

Internet as the Only Growth Channel in Hospitality

The latest eTRAK Full Year 2009 report on hotel bookings by channel yet again confirms that today, the online channel is the only growth channel in hospitality. In the difficult economic environment, when travel supply outweighed travel demand by far, Internet bookings for the top 30 hotel brands increased by a remarkable 6.6% in 2009 vs. 2008 (eTRAK). This increase in Internet bookings comes at the expense of the GDS (Global Distribution System) and Voice Channels, both of which have been declining for many years now.



The growth of the Internet channel for the top 30 hotel brands is not an isolated phenomenon. HeBS reported steady increases in direct online channel bookings across its hotel client portfolio, even in a difficult year like 2009.

In dire economic times like these, characterized by sharp declines in travel demand, a comprehensive ROI-centric Internet marketing strategy can help hoteliers continue to generate much needed incremental revenues and out-smart their competition.

Here are some of HeBS' findings based on the latest eTRAK benchmark report, surveys and industry data from PhoCusWright, ARC and our own research.

GDS Channel Is in Steady Decline

GDS hotel bookings via the CRS (Central Reservation System) of the top 30 hotel brands declined by 3.7% 2009 vs. 2008, and constitute 23.6% of total CRS bookings in 2009 vs. 27.3% in 2008 (eTRAK). Back in 2006, GDS CRS reservations constituted 31.3% of total CRS bookings for the top 30 brands. GDS share has decreased by 24.6% from 2006 to 2009, when it was reported at the 23.6% level. Travel Agency Share from Total Travel Market in the U.S. dropped from 41% in 2006 to 33% in 2009 (PhoCusWright). U.S. Travel Agency Locations decreased by 7% in 2009 vs. 2008. The number of locations has been decreasing at an average rate of 4% every year since 2001, and the number of travel agencies has declined from as high as 35,000 in 1995 to less than 16,450 in September 2009 (ARC, HeBS).

The Voice Channel Contribution Is Decreasing



Voice channel hotel bookings via the CRS of the top 30 hotel brands declined by 2.9% in 2009 vs. 2008, and now constitute 22.2% of total CRS booking in 2009 (eTRAK). Last year's decrease is in addition to a decline of 2.8% for the full 2008 vs. 2007 (eTRAK). The Voice Channel is in decline for the 6th consecutive year (HeBS). Back in 2006, voice reservations constituted 31.3% of total CRS bookings for the top 30 brands. Voice Reservation share decreased to 25.1% in 2008 and 22.2% in 2009.

The Shift from Offline to Online Channel is Permanent

54.2% of overall CRS bookings for the top 30 hotel brands come from the online channel, which is an increase of 6.6% vs. 2008 (eTRAK). 60% of leisure and 40% of business travel will be booked online in the U.S. this year (PhoCusWright). 45% of hotel bookings in 2010 will be via the Internet (direct + indirect online channels) (HeBS).

Direct vs. Indirect Online Channel: Dynamics Follow the Economy

Typical of economic times such as the present, the hotel industry (similar to post 9/11) has again "succumbed to the devil" in the face of the major OTAs (Online Travel Agencies). Since mid-2008 travel supply has outweighed demand and hoteliers have been more susceptible to panic, resulting in deep discounting and embracing of the OTAs. The result is that we have witnessed a significant shift from the direct online to the indirect online channel in 2009:

In 2009, 70.9% of online bookings came from the direct online channel (i.e. the major hotel brands' own websites), while 29.1% came from the indirect online channel (OTAs) (eTRAK). This constitutes a significant increase of the contribution from the OTAs compared to 2008, when 75.2% of online bookings came from the direct online channel, while 24.8% came from the OTAs. Compare this to 2007, when the direct channel contributed 76% of CRS Internet bookings.

The Bottom Line: Focus on the Direct Online Channel



Hoteliers need a robust Direct Online Channel Strategy, accompanied by adequate marketing funds to be able to take advantage of the steady growth in the Internet channel and shift from offline to online bookings in hospitality due to declining GDS and voice channels. Hoteliers must carefully employ ROI-centric initiatives, including website redesign, website optimization and SEO, paid search, email marketing, online display advertising and proven social media initiatives.

Even in this economy, you should not decrease or eliminate your hotel Internet marketing budget. The Internet, and especially the direct online channel, is the only growth channel for hoteliers and the only "light at the end of the tunnel" in this environment. Even in these difficult times we see "Return on ad spend" (ROAS) as high as 3500% from Internet marketing campaigns we run for our clients.

Market researchers provide various projections for the growth of the online travel channel in 2010, from a small decline as reported by a travel research company, to growth rates as high as 11% in 2010 as projected by eMarketer. These optimistic projections are supported by the leading e-Commerce research company, which declares that overall U.S. online sales will increase by 9% in 2010. HeBS believes that online travel, having always been the most dynamic and fast-growing segment of the overall online marketplace, will experience similar growth rates. Whatever the case might be, the online travel channel, and especially the direct online channel, provides hoteliers with the only viable option for any growth during this recession.

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