

The OTA: Can We Live With or Without Them?

If you've been following my writing over the years, you're well aware that I'm not a fan of the OTAs. They are strong marketers, and exceptionally well run. In a way, I'm awed by their clout. But, nothing personal, I see their business model as contrary to many hospitality organization's long-term goals. Three key arguments I've inculcated are margin erosion, commoditization and brand dilution. To sum them all up in a neat bow: the design of an OTA website



subliminally conditions a user to search for the cheapest room available and not to take into consideration the unique qualities of each particular hotel brand.

Although the OTAs extol the fact that they are taking on a big chunk of the marketing burden on behalf of hotels, this does not negate the often-gigantic commissions they command, nor does it remedy the psychological effects of becoming accustomed to using one website for all hotel queries instead of visiting branded pages. After awhile, hotel customers who utilize the OTAs for research and bookings become the OTAs' customers, not yours.

Spouting hellfire and brimstone like this, however, is not productive. The OTAs are here to stay, so we have to learn to work with them. Now that rate parity laws are beginning to show their cracks (and indeed repeals are well underway in some EU countries), it seems like the perfect time to lay down a few of my OTA strategies that I've led discussions about in the past.

1. **Conversion Through Education.** A fair share of OTA customers simply don't know the advantages of booking direct. The re-education process begins online from the moment you identify an OTA customer that has made a reservation. If you can send them promotional emails prior to check-in,

try and find out a bit more about what they are looking for in a hotel (that is, get data on them) and also explicitly state the advantages of booking direct next time, such as loyalty points and complimentary upgrades. Once they are onsite, your staff should be specially trained to prompt this topic through conversation and also try to get these customers to sign up for the newsletter. And importantly, make sure your front desk team captures their email data.

2. **Reputation Management.** Part of my stink against the OTAs has to do with how the websites display properties. When each hotel is shown in roughly the same page layout with the same colors/fonts, there is very little to visually distinguish one from the other. To mitigate this, ensure that you own your pages and that you keep the property descriptions crisp and brief while uploading the best possible photography. While layout uniformity is an issue, one clear advantage of the OTAs (and other third-party travel websites, meta-search or social networks) is their review systems. Respond to every criticism in a timely, professional manner and act on the issues addressed – other users will judge you on how you react.
3. **Get Around Rate Parity.** Even though this may not be an issue in five years time, it is right now for most of us, so we may as well deal with it (at least until it's time to renegotiate these contracts). If you can't compete with the OTAs on price, then offer your guests clear incentives for booking direct. At the most basic level, these perks can include access to fast or premium-tiered WiFi, F&B vouchers, complimentary bar beverages, or free amenity trials.
4. **Disruptive Technology.** While I'm not going to mention any specific names, rest assured the OTA dilemma is not something privy only to managers within the hotel ranks. There are quite a few companies working to solve our problems for us, whether it's through image-rich, pay-for-performance apps or advanced algorithms that target the right consumers and personalize each marketing message for maximum conversion. Read the trades, attend trade shows and always be on the lookout for 'the next big thing'.
5. **A Great Guest Experience.** The OTA websites are designed to favor location, price and date searches over specific properties. However, once a guest is onsite, you have to work hard to impress them and demonstrate why your hotel is unique so that they will indeed remember you for a return trip (and likely to book direct for this revisit) and spread your name through online praise

and word of mouth. If you have friendly staff with impeccable service delivery and you wholly fulfill the modern demand for a local authentic experience, then I see no reason why more and more customers won't go to you direct.

Just keep in mind, when OTA customers enter your property...

They are your **guests**, but they aren't your **customers**...

And they **don't know** that they are not your customers!

Can Hilton Break The OTA Stranglehold Through Advertising?

The saying goes, "Misery loves company." This cultural expression is based on the concept that people who are unhappy may get some consolation from knowing that others are unhappy as well. Does this adage apply to our hotel industry? It appears so!

Now, some ten years after the advent of the OTA, hoteliers seem to be finally awakening to the fact that operating hotels with this arduous booking commission structure is a burden then can no longer withstand.

Most hoteliers love the bookings the OTAs deliver, though. It's great 'billboard' advertising, and these channels are great for offloading unsold inventory. Hoteliers just can't stomach the fact that these bookings come with such a huge cost, both directly off the gross via commissions as well as indirectly through the concurrent changes to consumer purchase pathways.

Increasingly, we are starting to embrace different ways of looking at our business model in an attempt to cast a brighter light on the cost structure of various channel segments. As I have long advocated, by-segment ADR data that does not reflect the full cost of delivering those rooms will lead to bad



judgement. Senior executives need to have a better grip on the actual costs of converting that guest to book their properties, as no two channels have the same reservation cost structure.

Having now identified that indeed business derived from the OTAs has a lower 'Net ADR' (that is, room price less commission paid to the selling agent) than booking via the brand.com, corporate hotel management is now starting to seriously examine methods of stimulating demand for the lower cost direct sales channels. And not surprisingly, they're tapping their marketing expertise to educate consumers on best rate guarantee and to communicate the benefits of booking direct.

One such campaign that has emerged recently has been a campaign by Hilton. Entitled, *Stop Clicking Around*, you can view the impressive video advertisement [here](#). Backed by a Rolling Stones *Satisfaction* soundtrack, this is a big budget production. Kudos to their team and agency! But as anyone in the marketing department knows, creative development is only half the battle. Messages require both reach and frequency to gain broad awareness amongst the desired target audience. To build a great advert and leave it to YouTube for the heavy lifting is a slow and, at best, limp-wristed approach.

Take as a counterexample the 'Trivago Guy'. You can picture what I can talking about just by mentioning these two words! That immediate recognition did not materialize from a one-off digital video posting. To build strong levels of memorable communication requires a very deep pocketbook. I've read that the OTAs are now collectively spending about \$34 million per day in advertising. Remember, this is media spending that is coming from your commission payments! Additionally, a recent report cited that Dara Khosrowshahi, the CEO of Expedia, took home a total package of \$93.6 million, up by nearly ten times from his compensation two years ago. Clearly, they're doing something right...and by 'something' I mean everything.

So, if the hotel empire is going to strike back against the OTA onslaught, it is going to take more than just one or two forays into the advertising galaxy. While Hilton's campaign is commendable, this cold war will require a unilateral effort if we are to stand any chance of winning.

(article by Larry Mogelonsky, published in [eHotelier](#) on June 7, 2016)