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Tuning in to the right channels: Using data to optimize inventory distribution strategy

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If there's one adage that online travel agencies prove true over and over again, it's that not all reservations are created equal. The commission fees paid to OTAs naturally make hoteliers want to drive traffic to their own websites. But a diminished presence on high-traffic sites like Expedia and Booking.com can lead to lower occupancy rates and less revenue.

To find the right balance, you have to crunch the numbers, and when new numbers come in, you have to crunch those too. So says Kristen Richter, vice president for revenue optimization at Radisson Hotel Group, whose eight hotel brands account for more than 1,400 hotels around the world. Richter says that performing cost-of-acquisition analysis to determine hotels' margins with each booking channel is one of the most important parts of her job, and it's one task that never goes away.

Richter says she typically looks at the percentage of reservations, and the cost per reservation, made through each booking channel and compares that data with numbers from the prior month and the same month last year. The analysis helps the company identify trends and learn which strategies are most effective in each market.

"We're always looking backward and pulling data, whether it's from the CRS or PMS or various other data sources, and just looking to see production and watching trends over time," Richter says. "It's a fine line between wanting to grow Brand.com but also knowing that we do need to lean on the OTAs for success, so you're constantly watching what's happening and then trying something new, such as a new rate code, and then just watching what happens."

Ghassan J. Sader, founder and chief executive of Los Angeles-based Sader Hospitality Worldwide, a hotel management company, says there are no hard and fast rules for how many reservations should come from each channel. But in general, if a hotel isn't getting at least 35 percent to 40 percent of its reservations from Brand.com, the franchisee isn't getting good value from the brand.

Ideally, at least 30 percent of reservations should be repeat business – those hard-won, loyal customers who like the guest experience at your hotel and its location. The rest should come from channels such as voice, OTAs, Groupon and mobile channels such as HotelTonight. If a hotel finds that it is getting an unacceptably high percentage of its reservations from OTAs, Sader recommended focusing on a few fundamentals:

- Conversion – Turn OTA customers into Brand.com customers by engaging with them online both before and after their stay. When thanking visitors for their business in person and via email, mention that you noticed that they booked through an OTA and offer them a discount code to use on Brand.com for their next stay.
- Differentiation – Make sure the online booking process is fast and simple and that your website showcases what's best about your hotel, its rooms and its amenities. And don't be afraid to name names. If you have an edge over your competitors, such as lower prices on rooms, parking, food and beverages or other amenities, display that information prominently and in a transparent way on your website, mentioning your competitors by name. If you're offering a service that they aren't, such as a free carwash, then brag a little.

"The site should be enticing to guests and show them the value of staying with Hotel A vs. Hotel B, and that really comes at the unit level," Sader says. "We monitor every aspect of our clients' competitors so they can defend their position in the marketplace."

- Predicting demand – Make sure you're keeping up with the calendar of conventions, concerts, major sporting events, local festivities and other events that could lead to a surge in demand, and plan ahead since these events typically are scheduled many months in advance. Additionally, reviewing data from previous years can help hotel operators predict demand. Sader says that when demand is sure to be high, his clients initially might make as few as 2 percent of their rooms available on OTAs and then adjust that percentage if need be.

Peter Ferretti, director of revenue management for Seattle-based Columbia Hospitality, a management company and consultancy, says some hotels are naturally more reliant on OTAs than others, especially newly built independent hotels, which haven't been around long enough to earn loyal customers and lack national brand recognition. Hotels in highly competitive urban markets typically will lean on OTAs more than hotels in remote resort locations, Ferretti says.

Since the OTAs require parity for the lowest public rate, hotels can't undercut them on Brand.com, but they can offer an additional benefit, such as a $25 food-and-beverage credit at a cost of $10, that makes booking on Brand.com a better value for customers, Ferretti says. Additionally, guest loyalty programs help make Brand.com more attractive than OTAs.

"OTAs are a great place to showcase good photography because they do have a billboard effect," Ferretti says. "They get a lot of visitors to their website, so it's important to show up well there. You want customers to book on OTAs because that gives you the chance when they check in or check out to try to capture them as a loyal customer and get them to book direct next time."

Given that OTAs do help keep occupancy rates high, Ferretti says hoteliers should maintain a close relationship with their OTA market managers and meet with them at least quarterly to review their hotel's placement and performance on the site. Expedia and Booking.com also have free tools that allow hoteliers to track what their competitors are charging for rooms and, if they lose a reservation, whether that customer went to a competitor.

Ferretti says hoteliers should consider participating in OTA promotions such as Expedia's 72-hour sales, which typically require rooms to be discounted at least 15 percent.

"Anytime you offer a promotion on Expedia, you should also load that same promotion on your website, because if someone sees it on Expedia, they might go to your website to find out more information about your property, and you certainly want to have that same rate loaded on your website to try to capture that direct booking," he says.

One potentially expensive option that nevertheless should be explored is bidding on keywords in Google Ads, Ferretti says. For a Seattle hotel, for example, being among the first listings on Google when a customer's search includes the words "Seattle" and "hotel" is a reliable way to drive Brand.com booking. When you select each keyword, you can choose how much you're willing to pay whenever a customer searches for that keyword and clicks on your ad. But with deep-pocketed OTAs like Expedia and Booking.com bidding on those same keywords, this option easily can become cost-prohibitive, Ferretti says.

Richter says that in addition to knowing the percentage of reservations coming from each channel, hoteliers should make sure they know the cost per reservation for each channel. When things like loyalty discounts and rewards points are factored in, the difference in revenue between OTA bookings and Brand.com bookings might be negligible.

"I think one of the most important things people can do is a thorough cost-of-acquisition analysis," Richter says. "For a long time, it's been the assumption that the OTAs are the most expensive, and that may be true but it may not be true, and it's important for folks to know that for sure. It's a matter of just sitting down, doing the math and really understanding the cost of a booking on every channel."