

Direct is NOT ALWAYS Best

No Vacancy Accommodation Business Expo 2018



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Herobe: Startup developing hotel software solutions

Revmandis: Revenue management outsourcing, consulting and coaching

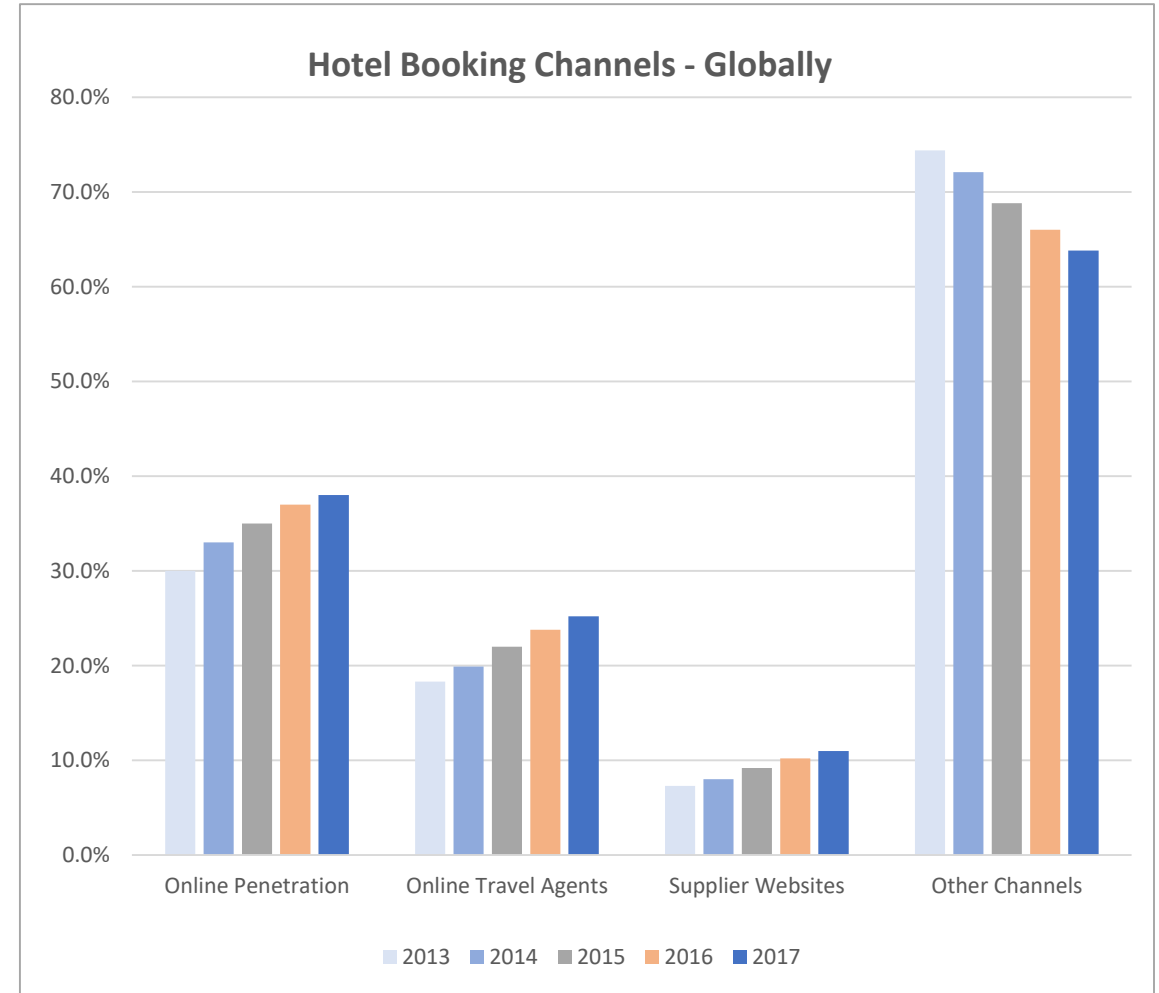
Nuvho: Hotel management company and brand for hotels, apartment style accommodation and rooms.

Sole mission to offer expertise, services and tech products, that improve day-to-day lives of hoteliers and make their businesses more sustainably profitable.



What is the Baseline?

- Online growing, traditional channels are not
- Distribution costs are growing
- 70% says distribution cost is biggest problem in our industry
- Hotels want Direct, Direct and more Direct. It is Best!
- HRS model – Bleisure growing
- In AUS, OTA direct commissions are some of the lowest in the world
- Issues with Wholesale onselling.



Source: Phocuswright / Revmandis

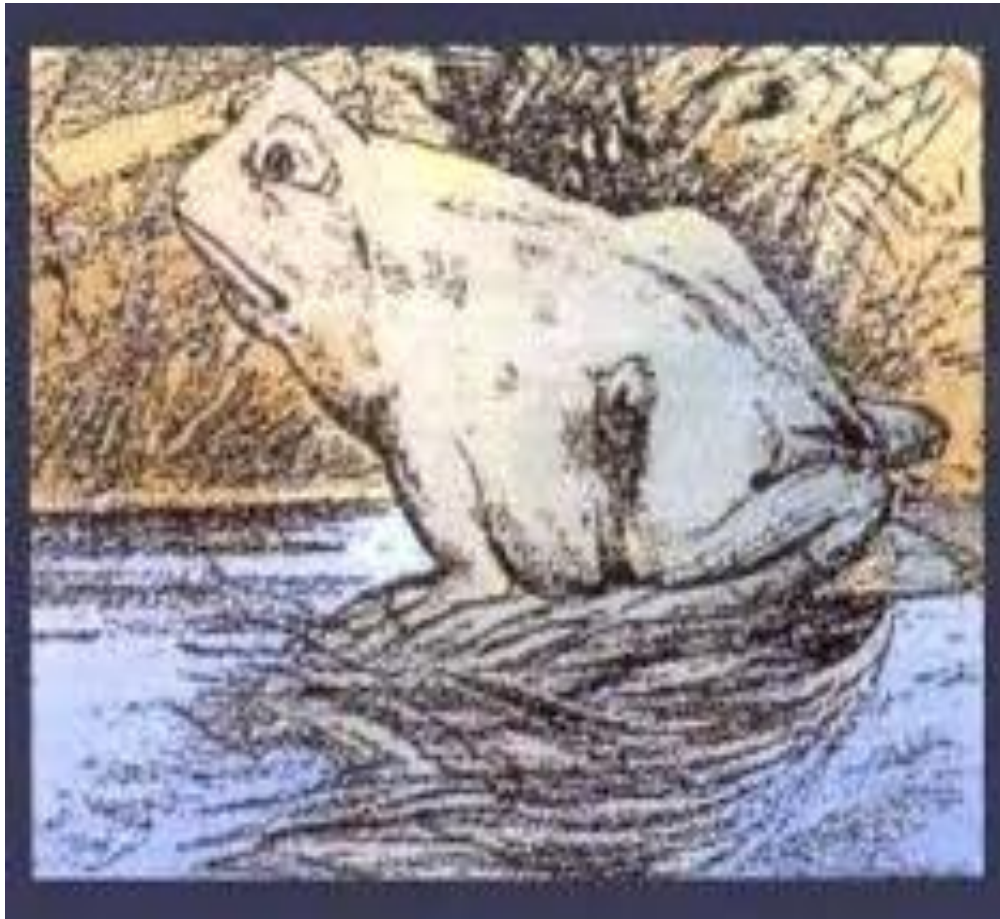
What made me look at this topic?

- Critical thinking and client experience. Hotel chains vs Independent hotels.
- We speak about the high % of indirect business in our hotels like it is shameful.
- Negativity around OTA discussions. Deep mistrust.
- ‘Direct is Best’ message mainly promoted by biased companies in the business of selling ‘Direct’ driven products and services.
- Rise of ‘Direct’ third party intermediaries as more hoteliers focus on ‘Direct’. They follow the money!

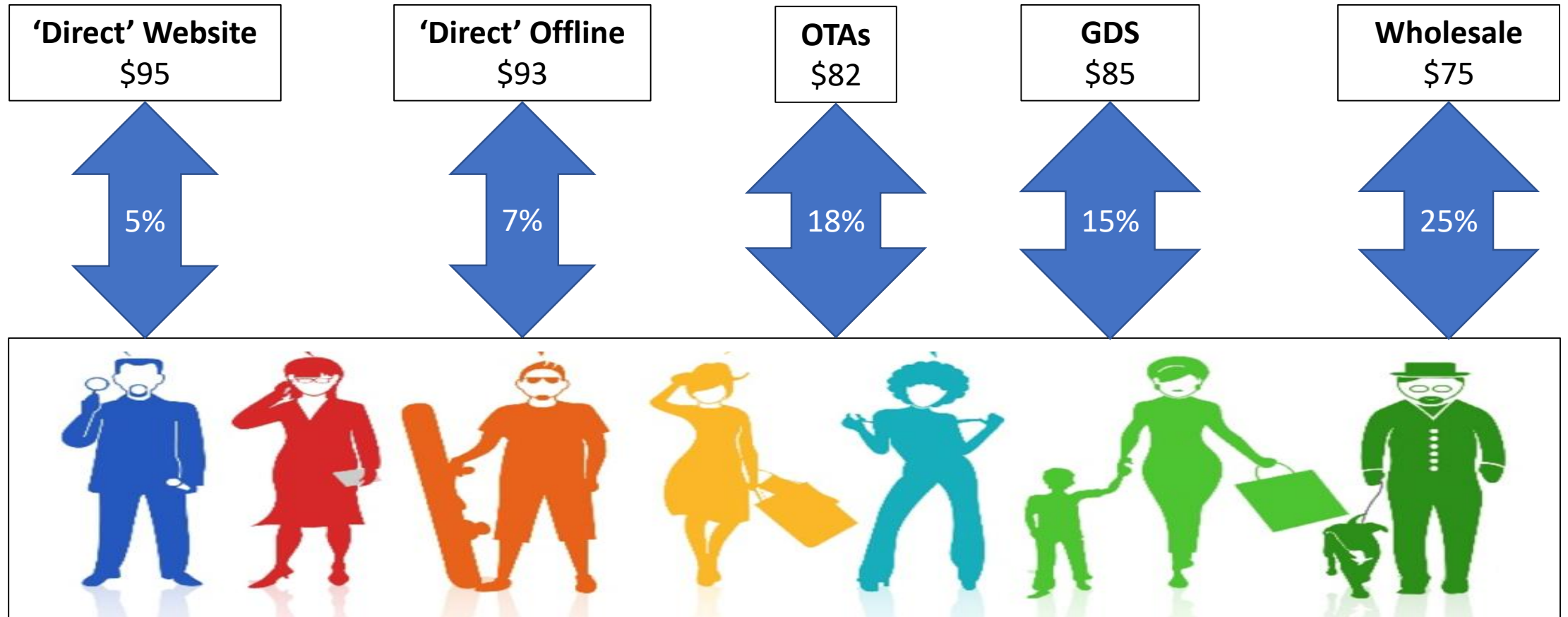
Perception vs Reality?



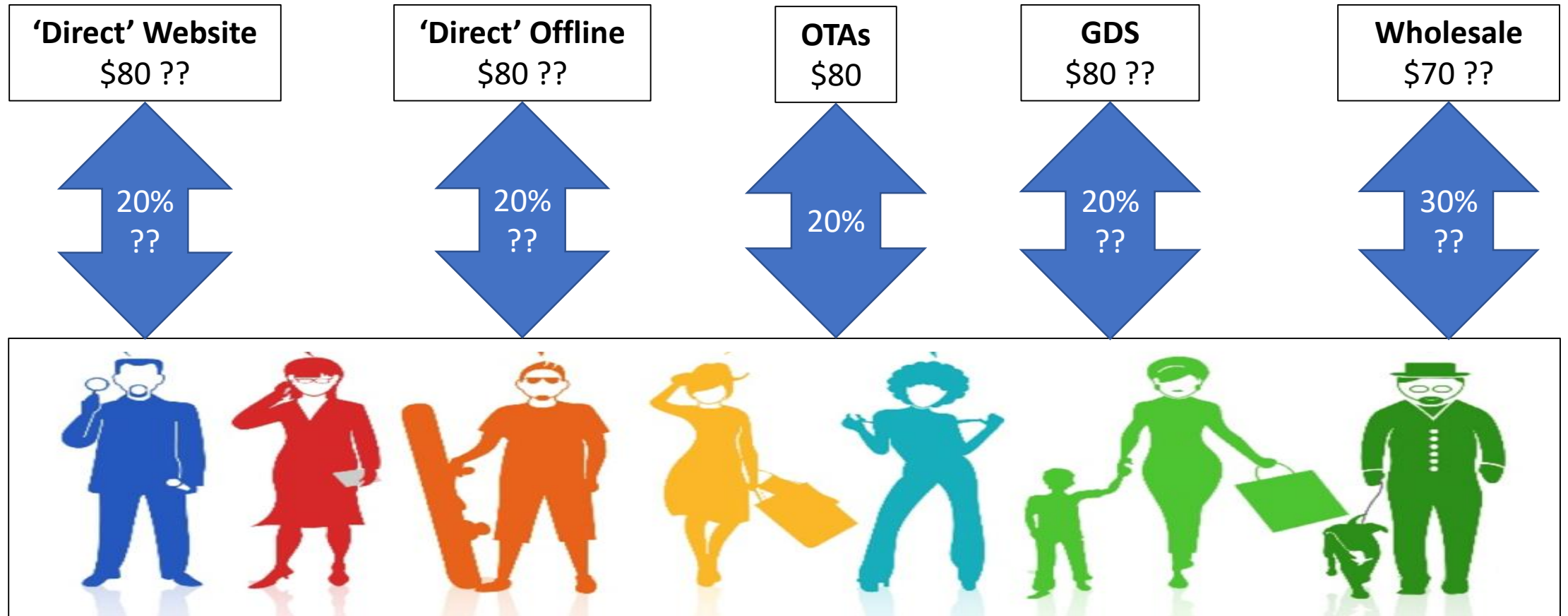
A few truths from the same story?



Cost of Acquisition:



Cost of Acquisition – Reality on Many Instances?



'Direct'? What 'Direct'?

BASELINE: Marketing Agency + Website + Labour = **5-10% Cost**

+ Add On Conversion Tools = **2-10% Cost**

- **'Direct'**: Trip tease type products (+ something else).
- **Corporate**: Consortia + GDS Spotlight Placements (+ something else).

+ Add On Hotel Conversion (Discount) Techniques = **2-10% Cost**

- **'Direct'**: 'Loyalty Incentives' + Discounts + FOC Extra Services (+ Something else).
- **Corporate**: Incentives + Discounts + FOC Extra Services (+ Something else).

Why do we give 'Book Direct' discounts and incentives?

- Brand equity
- Loyalty
- Being competitive vs Indirect channels
- 'Relationship' with consumers
- Everyone does it
- Pride – Win at all cost??
- All of the above

Cost of Acquisition (New) vs Cost of Distribution (Existing)

- Return guests are cheaper to acquire than new guests.
Perception or reality?
- Return guests = approx. 20-30% but who are they mostly?
 - Loyalty
 - Corporate
- Approx. 70-80% of the occupancy is up for grab through customer acquisition / distribution channels!!

How to optimise the cost of bookings without relying discounts!

First we need to understand how consumers book and then make it easy for them regardless of who they are!

Matt: *“Google: How many sites a customer planning a trip visits during the planning stage?”*

Google: *“Sorry, I cannot understand you, please can you repeat the question?”*

.....15 minutes of pronunciation training later, I finally called my wife to ask the question.

Google: AI Answer: *“38 on average”*

.....It was thinking: *“Finally! Someone I understand!”* 😊

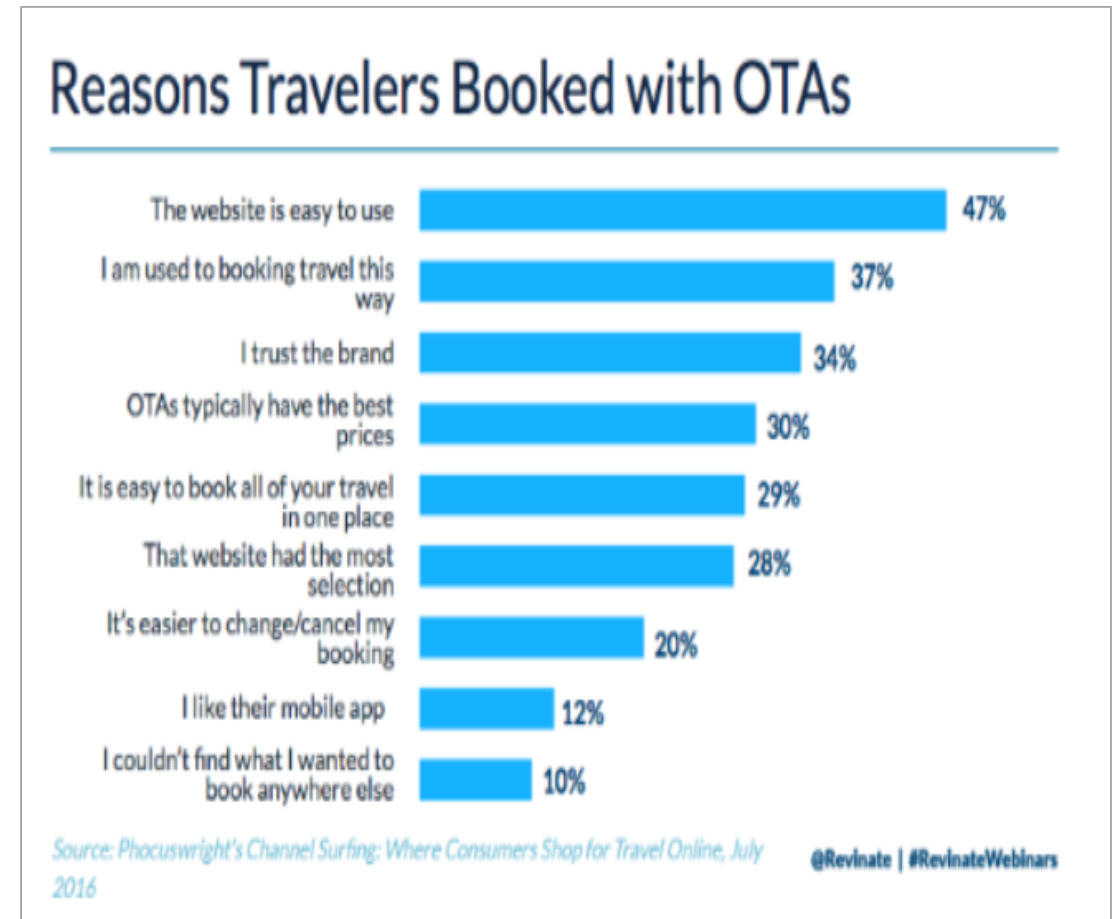
Booking Phases

- Dream, Research, Book, Experience, Share = **Many Touch Points – 38 Websites!!**
- Over 70% Search on OTAs or Meta.....21% on Hotel Websites.
- Only hotel chains can cut through on Google. Use Meta!!



Why OTAs? Why not 'Direct'?

1. Website is easy to use
2. I book travel this way
3. I trust the brand
4. OTAs typically have the best price
5. Easy to book all travel in 1 place
6. Wide selection
7. Easy to cancel / change
8. I like the App
9. Couldn't find on other sites



Source: Revinate / Phocuswright

It is not about 'marketing spend' or
'visits'.

IT IS ABOUT CONVERSION!!

Why OTAs? Why not 'Direct'?

- Booking can be easy or frustrating
- OTAs are better at easy
- Hotels are better at frustrating
- OTAs are **solely** conversion focused and try to make a booking easy
- Consumers therefore book OTAs
- Hotels have different focus, websites are often built for info



Ranking?

'The majority of people start filtering, sorting, ordering in some way. Also, we change the results depending on the click behavior that we see.'

I want to be on page 1 of the ranking, which one?

'The ranking is driven by consumer behavior. The foremost ingredient affecting ranking is conversion, it's actually not that much of a rocket science.'

Which hotel is more likely to convert?

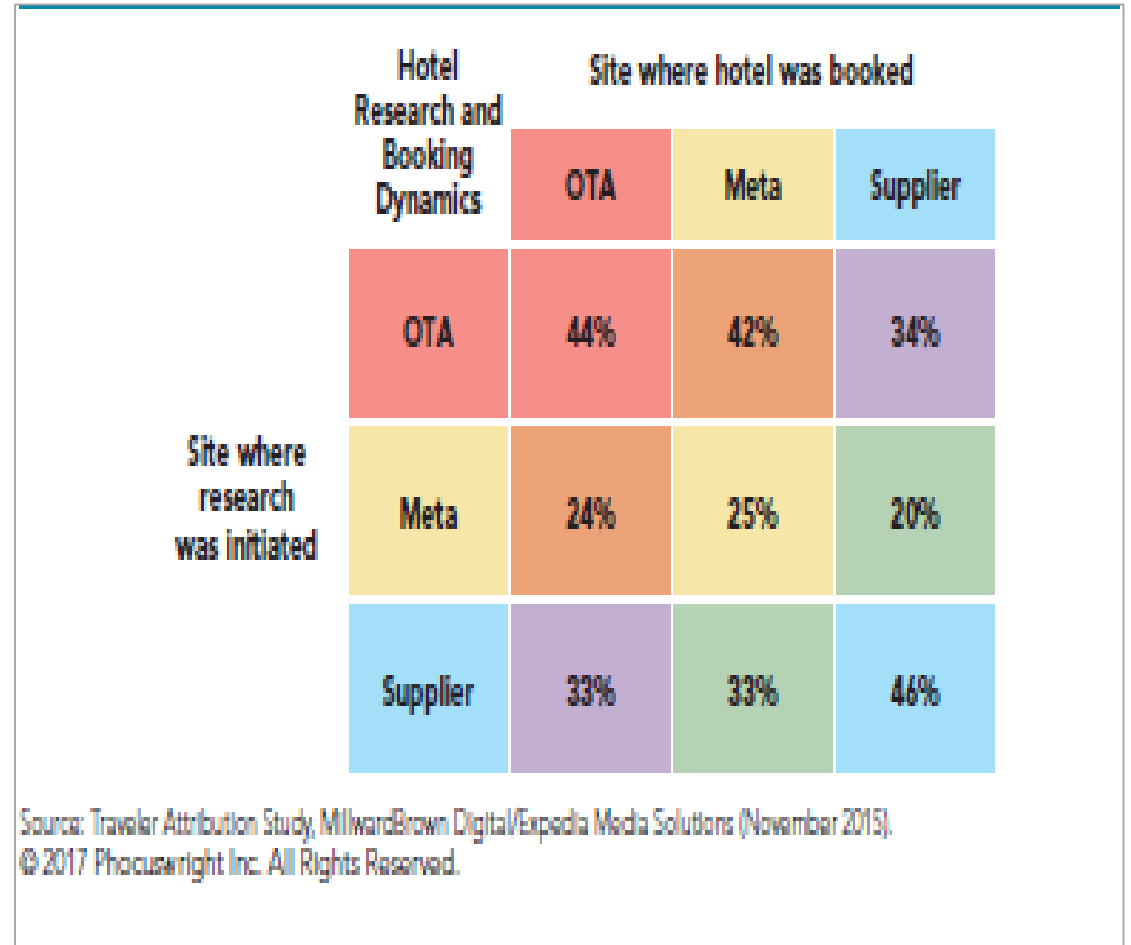
Source: **Booking.com CMO** - Pepijn Rijvers

<https://www.tnooz.com/article/booking-com-tells-hotels-its-not-a-zero-sum-game/>

<https://www.tnooz.com/article/crack-the-booking-com-algorithm/>

Billboard Effect?

- Exposure on OTAs & Meta Important.
- 30+% of people searching on OTAs book on hotel website
- Opposite is true!!
- Meta drive about 20-25% of bookings and growing
- Meta Battlefield: Google vs Trivago vs TripAdvisor.



My tips to compete

- Focus on value and price positioning for exposure.
- Focus on the magnitude of your deals for multiple LOSearch.
- Invest in Metasearch. Consumer touch point closer to ROI.
- Review 'direct' discounts and incentives.
- Invest in the best booking engine you can get and use conversion tools. **Must be multilingual.**
- Great content and simple language. 'Pay Later, Pay Now'.
- Re-evaluate OTA 'closed' promotion paths. Offer promo to everyone instead of close user groups.
- Re-evaluate expensive on-seller relationships.
- Be visible on most cheaper indirect channels to blend your cost of distribution overall and maximise your exposure.

THANK YOU

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