchases just

SEARCH TERM	ANNUALLY	SEARCH TERM	ANNUALLY
Brand Name Hotel (San Francisco)	11,640	San Francisco Hotel	2,339,940
Brand Name Hotel (New York)	7,308	New York City Hotel	606,456
Brand Name Hotel (Orlando)	6,960	Orlando Hotel	536,856
Brand Hotel (Chicago)	9,960	Chicago Hotel	534,780
TOTAL	35,868	TOTAL	4,018,032

Source: TIG Global and Overture data 2004

behind books/music/videos and gifts but when it was ranked by dollar value of purchases, travel dwarfs all other online categories as it moved to close to one-half of all online purchases (comScore Networks).

One-third of travel purchasers made a combination purchase of travel components using dynamic packaging technology in 2004, up from one-fourth the year before (PhoCusWright). Package sales are quickly emerging as a driver of growth. Travelocity reported one-fourth of its sales in packages, double its package sales from two years earlier, and Expedia claimed one in five sales were packages. Online purchasers tend to have higher income levels and many Internet users researching online are women.

There are many differing opinions on the market share of third party travel agencies versus the share of branded airline and hotel sites. Most forecasts point to a 60 percent share for travel suppliers (airlines, hotels, car rental companies) versus a 40 percent share for third party sites by 2009. This move has been facilitated by the tremendous growth in search engines such as Google and Yahoo. This growth has been even further aided by the newer "travel-specific" search engines such as Kayak, Sidestep, and Yahoo's Farechase.

The growth of search engine use for online travel research or booking is staggering. To illustrate the difference between the number of searches undertaken by travelers using a hotel brand name versus those undertaken

using location or other parameters is in the table below. These are the number of times a traveler put in an actual hotel/resort name into a search engine like Google or Yahoo versus the times a traveler typed in the city only with the generic word hotel. Given the tidal wave of new travel business that has been stimulated by online marketers along with the shift in pre-existing travel business, this is more than a change in channel of distribution. This new technology and communication medium will influence every aspect of a resort marketer's efforts. Besides managing the many new channels of distribution and the nuances of each, learning how to develop products, package, promote, and price them will all be effectively changed by virtue of the consumer's move online. ■

Executive Summary

This report set out to examine the resort industry's best practices in the area of Internet marketing and distribution strategy. Its primary focus is on Internet marketing since many resorts have not yet developed extensive strategies in the area of distribution.

After examining the participating resorts as well as researching many secondary sources within and outside of hospitality, there were five main trends that emerged to drive the Internet marketing strategy and philosophy of the resorts. These are:

1. The Internet is an intense medium
2. Push marketing is history, pull marketing is today
3. The Internet has global reach
4. The Internet levels the playing field between chains and independents
5. It is best to play with the intent of winning

Once these ground rules are understood, creating an Internet strategy can be built on a solid foundation of eight building blocks. The report is filled with examples and case studies for each that illustrate these building blocks.

1. Website Planning
2. Establishing Infrastructure
3. Building Traffic
4. Dovetailing with Offline Operations
5. Third Party Influence
6. Closing the Loop with Customers
7. Keeping Score
8. Keeping Up with the Jones'

Once the participating resorts' examples and best practices were documented, their results were also analyzed. It appears that many resorts are still at an early stage of adoption of Internet marketing.



This is evidenced by a limited budget commitment and equally limited proportion of revenue generated from online channels. Surprisingly, only about one-half of the participating resorts actively practice search engine optimization. Many do not participate actively in third party online travel agency programs due to a perception that these sites specialize in rates well below their targets.

Due to a very low proportion of online reservations, there is a corresponding lack of connection between most resorts' distribution strategy and their revenue management practices. More of the resorts were still focused on making navigation of the sites easy for the consumer and portraying the flavor of their resorts with a lot of graphic images. Fewer had turned their focus to building traffic and volume to their sites. It was difficult for most of the resorts to supply statistics such as revenue, ADR, and room nights on electronically-sourced business as their tracking systems have not been developed for this purpose. All of the resorts were very open to learning about new opportunities that could increase their online revenue.

STRATEGIC IMPLICATIONS: INTERNET MARKETING AND DISTRIBUTION STRATEGY

It is clear after investigating this topic that when a resort moves its business from offline to online channels of distribution there is far more involved than just changing channels of distribution. Throughout the interviews, the proverbial story of the three blind men describing the ele-

phant came to mind. The topic is as wide as it is deep. Some resorts characterize their entry online to building a Web site, others talk about e-mail campaigns, and others focus on third party intermediaries. Working with online channels entails operational issues including customer service and reservations, direct sales, awareness and image campaigns, direct mail, special promotions, lead generation, and customer relationship management.

However, some conceptual changes in marketing surface and require a higher level of understanding in order to succeed, not merely function, in this new medium.

1. The Intensity of the Medium

The Internet is a high intensity medium unlike traditional advertising undertaken by many resorts. A consumer receives a resort's message because they choose to do so. For this reason, they have the potential to be 100 percent engaged when they are exposed to an online message.

2. From "Push" to "Pull" Marketing

There is a fundamental shift in the online space from "push" techniques where messages are pushed to consumers to a "pull" technique in which messages are selected by the consumers. This change is crucial to understand as a marketer in order to take advantage of the new opportunities. This marketplace is consumer driven, not supplier driven, and as mobile devices such as MP3 players, PDAs, and cell phones proliferate, this message is even clearer.

3. Global Reach: It's a Small World

Upon launching a Web site, each resort effectively enters the global arena. Many resorts have not yet come to appreciate the full implications of this reality. Some of the global implications include addressing international issues such as language, relationships with international carriers, the role of third party intermediaries to penetrate emerging markets, and sourcing cost effective means to raise resort awareness in markets with a high level of online travel research and booking. Portfolio diversity applies to the customer base for opportunities to smooth seasonal patterns, to fill group holes, and to compensate for markets during periods of economic fluctuation.

4. Leveling the Playing Field between Chains and Independents

There is a resort's customer base and then there is the universe of potential customers who have not yet been exposed to a resort's name, no matter how well known the resort may be in its region or even in the United States. Prior to the Internet's usage by the consumer market, it was not practical to consider marketing to the wide audience of those unaware of a single brand name resort. It is now not only practical, but would be irresponsible for a marketing team to miss the opportunity to address this wider market.

5. Playing the Game to Win

This game is not won by getting more bookings through your Web site. This game is won by getting

more bookings. Online distribution creates tremendously exciting opportunities to facilitate more revenue. How this new revenue comes will vary by resort. Each resort can use online utilities to support its business plan in different ways. Some will gain new

social customers, some new groups. Some will gain more through retention, some will gain more through improved dispersal of information, some will create a machine that channels bookings through existing call centers, and some will rely on third parties

for incremental business during need periods. Some will win by higher yields through reductions in sales and advertising costs. The possibilities and the combinations for success are extensive. The only requirement is for each resort to play the game. ■

■ ■ ■ Eight Major Building Blocks

There are eight major building blocks that emerged from this best practices study to establish a sound Internet marketing and distribution strategy in the 2005 online world. Some resorts have a strong grasp of every element in the strategy and have deployed against a well thought out plan. Some have a limited grasp of these elements and have equally limited deployment. All must assess the nature of their current business (consumer and group), the nature of potential new business (consumer and group), and determine if there are areas that can be created or enhanced to strengthen their online foundation for increased revenue.

Website Planning

Establishing Infrastructure

Building Traffic

Dovetail with Offline Operations

Third Party Influence

Closing the Loop with Customers

Keeping Score

Keeping up with the Jones'

1. **Web site Planning** — setting goals, planning, and designing a Web site.
2. **Establishing Infrastructure** — building the systems to support a Web site's goals.
3. **Building Traffic** — search engine optimization, pay-per-click advertising, link strategies, e-mail campaigns, and stimulating group opportunities.
4. **Dovetailing with Offline Operations** — Web site (internal and external) do not function without interaction between sales and rooms operational teams, such as reservation call centers, customer service, revenue management, and offline marketing.
5. **Third Party Influence** — third party intermediaries including wholesalers, search engines, meta-search engines, GDS vendors, and affiliate marketers all influence a resort's Internet marketing plans and results.
6. **Closing the Loop with Customers** — incorporating customer feedback regarding service, travel patterns, and product preferences is an essential element to an Internet marketing plan.
7. **Keeping Score** — no marketing plan is complete without a series of metrics to tell the marketer what worked and what didn't. Cost/benefit analyses, post-campaign analyses, and other measures need to be tracked.
8. **Keeping Up with the Jones'** — besides the plans that are implemented every year, an Internet marketer needs to know what may be applicable in the two to five year time horizon for his resort. New technology, new communication methods, new distribution channels are always coming online. ■

Common Pitfalls and Detours

Before sharing the practices that will constitute the best examples of how Internet marketing can be done, there were some comments and observations by staff members who were interviewed within the resorts who had some preconceived ideas of what is “standard practice” in online marketing. It is worthwhile to share these in order to highlight and clarify some misconceptions of how the Internet works, of how marketing techniques are impacted by technology, and of how consumers use the medium.

ISSUE: Implications of Site Architecture and Planning

- Optimizing a Web site when built and then waiting a year to do it again.

- Getting sites done by a vendor and asking another to optimize.
- “We implemented keywords last summer.”

Some resorts thought it was optimal to have a graphic-savvy firm develop a Web site to gain maximum visual effects and have another firm take over to optimize it. They thought keywords should be analyzed and a site should be “optimized” for search engines when it is built, and that it is acceptable to wait a year or two to have the keyword analysis and optimization done again.

Correcting the Misconception:

- The way a site is built has a big impact on how it is ranked by

search engines. If it is designed primarily for visual effect or user navigation, it may or may not be built in a way that gets search engines to notice. It is best to have the firm doing the building also to be expert in search engine optimization so the user-oriented design can support future marketing goals. Retrofitting can be expensive.

- Knowing how to program and design web pages is a totally different expertise than making those web pages generate high search engine rankings. While some do, not all advertising agencies, friends, or relatives who may have tremendous graphics and/or computer skills also have the specialized skills needed for search marketing. This

skill is a core requirement of anyone hired to build a site.

- Search engine optimization (SEO) needs to be done daily, weekly, and monthly. Search engine algorithms change frequently and SEO is a specialty that requires constant research to stay current.

ISSUE:

Building Traffic to your site

- “Most people coming to our site use our resort name to find it.”
- “Those savvy enough to use the Internet will find us.”

Several resorts still think that most traffic to the site will be from the universe of guests who are familiar with the resort through other communication vehicles such as newspaper ads, word of mouth, or magazine articles.

Correcting the Misconception:

- Americans spend \$70 billion online for travel-related products.
- The use of search engines to do Internet research for hotels only by location has been cited as being close to 100 times the number of searches done to find a hotel Web

site directly. The resort industry should be at the front of the line for this flow of traffic, especially since it is dominantly consumers looking for leisure travel options.

- There are more and more cases of savvy independent hotels that have 50 percent of their business coming to them through their Web site, much of it new customers who would not have found them except through search engines. It is not just old customers coming through a new channel, although this will certainly be a small part of it.

ISSUE:

Distribution Channel Management

- “Even if online travel agencies cost more, we never turn this source of business off. We need everything you can get.”
- Can't track 800# volume that was web-sourced.
- Minimal links to revenue management.

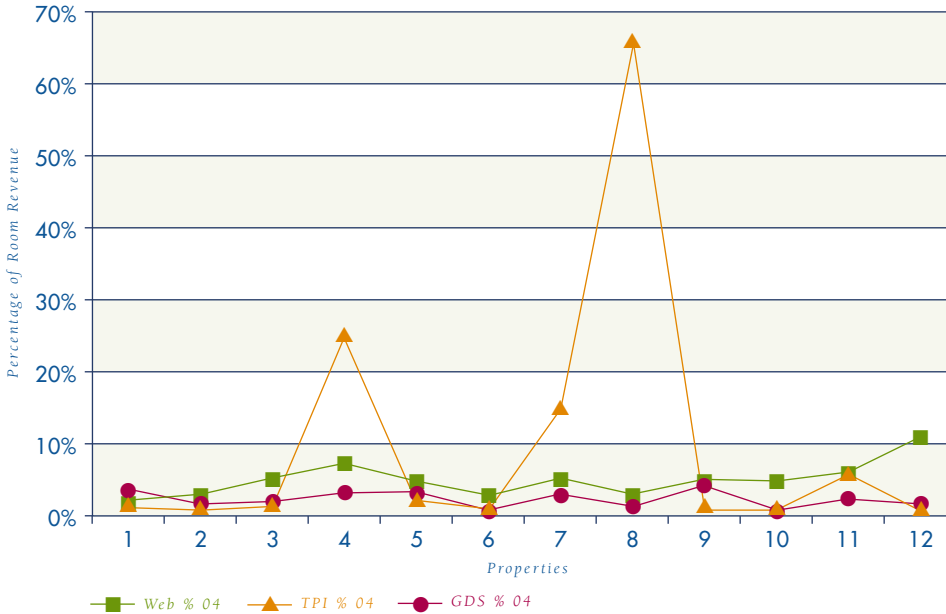
Correcting the Misconception:

- Many resorts totally avoid online travel agencies because they think

the rates have to be very low to be sold, and others never restrict their inventory in them. These agencies have a place. They also do not only sell lowest rates. Online travel agencies are expanding their packaging and want a wide variety of properties. Many online wholesalers also offer retail programs that are no different than the familiar retail travel agencies well known to resorts. Avoiding them is like avoiding a category of travel agents.

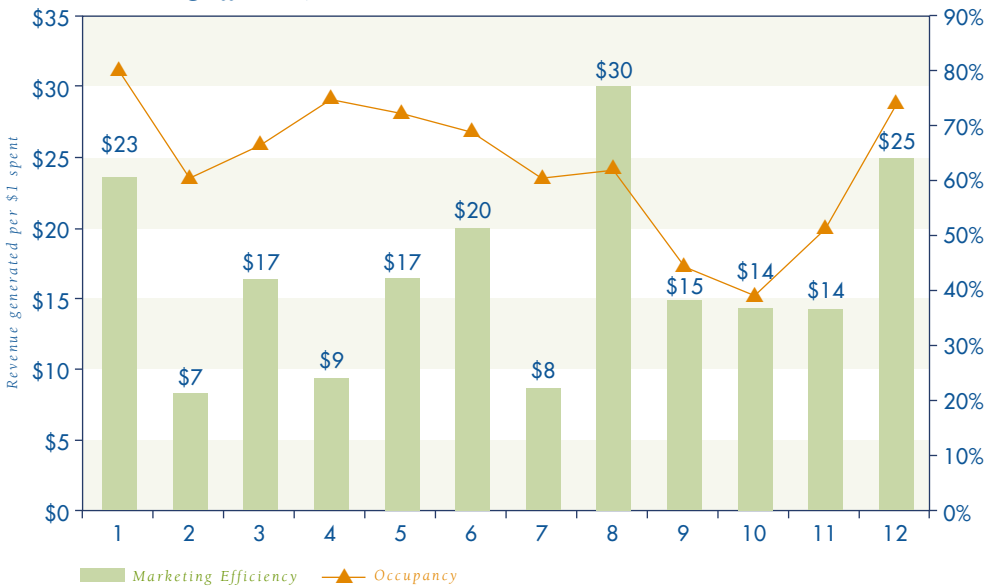
- Every resort can have dedicated 800 numbers that only appear online so their reservation office can accurately track inquiries that come via the web and book via the telephone. Systems will need to be implemented to link the call to the booking.
- Many resorts have not realized they can control every channel that delivers business to them. There are times when a lower rate is still better than no rate and times when it isn't. Each channel needs to be tracked accurately so its costs and its benefits can be weighed and a well thought out revenue management decision made. ■

Percentage of Online Room Revenue by Channel 2004



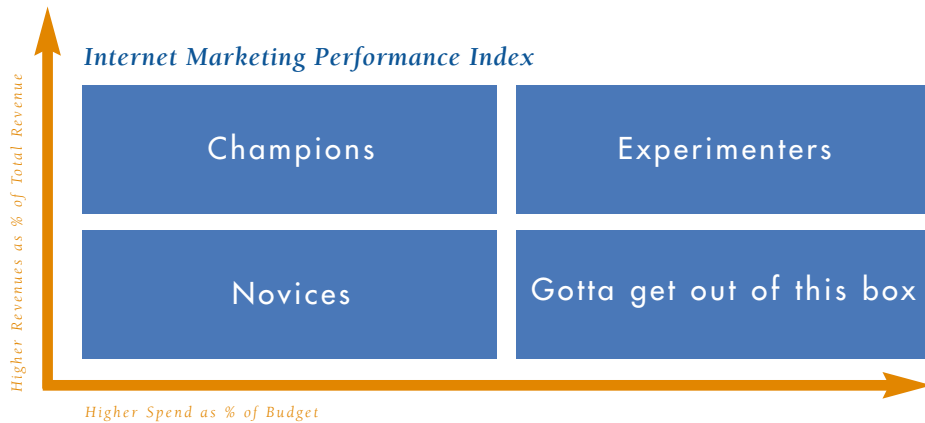
Many statistics were generated to assess each participating resort's position with regard to Internet marketing and distribution. There was a wide range of sizes of resorts from 70 rooms to over 1000. Occupancies ranged from 38 percent to 79 percent and total revenue ranged from \$12 million to \$125 million. Online contributions also varied widely when it came to online travel agency revenue. However, the percentage of room revenue through a resort's own Web site was much narrower, ranging from 1.3 percent to 10.3 percent with a mean of 4.2. GDS contribution from those resorts participating, with GDS similarly ranged from .7 percent to 4.2 percent with a mean of 2.4 percent.

Marketing Efficiency



Total Marketing Efficiency

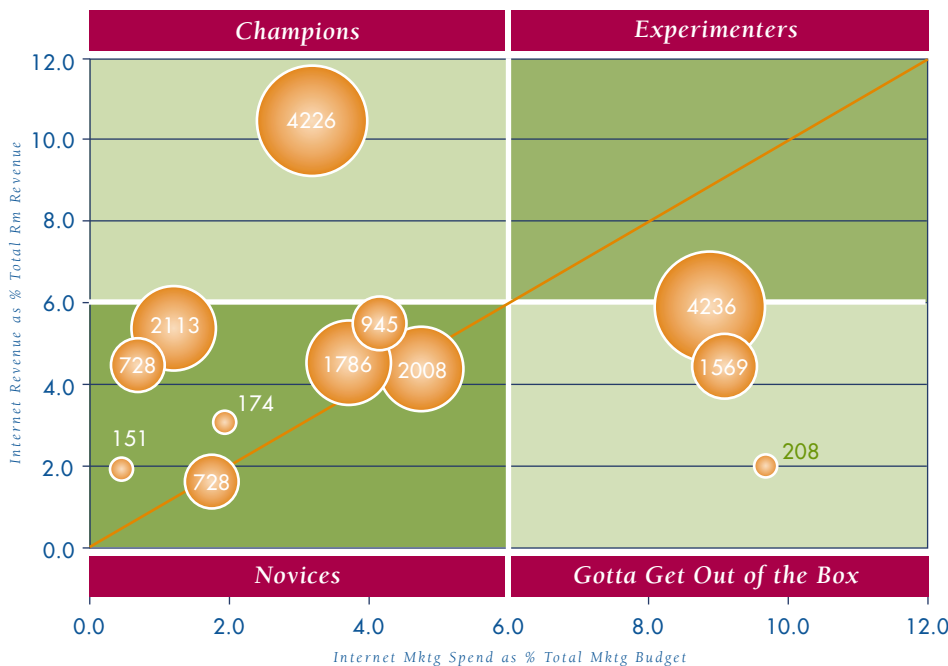
The number that was generated to illustrate marketing spending that could be compared between properties was the total revenue generated for each dollar spent. The higher the number on this metric, the more revenue generated for each dollar spent. Some properties with relatively high occupancies reflected a low return on marketing expenditures. Some with lower occupancies had a very high return on their marketing investment. It is a useful exercise for resorts to gauge how much they should spend relative to their revenue potential.



Internet Marketing Efficiency

Besides analyzing the overall efficiency of the marketing spend by resort, this study more closely examined the performance of the resort's Internet marketing strategy. The metrics used in this example created an Internet Marketing Performance Index. It compared the percentage of revenue generated by the resort's own Web site relative to percentage of marketing spend to generate that revenue.

Each bubble represents the revenue from a resort's Web site. The red line cutting diagonally through the chart indicates the points of equal spend and return. Those resorts plotted above the red line are getting disproportionately more revenue, those below the red line are getting less revenue relative to their spending. Being a novice or experimenter is fine, but it would be preferable to land above the red line rather than below it while testing and learning.



- **Champions:** Moderate online spending; high revenue
- **Novices:** Low level of spending; low revenue
- **Experimenters:** Higher level of spending; moderate revenue
- **Gotta Get Out of This Box:** Higher level of spending; low revenue ■

Best Practices Illustrations

In addition to analysis of marketing performance and online revenue production, the study cited specific examples of online marketing techniques. The types of illustrations ranged from techniques in site design, methods to facilitate group and meetings bookings, and metrics to track results. Some of the more unique practices included methods of linking online performance with financial reporting systems, customer feedback mechanisms to support customer relationship management, and purpose-built sites with tools incorporated to facilitate online sales.

▼ Leveraging the Resort Offerings

Resorts have some unique capabilities that most other hotel types cannot offer. An excellent example of a

resort taking advantage of its full range of products and services is when Hershey builds an eCommerce function into its site to supplement

its functionality to book hotel rooms. The resort features its spa products and has been highly successful in selling them online.



▲ Thinking Globally

Outrigger has recognized that it holds an international presence given its locations in the Pacific and South Pacific. The resort realizes how much business it gets from Korea and Japan and has built portals to address those markets.



Strategically Placed Banner Ads



Online Media ▲

Many resorts have voiced doubts about the efficiency of buying banner ads. Many think they are an annoyance to the online consumer and don't want to spend money that may be viewed in a negative light. However, well placed and appropriate use of banner ads can be highly effective. The study also examined the use of search engine optimization and linkage campaigns.

Sales Managers ▼ Go Online Too

One of the simpler techniques available to facilitate online sales is the customized eProposal for sales managers. They can improve their efficiency while giving the meeting planners a customized message with only the appropriate sales materials for their needs. The meeting planners appreciate the fact that the proposal has been designed based on their

requirements and it is usually more professional in appearance, much faster to generate, and less costly to produce than the traditional fulfillment package.

Internet Marketing and Distribution Strategy

List of Participating Resorts:

- The Broadmoor
- The Breakers
- The Greenbrier
- Wild Dunes Resort
- South Seas Resorts (Interstate)
- Outrigger OHANA Hotels and Resorts
- Hershey Resorts
- Oglebay Resort
- Water Color Inn and Resort (St. Joe Towns and Resorts West Florida)
- Hyatt Regency Hill Country Resort and Spa
- The Westin Kierland Resort and Spa
- El Cid Resorts (Mazatlan Mexico)
- Sanibel Harbour Resort and Spa ■



The world of online marketing is relatively new to hospitality although travel is the highest revenue producing sector of all online products and lodging ranks just below airfares in products purchased. Don't assume you are behind your competitors. Now is when everyone is learning how to manage in this new and exciting marketplace. The consumer market (which includes travel agencies and meeting planners) is actively and enthusiastically embracing this new interaction with travel vendors. The hospitality industry needs to set some ground rules for the engagement. Because there is more to interactive marketing than changing distribution channels, resort marketers have to think outside the box and accept that there may be new paradigms for doing business. Experiment thoughtfully and be prepared for constant change. Be aware of the lightning fast changes in technology and communications that will affect interaction with consumers, meeting planners, and travel agents. The opportunities are tremendous. Don't just play the game; play the game to win. ■

■ ■ ■ Recommendations: Next Steps to Raise the Bar

Given the high potential offered by Internet marketing and the limited penetration by many resorts, it is worth assessing your current position. Making some plans to close the gap between your online aspirations and your current revenue can be a worthwhile investment of time.

1. Calculate your current online market share

Take the revenue you get through your own Web site and divide it by the total room revenue you get for the same period. Do the same for third party online travel agencies and GDS. Refer to the graph Percentage of Online Room Revenue by Channel for some comparison to other resorts. The average Web site percentage was 4.2%, third party was 9 %, and GDS was 2.4%.

2. Calculate your overall market efficiency

Figure out how effectively you have been using your marketing funds to generate revenue for your property. Divide your property's total revenue by the total marketing budget and see how you fare. The range in this study was from \$7 return for every dollar spent to a high of \$30. Look at the graph called Marketing Efficiency to see where you would fit into the range.

3. Calculate your online efficiency

Take the amount you are spending on Internet marketing and divide that by your total marketing budget, then divide your Internet revenue by your total room revenue. If the spending ratio is higher than the revenue ratio you may need to re-think your Internet marketing plan. Of course, keep in mind that a property with a very high group base will usually have a lower ratio of online revenue and this may be appropriate for the business mix of the hotel.

If you look at the Internet Marketing Efficiency table, you can plot your property on the chart. The goal would be to stay above the red line. The size of the bubble on the graph shown in the report corresponds to the volume of online revenue.

Develop your plan

Once you have assessed your position, you can set a goal for the property and work with your marketing partners to achieve the goal. This may include your corporate/ownership team, your advertising agency and your internet marketing firm. Together, you can set realistic goals and put some promotional plans in place to accomplish them. Don't be afraid to experiment; most online marketing initiatives can be affordable on a trial basis and easily tracked. Run your numbers again after a few months and see if you have improved your position. ■