

# GOOD AND BAD PRACTICES OF HOTEL DISTRIBUTION



In hotel distribution there is no perfect formula that can be applied to all structures to achieve the master channel mix. However, once it's clear about the main actors and what each one of them can contribute to us (for better or for worse), the next step is to know what practices you should avoid so that your hotel distribution does not become a real hell.

Controlling the distribution of your hotel is crucial, both in order to achieve greater profitability and income and to react to moments of crisis or uncertainty with the greatest possible solvency. **The lack of transparency in the redistribution, and the price struggle for the end customer, make this control very difficult to achieve.**

Following the path of virtuosity in the marketing ecosystem, a lot of things should be avoided, as much as possible, moving away from the fatal practices of hotel distribution:

- Greed when employing the more channels, the better: this can lead to mismanagement of sales channels, resulting in disorganized and unprofitable distribution. By over contracting some types of channels (following the philosophy of the famous "more is more") you run the risk of losing control and independence, not only of hotel distribution and profitability, but also of the direct relationship with your own partners and, obviously, with the end customer, increasing the payment of commissions to third parties.

- Not knowing the real profitability of each channel: calculating the net contribution cost of each channel is, without a doubt, a complex task that very few establishments are doing regularly and adequately. Only by knowing the real cost of distribution and the net income of each channel, will you be able to get to know the real value they provide (not only at the level of income, but at what times they help to fill the hotel) and make appropriate decisions, make a good cleaning of channels, which instead of contributing cloud your distribution, and staying with those who can accompany you in healthy and profitable marketing.

- Overestimation. Assume that all channels have more capacity to capture than you yourself: The e-commerce revolution has changed the behavior of users when buying their vacations and over 70% do so online. This supposes the democratization of the opportunities of all the distribution channels of a hotel, since the client uses the Internet as a priority way to make the purchase. Many channels that mediate your hotel distribution have access to the same audience as your website and are displayed in the same storefronts (also with a limited ability to generate demand on their own). Capture all that demand that keeps your direct channel within the adequate profitability margins, through a good visibility strategy.

- Neglecting your online presence and reputation: the direct channel is strategic for any distribution and should be one of the priorities of any property. For it to work, it is essential to have an attractive and easy-to-use website, with a solid booking engine that favors conversion. However, you must also take care of your online reputation since, although it does not generate sales by itself, it can be decisive when tipping the scales in your favor. Moreover, above all, you must be visible to your audience in the shop windows where the client is looking for your accommodation, aligning a good

digital marketing strategy with your direct sales.

- Laziness when letting other channels retain your customer in your place: feeding third-party loyalty programs makes them win over your customer. Once that first reservation is closed, the channel will not hesitate to offer the client any accommodation alternative in the future for their benefit, not yours. Building customer loyalty allows you to take control of the relationship with the direct customer, develop more effective communication, have access to their data and purchasing habits, being able to further personalize the message and reduce the cost of acquiring that customer in the future.

- Assuming that direct sales is a cheap option: hotel's direct sales channel may be one of the most profitable ones (if not the most profitable), but it may also be that its costs rise to the level of other intermediaries. Getting the first booking from a direct customer can be even more expensive than through a tour operator or any OTA, which is why Lifetime value and loyalty is so important, as it helps us to dilute the cost of that first booking in successive visits and lower your supported commission. Nor should we forget that, at equal costs, direct sales offer many more advantages in the long term (such as independence, control, sustainability, agility, etc.), which must also be part of your distribution objectives in the medium term.

- Believing that intermediaries will respect your price: as we said recently, the end of parity is a reality. Many intermediaries such as Booking or Expedia offer the end customer an advantageous user experience or customer service compared to the direct channel, which makes the sale fall on their side. But also, in recent years, we have been feeding their own disparities through loyalty programs or payment at the agency (payment on Booking or Expedia). The merchant model encourages intermediaries to play with their margin and offer more competitive rates than the direct channel. Controlling the distribution of prices is essential, as is presenting a competitive price on your website and a value offer in line with customer expectations.

In order to get back on track, **hotel management must take charge of hotel distribution, which will help ensure more profitable and healthy sales, and allow a greater ability to react to market challenges and demand.** Controlling distribution channels and their profitability, taking care of online presence and reputation, building customer loyalty and considering the real cost of direct sales are just some of the practices that can help improve hotel distribution.

Date: 2023-05-01

Article link: <https://www.tourism-review.com/how-to-improve-your-hotel-distribution-news13085>