



What's Next In Hotel Marketing

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Introduction

Добро пожаловать!

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Welcome!

I am delighted to speak today on what is next in marketing within our hotel industry – market trends and their likely repercussions.

Firstly let me introduce myself. I am an Australian who over a period of 30 years has started and sold five businesses, all operating within the Australian and global travel and hotel industries. I have also been a strategic marketing consultant for hotels and tourism for over 23 of those years.

I am going to talk about some of the big macro trends effecting us, then expand on these for our own hotel and tourism industries, examining some of the likely effects that these are and will have on our marketing of hotels and tourism. All in 20 minutes!!

Macro Trends

Economics

So lets get the first major global trend on the table – the global economy – since today this is the biggest question mark for all of us – ‘What’s Next!’

I am not a believer in the media hype that this could be the beginning of the end, and that we have seen the last of the years of prosperity. I am sure that we will look back on the present in the same manner that we perceive 1987 – a bubble that had to burst and **a very necessary financial market adjustment.**

There exists **a significant long-term trend of increasing prosperity** across the globe, both in the developed and developing worlds. The last 100 years has seen unprecedented world GDP per capita growth, increasing almost fivefold during the 20th Century. I see this trend continuing.

The recent creation of large middle classes within countries such as India, China and Russia are producing large emerging travel markets. Even with the dramatic financial market events of the last few months, UBS’s projections of last month for GDP percentage growth in countries such as **Russia, China, India and Brazil** are still in high single digits for next year. So these nations are the travel markets you need to watch!

Oil approached a record \$145 barrel in early July 2008. Over the next generation oil price increases are expected to drive the cost of travel upwards, and specifically airfares. This will continue to affect the affordability of travel. **Unless alternative fuels can be found for aircraft, there is a risk that international travel will again become the domain of the wealthier** as it was in pre-1980.

Demography

In the Western world there is a major trend towards an aging population, where the immense baby boomer generation is entering their 6th decade. According to the 2006 report on *World Population Prospects*, for the first time in history the number of older persons in the world is set to surpass the number of children by 2045. And the proportion of the population of working age is expected to decline between 2005 and 2050 in every major area of the world except Africa.

Thus over the next 40 years **a large percentage of people within the developed world will be retired, have lots of leisure time and will travel in increasing numbers** – naturally in the shorter term this may be curtailed by an economic slowdown.

In contrast, within the developing world such as **Russia, China, India and Brazil**, there has been significant population growth and a resulting increase in the percentage of youth. These are the travellers of tomorrow. These form part of the wider 'Y Generation' – currently under 30 year of age, they are multicultural, politically correct and "green".

Globalisation of Culture

The universal spread of products, music, fashion and ideas, particularly with young people, is being driven by rapid technological change. All over the world a common popular culture is being created and shared.

The concept of the global village is a reality! In May this year I was on assignment in northern Lihir, an island in the remote reaches of Papua New Guinea. Walking with me down a jungle path was a young man wearing denim jeans that hung half way down his backside jiving to his iPod. A month later I was at latitude 71 degrees north at Illorsuit on the remote west coast of Greenland, and down a dirt track jived a young Inuit man, denim jeans half way down his backside with iPod in his ears. Two young people from cultures that were not so long ago deemed 'stone age', each from opposite ends of our planet – a dramatic illustration of the effects of cultural globalisation.

Here there is a convergence of ideas, of desires and expectations. For each, I am sure, overseas travel forms an integral part of their life expectations.

Technology

It is technology that has created this global village and today it is fast reshaping the dynamics of our tourism and hospitality industries. Through the advent of the **Internet** there has been a major increase in **access to information** on a global scale. Now consumers are more aware than ever before of travel destinations and travel products.

One of the most recent and significant technological trends is **the convergence of technology**. My i-phone is no longer a telephone, but a total communications device connecting me to a personalized world of information.

So now lets quickly delve into how these mega trends are specifically affecting marketing of our industry.

Specific Industry Trends

The three most significant trends or influences within our industry today are:

1. **The dominance of the Internet**
2. **Market fragmentation and the personalization of guest needs**
3. **“Premiumisation” – an overall increase in traveller expectations**

Dominance of the Internet

The power of the Internet as a travel distribution tool is now enormous, with many hotels – particularly independent luxury boutiques – gaining as much as 70% direct business from the Net. **The Internet has evened out the playing field**, giving small properties similar market penetration potential to that of larger establishments, be they members of a chain or not. A well optimized website with rich, easy to read content, plus easy online booking access, ensures significant increases in bookings.

I currently do the marketing for *Arajilla Retreat*, a small and remote luxury boutique resort on Lord Howe Island off Australia’s east coast. In just over 12 months we have increased its direct business via the Internet, and primarily to its own website, from 27% to 68% of total bookings. This direct traffic increase was achieved by implementing a well-planned and creative Internet marketing strategy – new high quality website content, successful site optimization, with effective online and offline promotion of its brand and website address.

No longer can hotels segment their tariffs via markets. The easy free flow of information via the Internet means that **parity of pricing is now mandatory**. However the Internet also adds flexibility to pricing through effective yield management strategies – the Internet combined with smart front office and reservation systems can offer **instant yield management pricing** across all markets. All hotels now need to adopt such technologies.

This swift yield management ability gives consumers opportunities for gaining ‘last minute’ special hotel offers. These last minute deals, combined with general cultural shifts as I described earlier, means that **lead times for hotel bookings are now dramatically shortened**, making it difficult for hotels to determine occupancy much in advance. On the positive side this trend is also assisting hotels in being able to fill occupancy at the last minute!

Nanotechnology is creating rapid change. As a consequence technology convergence is now more possible than ever, and the current combination of computers, Internet and mobile telephones has now created **m-web and m-websites**. Access to the Internet on hand held mobile device is fast becoming a

major market force, and M-Websites are now an essential component of any hotel and tourism promotional arsenal. *Travelocity* has just launched its *Traveltools*, a new native application for i-Phones and i-Pod Touch users, giving travellers dynamic on the road travel features such as “Hotels Near Me”.

The Y Generation have grown up in an era where computers and rapid communication are the norm, where landline telephones are considered a waste of space –they live on their cell phones and communicate via texting and social media websites. M-Web will have swift adoption rates as this generation’s next communication tool of preference.

The up and coming Y Generation presents new challenges and opportunities for all of us in online and mobile marketing, The creation of m-websites and strong online promotional partnerships is now essential for all hotels seeking to capture the under 40 year age market. A Handy Group survey in the UK recently found that 1 in 2 UK travel companies are planning mobile-friendly websites in the next 12 months.

Though magazine editorial and advertising, plus quality printed collateral, remain essential for the 40+ travel market, the Internet is fast replacing traditional forms of media for consumers under the age of 40.

The downside to this modern era of Internet: market entry and promotion is so cost effective that the market is more competitive than ever before; resulting in information overload by consumers and email bombardment. It is near impossible for many hotels to achieve cut-through in such an overcrowded global marketplace. I am a strong believer that **marketing still needs to combine traditional distribution channels with new media in integrated campaigns to be successful and gain significant cut-through**, particularly if you want to capture the older generation: combining well targeted traditional media such as direct mail, magazine and press advertising, TV or radio, as well as telesales and direct selling, with Internet marketing strategies in all their forms is the way to go!

Traditional advertising banners and PR story placement still have a place on the web. However by far the strongest growing force now in terms of influencing consumers and potential guests today is **consumer generated media**. There are a growing number of social networking sites along with *Facebook* and *MySpace*, and it is through these that the new generation share lives, stories and comments on travel experiences and products.

In addition there is a growing range of sites that specialize in consumer commentary specifically for our industry and these have become powerful reference tools – *TripAdvisor* is one of the strongest. Now there is a variety of corporate travel companies setting up networking sites in hopes of becoming the corporate travel *Facebook* of tomorrow, with *Expedia* and *American Express*

Business Travel having just announced such new sites. These social networking tools aimed specifically at business travellers are “in the very, very early stages” of development.

“Hot gossip” on the Net about brands is spreading like wildfire. All hotels today must consider the power of these sites and how best to position themselves so that product placement of their brand is maximised. The growing danger of this for all hotels is that these sites give the consumer, and not the hotel itself, the power to strongly influence the hotel brand and consumer buying. Thus, **more than ever, a hotel’s products and services will need to meet or hopefully exceed guest expectations** if a hotel plans to survive in this future where **word of mouse** is all powerful.

Fragmentation & Personalisation

Twenty years ago hotels segmented their marketing into leisure, inbound and corporate. Today these general segment practices still exist, however now it is simply ineffectual to offer generalized products and services to all markets and to promote accordingly. Increasingly the market is fragmented – **travellers travel with a specific purpose in mind and purchase accordingly.**

There will always be a desire for people to learn and travel; curiosity is part of the human condition! However, due to increasing wealth, higher education and easier information access, as well as greater leisure time to experience social, sporting and cultural pursuits, **travellers are more certain of their needs and wants than ever before**, and have greater expectations in selecting an hotel experience that meets those desires.

Spa, health, eco, family, adventure, romance, honeymoon, cultural, gastronomic, fishing, dive, surfing, executive business meetings, conferences, weddings, incentives – the list is ever growing. In the USA recently Mummy hotels were launched, catering to the specific needs of young mothers travelling with babies and infants. Product offerings include luxury lotions, massages, baby bathrobes, even baby Pilates. Not to mention outlet plugs, diapers, wipes, bottle warmers, highchairs, potties and all-important nightlights. In Sydney in July this year *Crowne Plaza Coogee Beach* announced a special relationship with the *Prince of Wales Hospital* in which a maternity unit will be set up, complete with on-site midwife, in this four-star hotel.

Hotels and resorts catering to the needs of the gay community, pet friendly establishments as well as green friendly hotels have all been developed, independent of the concept of star rating. Note now there is specific parking for hybrid cars in a US hotel!

The trick is to **create multiple specific product offerings and resultant direct marketing campaigns aimed at a carefully chosen selection of relevant fragmented markets**. This fragmented marketing approach is the future for hotels, and the Internet is a very cost effective channel for achieving this.

The increasing **sophistication of database management** and resulting advancements in customer relationship management systems allows companies – such as hotels – to **personalize market messages** to specific prospective as well as past customers. It is far more powerful to address a past or future guest by name as well as to directly address their personalized wants and wishes in your marketing communication. This is a significant trend in business generally, however it has special application within tourism and hospitality.

Premiumisation

Another significant long-term trend, that has reached dominance today, is premiumisation. Everyone today expects increased quality! How is quality defined as here? Better products and service standards, an overall better experience – both before, during and after their stay with you.

There is no doubt that standards are *increasing* globally. It is not simply about creating a 7 star product such as the *Burj Al Arab Hotel Jumeirah*; look at this amazing *Atlantis Hotel* ... everyone is attempting to offer **'best in class'**. Ask any hotel CEO today to describe what they are presenting to the market, and they will cite 'luxury' or 'best in class'.

Quality is not just about the physical products or the actual services delivered, it is about **the overall guest experience**. The experience a guest initially has with the brand, the quality attributes of that brand and how the guest interacts with it even prior to his or her stay. How effectively is your brand targeting your best prospective guest? It is about brand consistency and how effectively you reach your appropriate audiences. Naturally it is about the stay – the welcome, the room, the bed, the food and beverages, the leisure and meeting facilities, the special packages and so on. And yes it is about the after sales service – the thank you, the billing and the follow up.

Repeat business occurs if the guest expectations are met for the specific experience being sought. Given that there is a worldwide trend for greater and greater quality of the guest experience one would hope that the repeat guest ratio continues to increase. However on the flip side of this coin, greater and greater choice of products and services in the marketplace means that consumers heads are forever being turned in other directions, naturally affecting their product loyalty.

What does this mean for marketing? Quite simply that the quality of collateral materials, of creative design and imagery is on the increase. So to be competitive today, to be noticed and to answer prospective guest expectations your marketing messages and collateral has to be of the highest quality. Given that competitors are always going to attempt to 'outdo' you, marketing plans of the future will need to adopt continuous improvement programmes for all their collateral. **Your website, m-website, printed sales brochure, DVD and U-tube segments will no longer be a simple annual or bi-annual production event, but a constantly changing and evolving platform of media creations.** Marketing Services will need to become a more dominant part of your marketing budgets!

One Other Key Factor

Today one of the most powerful, if not *the* most powerful forms of promotion is product placement within mass media – this achieves significant cut-through like nothing else! Well-placed product in movies, on U-tube or in shows can be the driver for powerful marketing campaigns that can be seen by many millions. Take ***Lord of the Rings*** – here popular culture through a major movie series saw New Zealand's scenery become the stuff of dreams. Millions of people were presented with New Zealand's rich tapestry of green hills, rugged snow capped peaks and breathtaking wilderness. The movie *Lord of the Rings* was a key factor in the resurgence of New Zealand's tourism industry earlier this decade and was taken up and used extensively by New Zealand's tourism operators. *Tourism Australian* is now attempting to emulate New Zealand with the movie release this coming November of *Australia*.

The message here for any hotel is that the market will increasingly be more competitive in the coming decade. Your hotel or tourism product strategically seen within a movie or used in well-placed partnerships with other forms of mass media or products will be a significant form of effective promotion!

Tips

So here are 10 'hot tips' from today's session on *What's Next in Hotel Marketing*:

1. **Ensure a great website** – visually rich, easily to navigate and read, with an online booking system based on yield management tools, and well optimized.
2. **Build a great m-web site now!**

3. **Use a fragmented market approach** to your sales and marketing, both on-line and off-line.
4. **Combine online and offline media within integrated campaigns** to reach your desired markets
5. **Target consumer generated media** on the Internet and incorporate consumer reviews and ratings into your marketing strategies
6. **Personalise your marketing messages** to prospective as well as past guests as much as possible, using sophisticated CRM. People buy personal experiences not products and services.
7. **Communicate what your products and services are, not what you would like them to be!** Make sure that your brand, your product and service delivery, and your overall guest experiences **meet and exceed guest expectations.**
8. **Know your brand.** Ensure that you and your entire management team have a clear and concise understanding of your brand – identity, personality and image. If you have not defined your brand effectively then this is the first crucial step in developing a successful marketing strategy for this Internet age.
9. **Create Cyrillic and Mandarin website versions** as soon as possible to cater to these growing markets of the future. Hindi could also be considered in the years to come.
10. **Adopt a continuous sales collateral improvement programme** within your marketing plan and budget to ensure a premium competitive edge.