SMART HOTELIER'S GUIDE TO

2018 DIGITAL MARKETING & TECHNOLOGY BUDGET PLANNING

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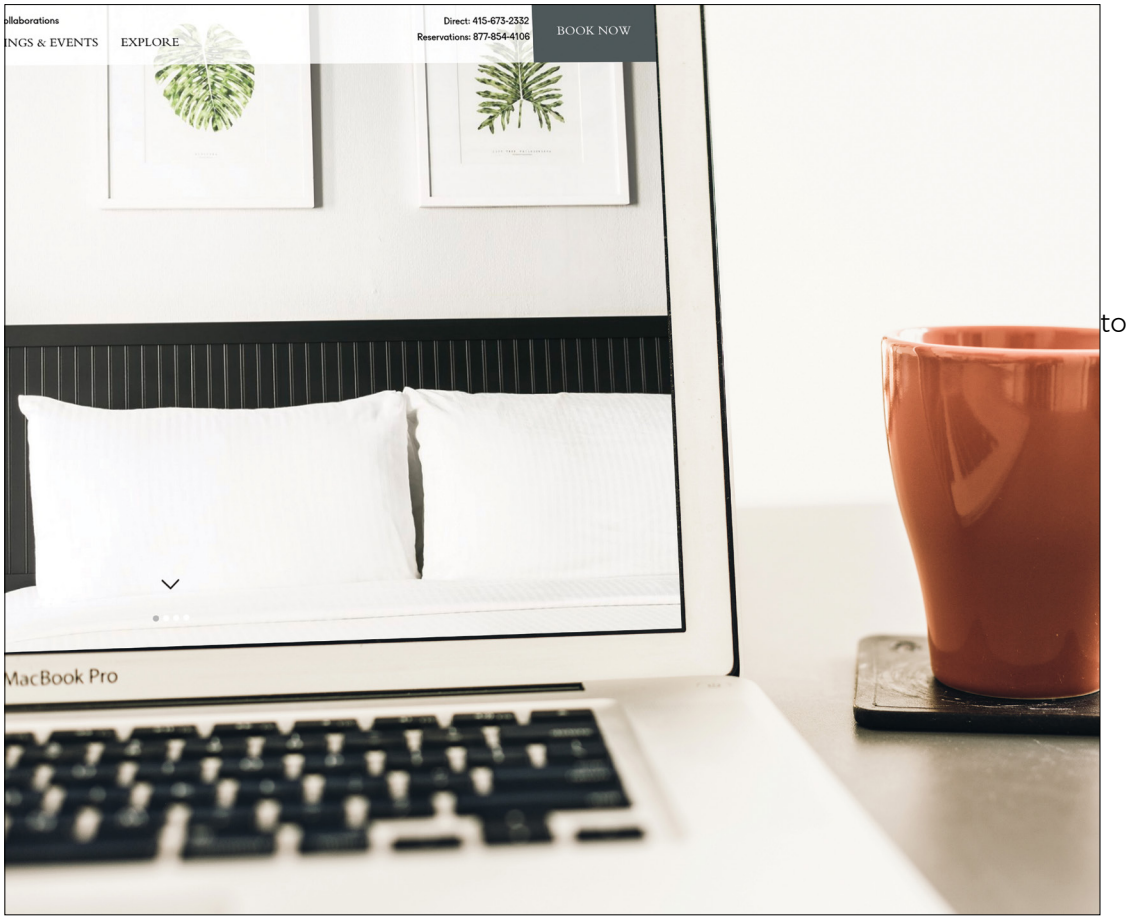
INTRODUCTION:

Budgeting season: The time to analyze what initiatives are driving performance, review trends in the industry that should be taken into account when constructing your budget, and start thinking about any major upgrades your property needs to take in its digital technology and marketing strategy.

Knowledge of where the industry's key benchmarks are headed is critical to budgeting appropriately and knowing where to focus your efforts to see results. According to STR, the US hotel industry is projected to see growth, slow yet steady, through 2018. However, supply will continue to outweigh demand in many major markets (+2.2% vs. +2.0%). Occupancy is softening by -0.2%, ADR will remain flat at +2.8% and RevPAR growth will be at only +2.6%.

This year, in addition to a continued focus on book direct strategies, a topic dominating discussion includes the need to bridge the data, technology, and marketing silos to increase operational efficiencies, as well as improve our ability to use the data we have about our guests build relationships, increase loyalty and revenue, and acquire new guests.



Success in 2018 will be based on how much you can lower your acquisition costs and how well you know your guests, along with what you do with that knowledge.

KEY INDUSTRY FACTORS TO CONSIDER WHEN CREATING YOUR PROPERTY'S 2018 DIGITAL MARKETING & TECHNOLOGY BUDGET

1. In 2018, supply will continue to outweigh demand in many major markets.

Occupancy is softening and over 70% of major markets in the U.S. expect lower occupancy next year. Lower occupancy equals a tendency to discount and increase reliance on the OTAs, which inevitably affects the bottom line due to increases in acquisition costs. It also translates to cuts in sales and marketing budgets, and less focus on investing in direct bookings. This becomes a vicious cycle: more dependency on the OTAs and further erosion to the bottom line.

As a result, we will continue to see an emphasis on book direct strategies across the industry. The OTAs spend $6 billion a year on marketing, and according to Kalibri Labs, the cost of acquisition is 15-25% of Guest Paid Revenue. This is 3-4 times higher than what we have seen in the past in our industry. Hoteliers need to focus on putting heads in beds at a lower cost. Hotels can and must do a better job of engaging, retaining, and acquiring guests throughout the customer journey. This is not only more efficient and more effective at driving direct bookings, it grows the bond with customers and their lifetime value.

70%

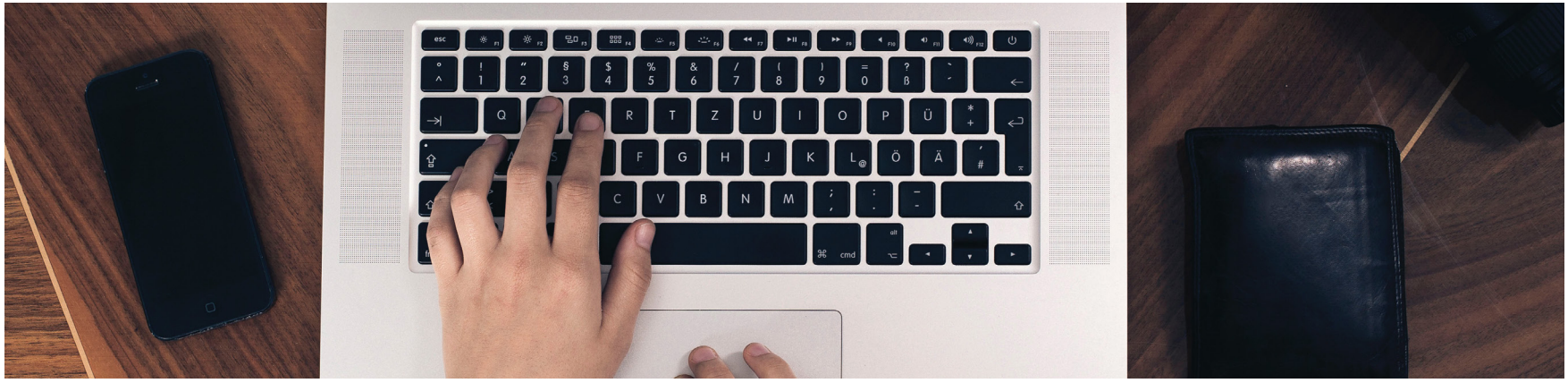
Of Major Markets in US to Experience Lower Occupancy in 2018

15-25%

Of Guest Paid Revenue = Cost of Acquisition *(Kalibri Labs)*

3-4X

Higher Acquisition Cost Than What We've Seen in the Past in Our Industry



2. Stay laser-focused on increasing direct bookings and lowering distribution costs.

With industry forecasts flattening and even decreasing occupancy, and supply outweighing demand in many major markets, the only cost driver hoteliers have any control over is distribution costs. All the other major cost drivers—labor costs, debt service, franchisee fees (for branded properties), utilities, and real estate taxes—are beyond the hotelier's control and are creeping up in one way or another.

Therefore, increasing direct bookings and lowering acquisition costs is vital to the health of any hotel.

The digital marketing budget should not be looked at as just another expense for the property. This is a direct distribution cost vs. hotel expense, as well as an OTA commission-reducing investment. In this sense the digital marketing budget provides a dual benefit: It increases direct bookings at the lowest possible distribution cost and it reduces expensive bookings made through the OTAs.

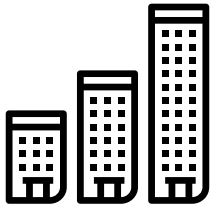
TOP 6 COST DRIVERS



Labor Costs



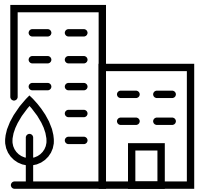
Debt Service



Franchise Fees



Utilities



Real Estate Taxes



Distribution Costs

The Only Cost Within the Property's Control

3. Bridging the data and digital islands is necessary to bring us out of the fragmented reality we are operating in.

In order to better reach and retain guests throughout the entire travel planning journey, it's becoming more and more critical to stop working in digital technology and marketing silos.

Crucial guest data lives in silos—including PMS, CRS, website analytics, social media, and more— that do not communicate with each other. Many hotels tend to use a myriad of vendors: one for CRM, a second for the website, a third for SEO, a fourth for SEM, a fifth for media, and so on. This fragmented approach does not allow hoteliers to see the big picture or have a systematic and holistic approach to guest engagement, retention, and acquisition. The result is lower ADRs, high distribution costs, the inability to define your best guests and acquire new best guests, and more.

By bridging all this knowledge under one roof and understanding who past "best" guests are (i.e., those with the highest RFM value: Recency, Frequency, and Monetary) and their preferences, stay, and booking behavior, your property or properties can capitalize on these insights to fuel digital marketing campaigns to reach future best guests.

Data and marketing silos operate in **complete isolation** of your guest...

PMS	CRS	CRM	WEBSITE	SOCIAL	MARKETING	SEO	SEM	GDN	DISPLAY

and their **travel planning journey.**



4. The Travel Planning Journey Continues to Evolve in its Complexity

As we continue to see an increased complexity in the travel planning process, hoteliers need to find ways to get across to their best potential guests with meaningful and impactful messaging. Today's typical online travel consumer is exposed to over 38,983 micro-moments in any 60-day timeframe and visits an average of 18 websites via multiple devices in eight sessions before making a hotel booking (Google Research). This journey results in some serious competition for the travel consumer's attention.

Hotels are not just competing with OTAs, their competitive set, and Airbnb, they are competing with every 'micro-moment' that distracts the travel consumer such as emails, text messages, video content, and social media feeds. The strategy we outline below will cover how to cut through all the noise and understand how to resonate with key customer segments and feeder markets.

Not just **competing** with



Competing with **38,983** micro-moments

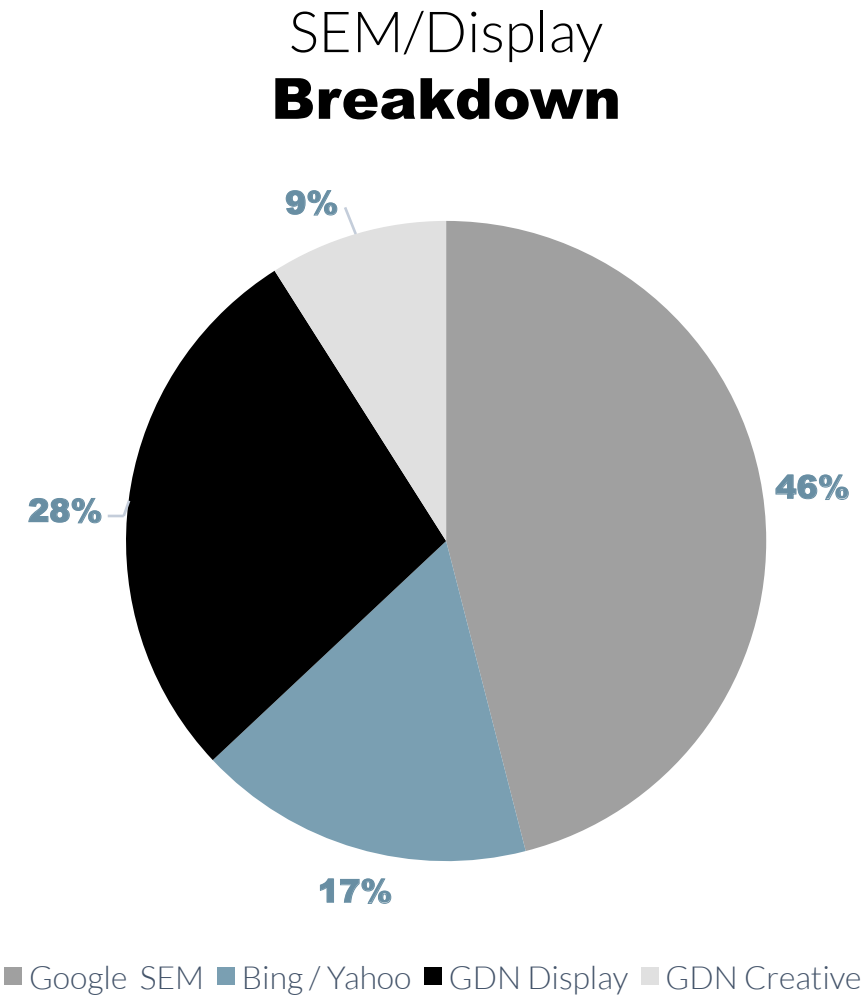


5. The Google Ecosystem has become **a fully integrated advertising platform** where all advertising formats are intertwined and work in concert.

Changes in consumer travel planning behavior, advances in technology and targeting methods, and changes instituted by Google (e.g., dropping the right-hand rail on desktop searches) mean that hoteliers should change their mindset when it comes to the Google Ecosystem. All advertising formats are interconnected, where user engagement in the upper funnel influences conversions in the lower funnel, and where a campaign in one advertising format influences the results from all other formats.

Various advertising initiatives on Google should not be judged on performance as stand-alone campaigns, but rather looked upon as one holistic campaign across the entire Google Eco-system, including search ads, the Google Display Network, Google Hotel Ads, Gmail Ads, and more. Hotel advertisers should focus on the blended ROAS from the Google Eco-System as a whole, and take into consideration the phone reservations originating from Google initiatives. In other words, if you invest $10,000 in the Google Ecosystem, what would the return be? 5 times? 10 times? 15 times?

The Hotelier's Action Plan to Maximize Revenues from the Google Ecosystem focuses on this topic.



6. It takes a 360-degree approach to acquire, engage and retain guests throughout the typical guest lifecycle.

Loyalty to any particular hotel brand has been decreasing over the past few years, while guest acquisition costs have been increasing. However, a recent research study by Phocuswright showed 79% of hotel website bookings were made by travelers who belonged to a hotel loyalty/ guest recognition program. This means that increasing loyalty and focusing on improving the guest experience, not just on property but also digitally must remain a priority for hoteliers in 2018.

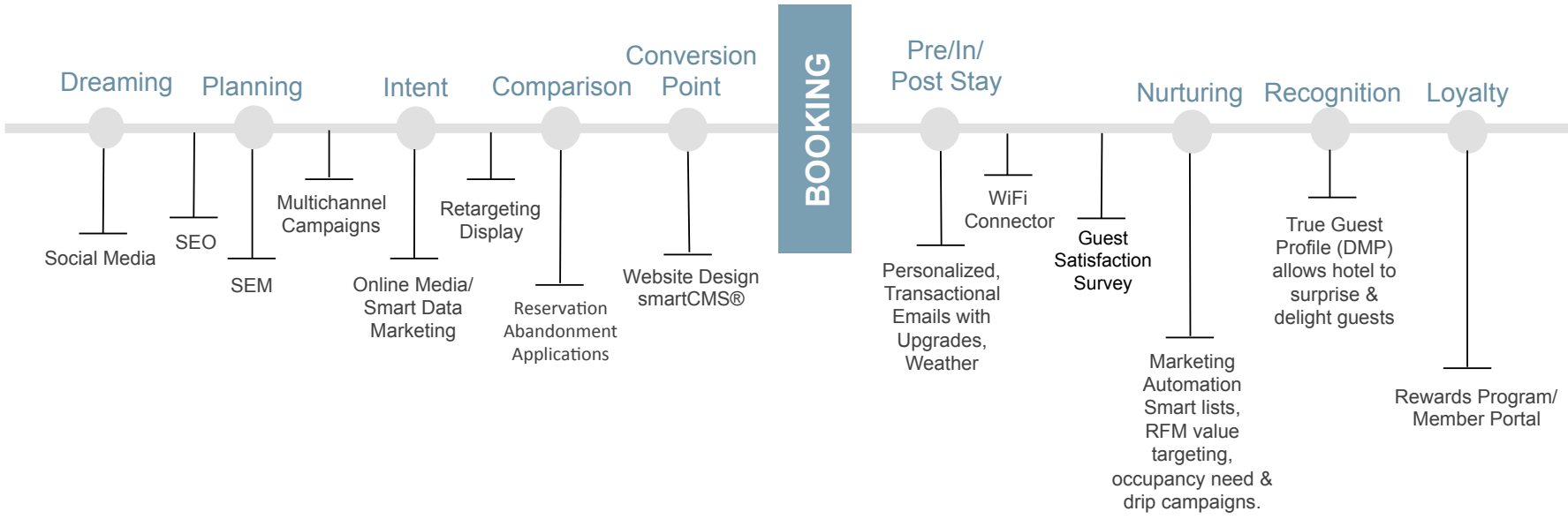
How can we bridge the digital and physical world, and stop treating guests that come to our hotel websites as complete strangers? CRM efforts to engage and retain past guests must be combined with actions to acquire future guests. By closing this loop hoteliers can better reach their best guests, and by extension increase direct bookings, lower distribution costs, and increase the lifetime value of their guests.

The typical guest lifecycle includes the dreaming, planning, intent to travel, conversion point phases, and beyond to the nurturing and recognition phases. Hoteliers can reach consumers throughout the pre-booking portion of the lifecycle with marketing initiatives such as social media marketing, SEO, SEM, multichannel campaign development, online media and smart data marketing, retargeting, and of course, a website design backed by a sophisticated website technology platform.

To keep the conversation going, hotels must leverage solutions that help own the conversation with the guest from the moment the booking is made, nurture the experience with marketing automation, and retain these guests by showing them how much their business is valued.

By integrating all of your data sources and looking at how you are reaching your consumer every step of the way, the customer journey comes full circle. You go beyond just acquiring your guest, you engage and retain them — therefore increasing those repeat direct bookings.

Here's what this 360-approach looks like:



7. Consumer demands for personalization are increasing.

Consumer demands and expectations for the website experience are evolving and intensifying. We typically have eight seconds to capture a consumer's attention, and 19% of visitors will defect within 10 seconds of landing on a website. The value of personalized content has been proven several times over. HEBS Digital clients that introduce personalized content on their website see uplifts of 40%, 50%, and even doubling of conversion rates.

Data is the new currency, and hotels can use data to translate what they know about their guests into revenue. Hotels that combine data sources to create one true customer profile and one source of truth, avoiding the fragmented approach discussed in trend #3, will see an incredible lift in conversions.

Connect demographic info, contextual clues, guest loyalty preferences, and first and third party data into a complete profile of your customer. Use this data to deliver personalized content and experiences in real time, using a platform that does not require developers or IT. Then analyze results, optimize for higher performance, and A/B test. Make decisions backed by real results.

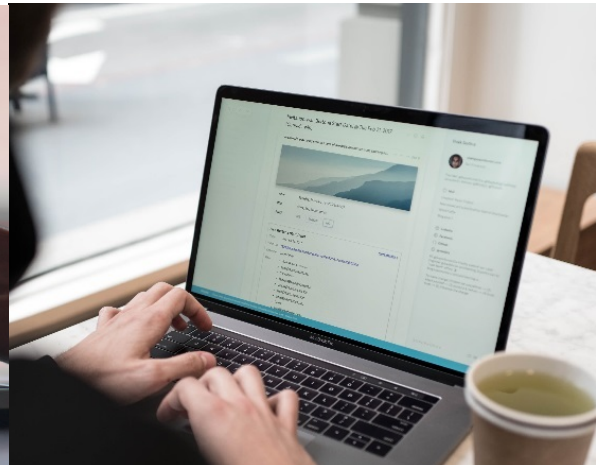
Connect Demographic Info



Deliver Personalized Content



Analyze and Optimize

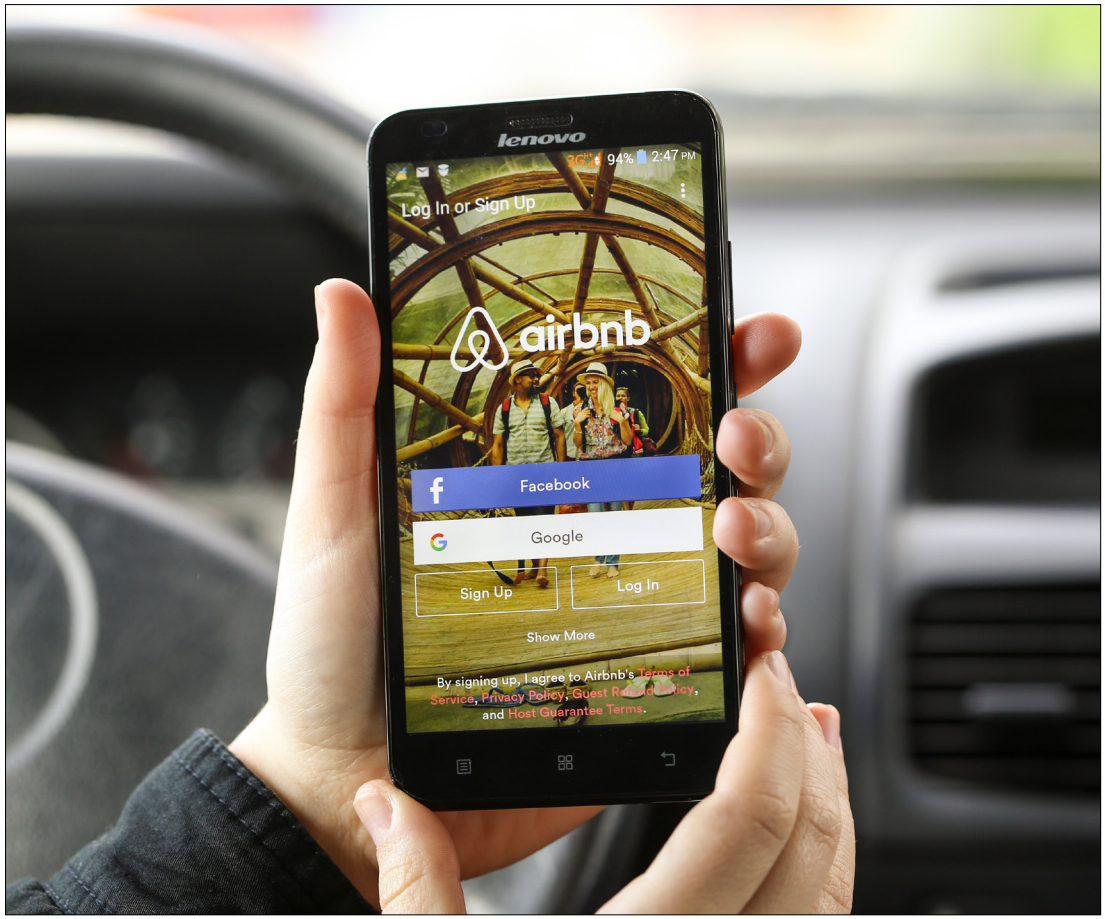


8. The Airbnb threat is growing. Make your hotel "Airbnb-proof."

According to STR, 8% of all US trips were taken by families YTD 2017, and families represented 14% of all Airbnb guests (Airbnb uses the term "guest arrivals"). Airbnb expects corporate travel bookings to quadruple this year with a search tool designed just for business travelers, the "Business Travel Ready" filter.

To combat this, hoteliers must stay focused on promoting amenities that consumers will not have access to at an Airbnb rental. This includes guest services such as room service and concierge, amenities such as a fitness center and spa, security, ADA compliance, and baggage storage. Hotels can also work to change the perception that only Airbnb can provide a truly localized experience.

Winning the Direct Booking: A 2017 Action Plan to Combat the Effect of Airbnb on Your Hotel's Bottom Line includes many ideas that every hotelier can capitalize on to make their property "Airbnb-proof."



ACTION PLAN FOR CREATING YOUR 2018 DIGITAL MARKETING & TECHNOLOGY BUDGET

When putting together your digital marketing and technology budget, hoteliers must realize that this budget should not be looked at as just another expense for the property. The digital marketing budget is the de facto direct distribution cost needed to acquire direct bookers, as well as an OTA commission-reducing investment. In this sense, the digital marketing budget provides a dual benefit: it increases direct bookings at the lowest possible acquisition cost and it reduces expensive bookings made through the OTAs.

A very achievable goal for 2018 should be increasing direct bookings by 15%-25%. To accomplish this, we recommend increasing your direct revenue-generating marketing budget by 10% or more.

Goal: +15% Direct Bookings



YoY Increase: Aim for 10-12%



4.5% Direct Distribution Cost will add 10% to bottom line



We recommend that 3-6% of total room revenue go to the Sales & Marketing line item of the hotel budget. The actual percentage depends on the location of the property, complexity of the business, and ADR. Once that number is broken out, 90% of actual spend should be on digital technology and marketing initiatives.

Here's a case study of how this breaks down into actual digital spend per room for HEBS Digital clients (USD):

$650
INDEPENDENTS

Independent hotels should budget at least $650 per room per year. This is the actual digital spend from the 90%.

$250
BRANDED HOTELS

Branded hotels need to launch complementary marketing to what the brand is doing.

The overall digital technology and marketing budget should then be organized into these three categories:

1. **GUEST ACQUISITION MARKETING:** Evergreen marketing initiatives (SEM, SEO, Smart Data Marketing, email marketing, online media, social media) along with multichannel campaigns and conversion modules on the hotel website (such as personalization and reservation abandonment applications).

2. **GUEST ENGAGEMENT, RETENTION, & RECOGNITION (CRM):** Guest communications (transactional), Marketing Automation and Guest Recognition/ Loyalty initiatives.

3. **DIGITAL ASSETS, CONSULTING & WEBSITE OPERATIONS:** The foundation of any digital strategy, this portion of the budget includes the property website, its website technology platform, hosting, and strategy/consulting.

BREAKING DOWN THE 2018 BUDGET: RECOMMENDATIONS FOR KEY INITIATIVES

I. ACQUISITION MARKETING

These initiatives are focused on acquiring new guests, especially those that mirror your current best guests. When executed properly, they are proven methods of generating high returns and direct bookings for hoteliers.

1. Search Engine Optimization

SEO continues to play a critical role in driving direct bookings, with at least 30%-35% of hotel website revenue generated as a direct result of organic search engine referrals. Note that if the property is not actively running campaigns such as SEM, email marketing, or smart data marketing, then this number will be higher despite lower total revenue. The 30-35% figure represents SEO being part of a healthy overall digital marketing mix.

Creating quality SEO-optimized content, refreshing website content regularly, claiming and optimizing local listings, and maintaining a spam-free inbound link portfolio are the pillars of a successful SEO and content strategy.

GOALS

01 Promote rooftop bar and pool

02 Drive website traffic

03 Increase visibility

APPROACH

Implement new content pages and site layout changes to attract users to these specific pages. Optimize tracked keywords with terms related to the pool and that best align with terms the target audience would use.

RESULTS

608%+ Organic Visibility

45%+ Traffic via Organic Search

35%+ Organic Keywords

SEO Strategy Recommendations for 2018:

- SEO is an ongoing process, not a one-time project. Search algorithms are constantly changing, so staying on top of the latest best practices is imperative.
- Content marketing drives bookings. Consistently create new optimized content pages, optimize existing website content, and create optimized blog posts supporting SEO efforts.
- Utilize SEO management and optimization technology like BrightEdge to identify new keyword opportunities, gain insights into the comp set's SEO strategy, handle inbound link analysis, and disavowal of spam links, and implement changes that will boost organic search engine bookings.
- Perform ongoing technical SEO audits and analysis, and make sure your website CMS is SEO-enabled to programmatically handle schema.org, XML Sitemaps, and more.
- Consider enabling content pages in the Google AMP format to promote hotel amenities and services including dining options, spa services, golf courses, maps and directions, and destination information which will appear in the Google AMP Teaser Section on the mobile SERPs. Please note that Google AMP is not meant to replace the hotel property's responsive website, rather to provide an additional "tentacle" of the hotel website in the AMP "teaser" section on Google's mobile search results.
- Address user intent and demand as voice search explodes, incorporating keyword phrases with a more conversational tone will help relate to users more and rank better with Google.
- If you haven't already, verify and optimize local search and directory listings.

RECOMMENDED SHARE OF THE BUDGET: 7%

2. Search Engine Marketing

SEM is one of the highest revenue drivers for hotels, with more than 20% of direct online revenue coming as a direct result of SEM/paid search.

Hoteliers should execute various advertising formats in the Google Ecosystem to reach travel consumers through the travel planning journey:

Upper Funnel: Increasing Traveler Engagement

- YouTube TrueView
- Gmail Ads

Lower Funnel: Increasing Traveler Conversion

- Google Paid Search Ads
- Google Display Network (GDN)
- Google Hotel Ads (Meta Search)
- Remarketing Lists for Search Ads (RLSA)
- Customer Match – targeting look-alike audiences

- Bing should remain a much smaller percentage of the overall SEM budget as they have much lower market share than Google at 9% worldwide.

SEM Strategy Recommendations for 2018:

- You should no longer be fixated on stand-alone results from various advertising initiatives on Google, but rather focus on the blended results from the entire Google Ecosystem, including the Google Search Network, GDN, RLSA, Google Hotel Ads, and Gmail Ads.
- Do not split various advertising initiatives on Google among different agencies and vendors. This is the best way to waste precious advertising dollars and achieve mediocre results. Utilizing a single partner to manage your Google Ecosystem allows for higher conversions, better analytics and attribution tracking.
- Think mobile-first. Over 60% of Google searches are now made on mobile devices, where the competition for limited advertising "real estate" is especially fierce.
- Utilize newer ad formats like responsive ads, which offer more flexibility by automatically adjusting in size, appearance, and format to fit just about any available ad space, and lightbox ad banners, which reach and engage with audiences through rich, interactive formats.
- Focus the marketing message on both Google GDN and Search on an "it pays to book direct" message, and provide some kind of an incentive/perk/discount for people booking directly (e.g., use a rate code for that or complimentary breakfast, free Wi-Fi, etc.).

RECOMMENDED SHARE OF THE BUDGET: 22%

3. Smart Data Marketing

Through the balanced utilization of CRM data and Intent Data points, Smart Data Marketing makes the most of past, present, and future customer data to generate the highest number of bookings and returns and ultimately reach your best guest.

There are two options when thinking about Smart Data Marketing:

- Dynamic Rate Marketing (DRM): Display banners across the web with real time rates and availability based on the exact dates searched by the travel consumer.
- Intent-Driven Display: Serve seasonal messaging or a special offer to travelers who have searched for flights, rental cars, or hotels in a particular destination.

These two options can be blended, for example intent-driven display can utilize DRM.

By using owned data about past guests, hoteliers can then build upon and inform future targeting to target and acquire new guests.

Smart Data Marketing Strategy Recommendations for 2018:

- Strategically target the right type of traveler based off of your hotel's need periods. Make sure to launch campaigns with these need-periods in mind (you must know your average booking window to do this properly) so that the timing is right.
- Launch cross-device banners, native ads, and private marketplace placements with intent data layered on to reach your best guest throughout the travel planning journey.
- Utilize DRM to reach consumers researching travel to your hotel's destination while also displaying the best available rate for the exact dates of stay.
- Work with top travel ad networks that use first-party data from airlines and OTAs to reach travel consumers who are in-market and likely to book a stay at your property.

RECOMMENDED SHARE OF THE BUDGET: 12%

DRM
DYNAMIC RATE MARKETING



Display banners across the web with real time rates and availability based on the exact dates searched by the travel consumer.

INTENT DRIVEN DISPLAY



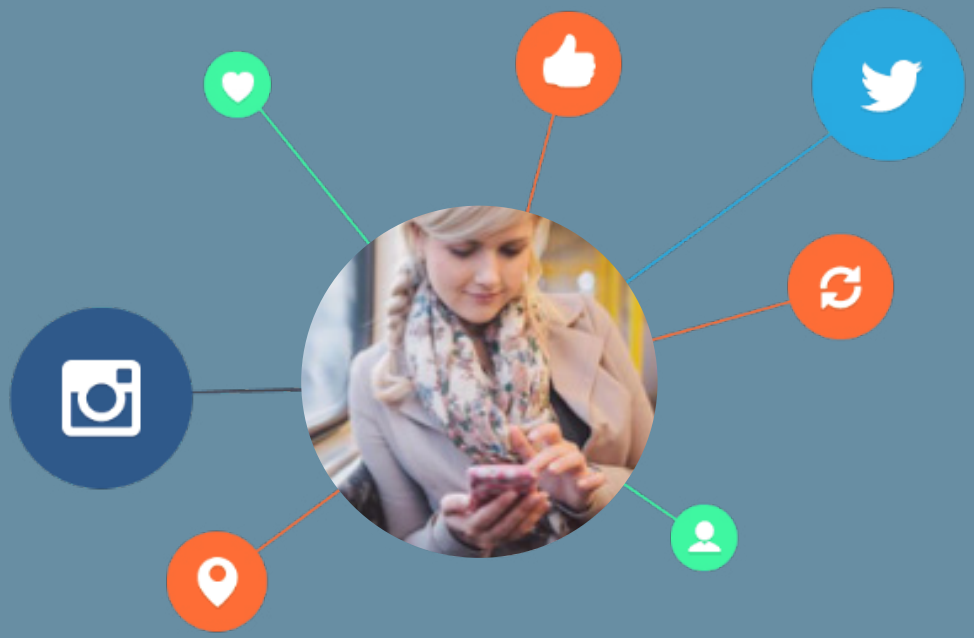
Serve seasonal messaging or a special offer to travelers who have searched for flights, rental cars, or hotels in a particular destination.

4. Social Media Marketing

Social media has become increasingly important as a way to build a brand and engage with past, current, and potential guests. As consumers spend more time on social media throughout the travel planning journey, hotels can take advantage of this channel to increase reach and amplify the brand message to support a fully-integrated digital marketing strategy.

Social Media Marketing Strategy Recommendations for 2018:

- By partnering with micro-influencers, brands can drive their message to the larger market. This allows a brand to build high-quality links, increase website traffic, and foster brand loyalty.
- Given the high volume of daily traffic on social media platforms, brands can use social media to reach a large audience and amplify their messages. Create a content calendar including copy, links, and image selection for the upcoming month's posts on Facebook, Twitter, and/or Instagram.
- For travel, video is a valuable tool as it captures social media users' attention and allows potential guests to experience the product. Hotels should utilize more videos in both organic and paid social media content.
- With the continual decline in organic reach of brand content, social media advertising should be leveraged to expand reach, drive engagement, and increase website traffic.
- Interactive social media content results in greater engagement, brand recognition, and viral promotion. Hotels should create a variety of interactive content, from Facebook Canvas Ads to Carousel Ads.
- Consumers are more likely to interact with relevant ads. Therefore, hotels should utilize custom audiences, lookalike audiences, and retargeting to reach users with more tailored messaging.



RECOMMENDED SHARE OF THE BUDGET: 2%

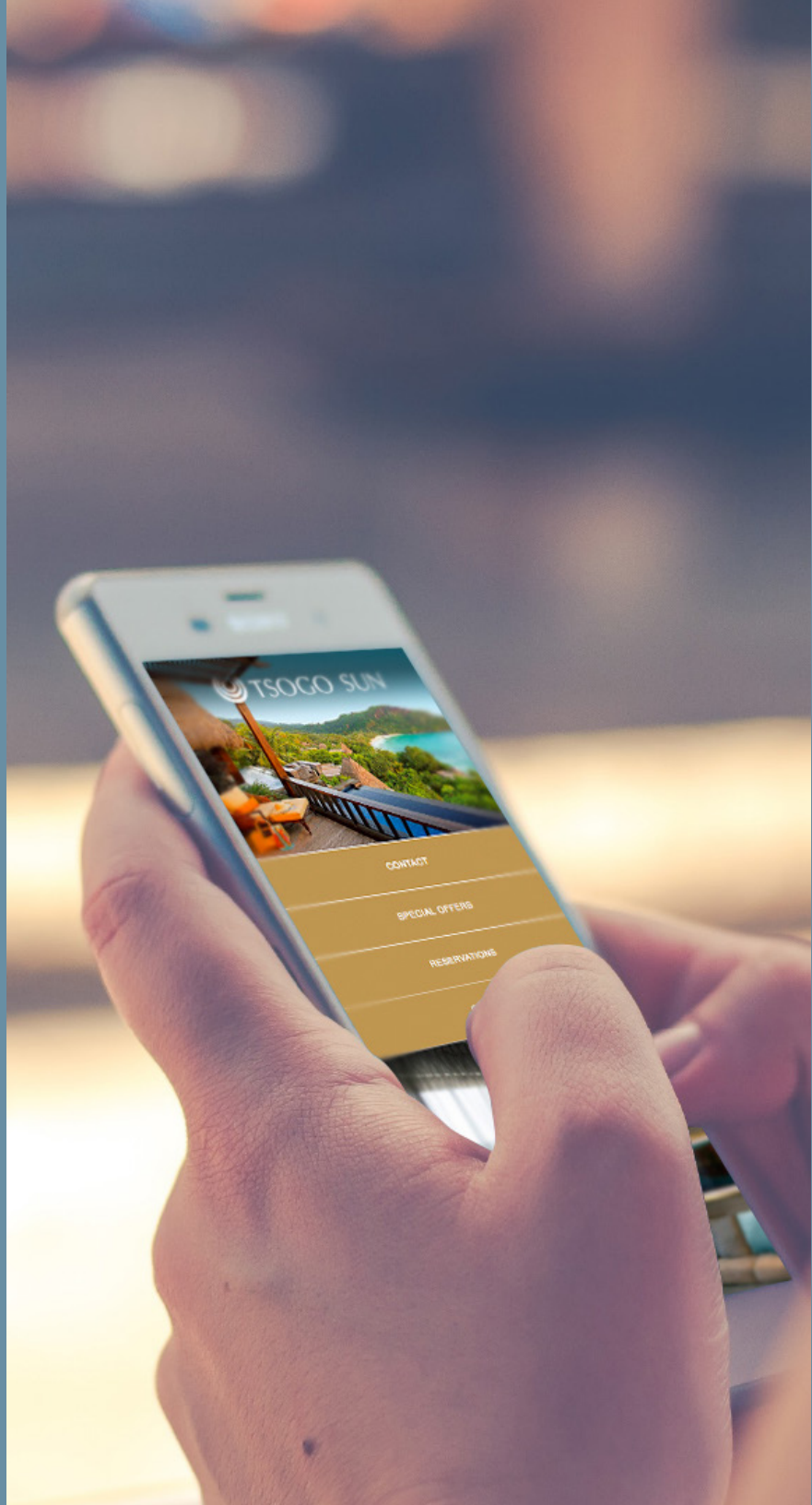
5. Promotional Email Marketing

Living in a multi-device world means people are connected to their email at all times. Email marketing is a low cost, effective digital marketing initiative which generates average returns of 800 – 1,200% (HEBS Digital clients).

Promotional Email Marketing Strategy Recommendations for 2018:

- Use animated visuals in your email creative to grab the user's attention.
- Limit email campaigns to 1-2 per month if they are being sent to the entire list. Focus on promotions, information on nearby events and/or property updates that provide value.
- A/B test to know which of two email marketing options (focusing on the creative, marketing message, and/or subject line) is the most effective in terms of encouraging opens, clicks, and bookings.

RECOMMENDED SHARE OF THE BUDGET: 3%



6. Conversion Modules on the Hotel Website

A website is a hotel's digital storefront and first point of engagement to visually tell its story. A beautiful website design sparks a desire to stay at a hotel.

However, the science and technology behind the scenes is what makes that beauty come to life and result in a booking.

Conversion Module Strategy Recommendations for 2018:

There are many elements that go into what kind of technology platform should support your hotel, however there are a few stand-outs in terms of what really increases conversion rate on a hotel website. These are:

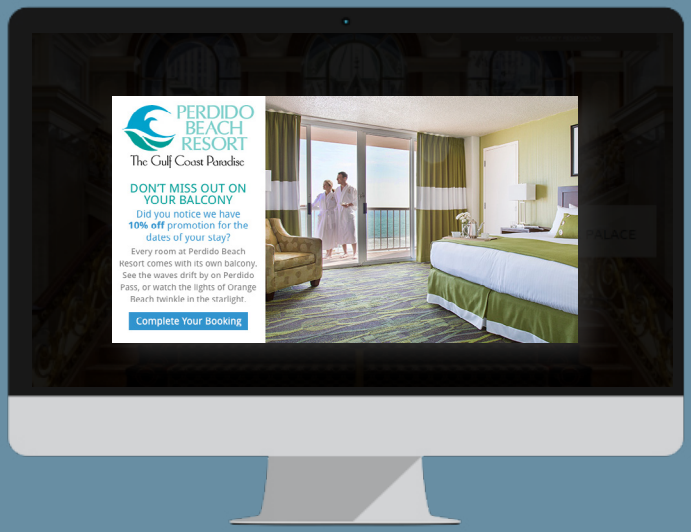
- **Dynamic Personalization:** Personalization technology on the property website can be used to target users with personalized promotions, special offers or value adds, or customized look-and-feel design and content, all based on their geographical location and feeder market, past booking history, guest preferences, reward program affiliation, website behavior, or customer segment.
- **Reservation Abandonment Applications:** Typically, less than 2% of website visits result in a conversion. With today's travel consumers rate-shopping and constantly facing distractions, these types of applications are a must to win back bookings. Consider implementing a specialized technology which utilizes retargeting emails and lightbox displays that highlight unique features of the property, the best rate guarantee, or a compelling promotion or value add to entice visitors to re-enter the booking process and complete the booking. This technology can increase conversion rates by as much as 50% and generate a significant direct booking lift.
- **Live Rates on the Hotel Website:** Less than 1/3 of website visitors initiate a booking, and more than 2/3 of visitors leave the website un-exposed to the property BAR, special rates, and promotions. Consider implementing technology to push live rate promos on the homepage or within popular sections on the site to showcase BAR or Weekend Rate, or a special rate to solve occupancy needs. Featuring live rates increases conversions on the site, places crucial rate/availability information right in front of 100% of website visitors, and builds confidence in visitors that the property offers a rate within their budget during the research and planning phase. It also decreases the chance that they will book via another channel such as an OTA.

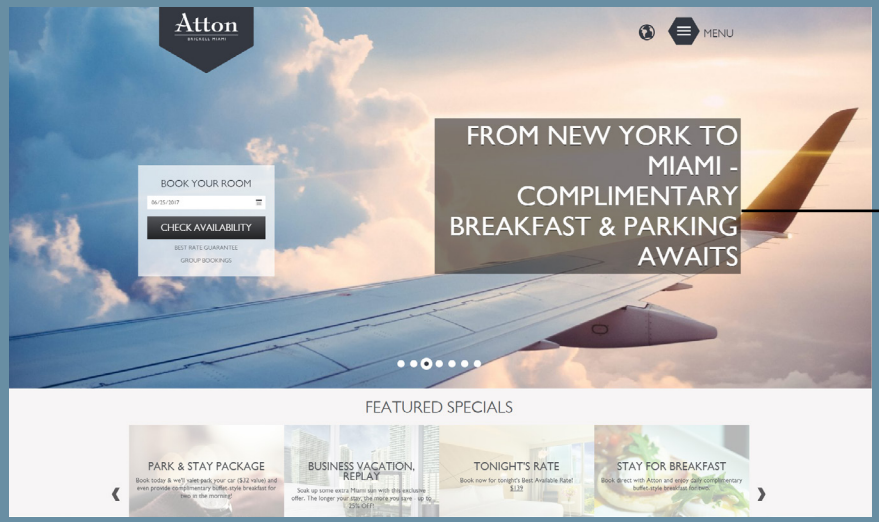
RECOMMENDED SHARE OF THE BUDGET: 6%

Serve a **“Come Back”** or **“Book Direct”** marketing message to website visitors who abandon the reservation process or are inactive on the website.

25% Conversion Increase

52 times Return-on-Investment (ROI)



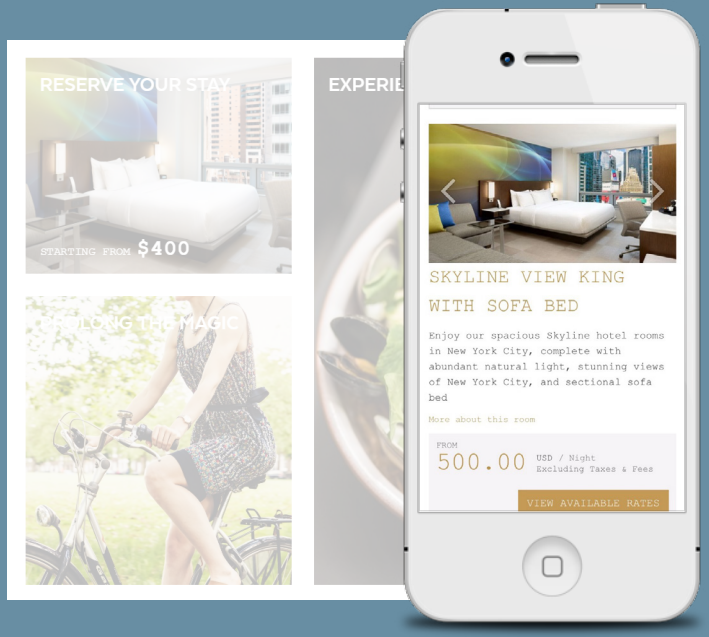


Geo-target to your feeder markets and make them feel like you are speaking directly to them.

Personalize website content (marketing messages, top images, promotional tiles), targeted to users based on their location, website behavior, past booking history, guest preferences, reward program affiliation or customer segment.

Feature **real-time rates** for a need period on desktop, mobile, or tablet.

On mobile, push **“tonight’s rate”** for last minute bookings.



7. Multichannel Campaigns

Take an integrated approach to marketing that capitalizes on multichannel campaigns. With today's travel consumer, you need to reach them in the micro-moments, at multiple touch points with one cohesive message across channels and devices.

Multichannel Campaign Strategy Recommendations for 2018:

- Establish the overarching business-need you are trying to fulfill with the campaign: drive weekend stays, increase weddings/events, increase ADR, last-minute occupancy needs due to a big group cancellation, etc.
- Use guest data, campaign insights, website analytics, and customer research to build a customer persona of your campaign's target audience.
- Based on this data, create one cohesive campaign message that will most effectively speak to these audiences.
- Map the path to purchase for your travel consumer and launch initiatives that will reach guests across devices and throughout all stages of the lifecycle, from the dreaming and planning phases to the intent phases and beyond.
- Reserve 15-25% of the Acquisition Marketing budget for multichannel campaigns.
- Integrate powerful and engaging technology that assists in lead generation, relationship building, and driving direct bookings like a Limited Type Offer application.

RECOMMENDED SHARE OF THE BUDGET: Reserve 15-25% of the Acquisition Marketing Budget for Multichannel Campaigns

DETERMINE BUSINESS NEED

01

Low occupancy period? Increasing length of stay? Driving ADR?

MAP THE "PATH TO PURCHASE"

02

Pull together budget & marketing initiatives: SEM, SEO, email marketing, Smart Data Marketing, a limited time offer minisite, and more.

PREPARE CREATIVE

03

Design and buildout cohesive campaign creatives that will resonate with the audience and align with the brand voice.

LAUNCH CAMPAIGN

04

To reach people at the right time, at the right place, on the right device throughout their travel planning journey.

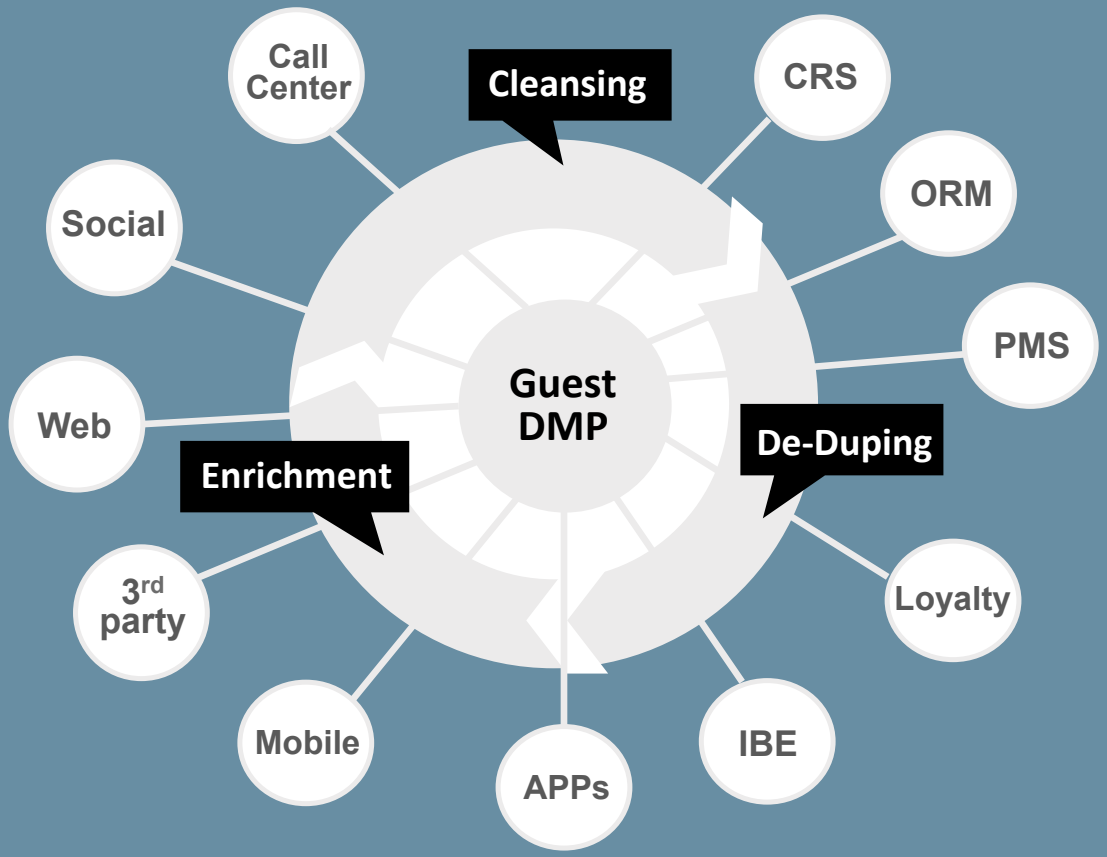
II. GUEST ENGAGEMENT, RETENTION & RECOGNITION (CRM)

In light of today's complex digital landscape, hotel marketers should engage online travel consumers throughout their complex "digital journey," and can no longer afford to have a fragmented customer engagement and acquisition approach. CRM can break this fragmentation and help hoteliers develop a single view of their guest, which they can use to deliver more targeted and personalized messaging within the guest journey, and ultimately drive higher loyalty and guest conversion through direct booking channels.

A strong CRM strategy helps hoteliers extend above-and-beyond service to their "best" guests. Recognition and perks transfer from the physical world to the online world i.e., to the property website and ongoing marketing communications.

What are the fundamentals you need to budget for in terms of a CRM Strategy?

- **One Central View of the Guest:** A Guest Data Management Platform (DMP) should be cloud based and able to store data profiles and provide one clean view of the hotel guest. This DMP should serve as the "smart" data layer incorporating past guest data extracted from the PMS, CRS, and other guest data sources, and continuously update, cleanse and enrich customer profiles to serve as the main "guest knowledge depository" for ongoing guest engagement and retention, as well as new guest acquisition efforts. This platform should be able to dedupe and combine several guest profiles if they belong to one guest (i.e., one guest may have different profiles because they have provided different email addresses in the past). This allows the hotel to recognize their loyal guests on property, as well as on the hotel website and throughout digital marketing initiatives.



- **Guest Communications:** Automated transactional emails engage customers with personalized guest communications such as pre-stay, in-stay, and post-stay emails, cancellation emails, guest surveys, and more.
- **Guest Marketing Automation:** Marketing automation tied to CRM data allows a hotel property to initiate or schedule targeted and highly personalized email marketing campaigns and "drip" campaigns to smart customer lists with unlimited targeting options.
- **Loyalty/Guest Recognition:** Mid-size and smaller hotel chain, luxury, and boutique hotel brands, or even independent hotels and resorts, must be able to recognize and reward repeat guests through either a comprehensive Reward/Loyalty Program (points or perks) or through a Guest Recognition & Appreciation Program (based on number of room nights).

How Can Your CRM Strategy Go a Step Further?

Through the use of CRM data, hotels can acquire new guests by capitalizing on the knowledge of past guests, i.e., CRM Data. Everything should function in one seamless ecosystem to "close the loop" in a hotel's past and future guest engagement, retention, and acquisition.





Bridge **the gap** between your **existing customer data** and **new client acquisition.**

This includes:

- **Personalization:** Fully integrated with the Guest DMP, hotel websites should be able to deliver dynamically personalized content and promotions based on users' past booking history, guest preferences, loyalty program affiliation, demographics, geo location, website behavior, or market segment affiliation.
- **Smart Data Marketing:** Smart Data Marketing takes full advantage of "owned data" (past guest data, demographics, website data, etc.) and then layers on real-time travel planning insights and intent data points to target in-market potential guests during the travel planning process to a property's destination.
- **Acquisition Marketing:** This type of marketing should utilize knowledge from past guests to target and acquire new guests through direct response and evergreen digital marketing initiatives such as SEM, SEO, GDN, online media, programmatic display, and dynamic rate marketing.

MANY COMPANIES OFFER CRM SOLUTIONS, SO WHAT SHOULD YOU LOOK FOR AS A DIFFERENTIATOR?



01

A FULL CIRCLE APPROACH

CRM must be a comprehensive and full circle strategy.

The process of acquiring and retaining selective guests in an ongoing way both creates loyalty and maximizes value for the hotel/ hotel group AND the guest.

02

CRM SHOULD BE A BUSINESS PHILOSOPHY

CRM is not just a product or even a suite of products. CRM is a business philosophy that touches upon many independent parts of the enterprise. CRM addresses the Sales, Marketing, and Service activities of the enterprise.

03

NOT JUST ABOUT DATA

Effective CRM solutions include not only data, systems and technology, but also people, process and strategy.

04

CRM INCLUDES A SHIFT

in how you communicate with your guests. It's not just about sending them an email after a transaction – it's about starting and developing an ongoing relationship with your guests, where they feel recognized and valued.

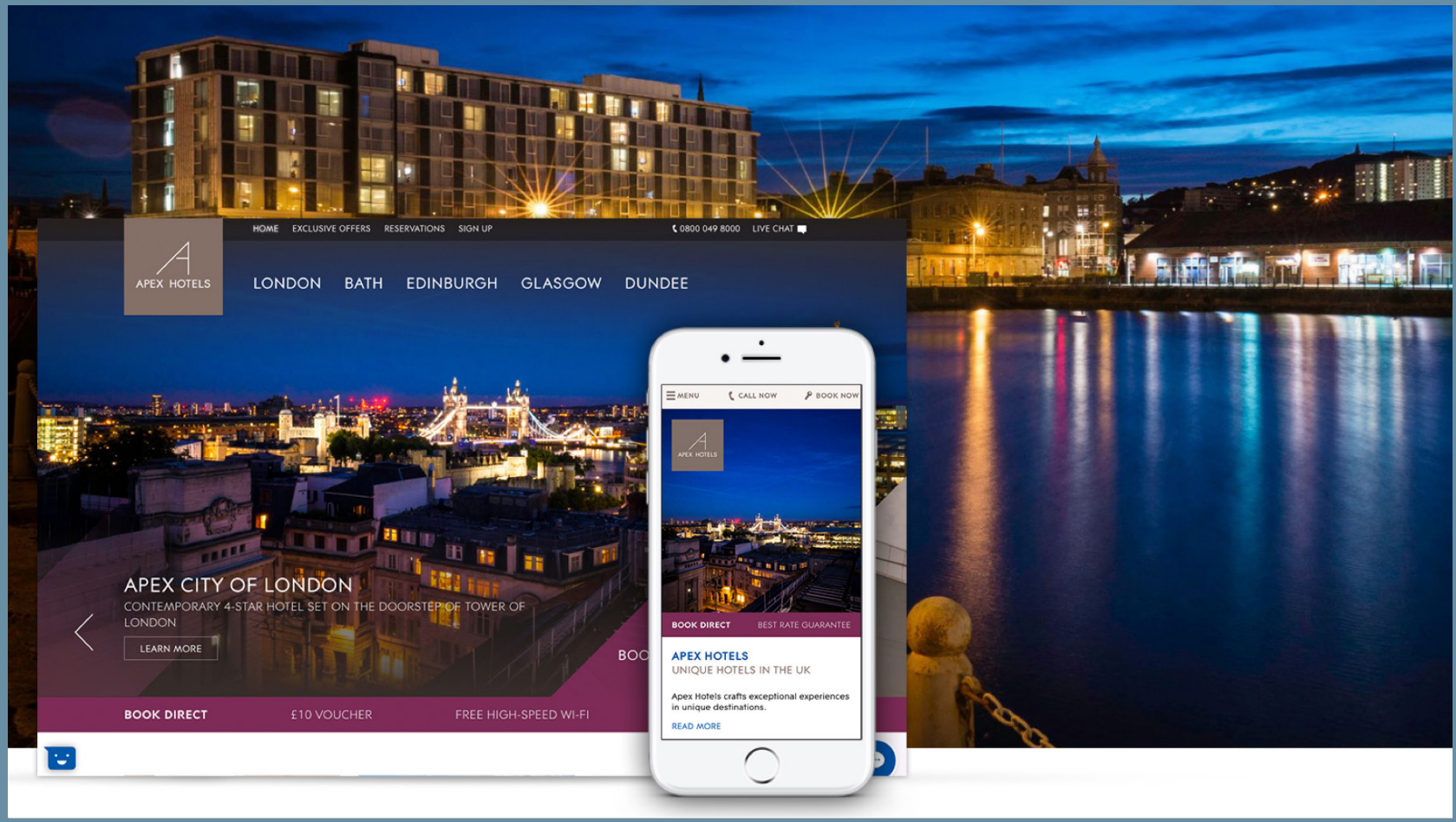
RECOMMENDED SHARE OF THE BUDGET: 9%

III. DIGITAL ASSETS, CONSULTING, & WEBSITE OPERATIONS

Hoteliers need to consistently keep the foundation of their digital strategy current in order to meet the constantly evolving needs of today's consumer and to see revenue increases year over year. This includes the property website and website technology platform, hosting, analytics, and revenue optimization consulting.

1. Website Redesign & CMS

A website is at the core of a customer's journey in the path to purchase. A successful hotel website must incorporate the right balance of excellent design with technology that is built to drive direct hotel bookings. Hotel website designers need to take a data-driven approach to create an effective experience that will lead to direct bookings.



Website Strategy Recommendations for 2018:

- Leverage a best-in-class UX (user experience) strategy to ensure that customers can easily complete a booking.
- Keep on top of website design and content trends. Remember that you are selling a dream, an intangible object and the more you can bring the experience to life, the better.
- Utilize responsive design, ensuring an optimum experience across devices and that travel consumers are able to easily access the information they need no matter what device they are on.
- Audit your website strategy frequently, at least every six months. Review technical SEO, merchandising, personalization strategies, your content and copy, and your website technology platform (CMS).
- ADA compliance must be taken into account. Work with a website technology partner that understands what goes into making a hotel website ADA compliant.
- Your ultimate goal should be to increase direct bookings on your website. Balance the beauty/design budget (40-50%) and technology budget (50-60%) of your website.



The property website must be backed by a Website Technology Platform that includes functionality specific to the hoteliers' needs, such as:

- An Advanced Merchandising Platform for pushing specials, driving awareness of nearby or on-property events, and promoting specific aspects of the property.
- Personalization capabilities to target users with one-to-one marketing messages and promotions, based on their demographic information, geo location, feeder market origin, loyalty member affiliation, and more.
- Integrated Smart Rates — live real-time availability and rate information — for a seamless booking experience (Multi-property companies need technology that can show live rates from multiple booking engines, and lend itself to cross-sell opportunities)
- An advanced Content Manager to create and manage complex website content layouts.
- An enhanced Versioning System, supporting drafts, and approval workflows for multiple users.
- A highly-secure Cloud Hosting Platform, featuring a full-stack of automated download speed-enhancement tools and bandwidth scaling applications, and CDN (Content Delivery Network) for lightning speed page downloads.

One of the most important decisions you'll ever make in executing your digital strategy is investing in your website and the technology powering it. At the same time, hotels should push the envelope with animation and forward-thinking design aesthetics to really bring the experience they are selling to life.

RECOMMENDED SHARE OF THE BUDGET: 11%

2. Book Direct Strategy and Website Revenue Optimization Consulting Services

As the digital landscape becomes more and more complicated every year, it becomes increasingly difficult for hoteliers to keep their digital technology and marketing strategy in-house. It's also not in the best interest of most hotels to not look for outside expertise. What might be saved in monthly fees will most likely be greatly outweighed by losses in website revenues due to the underutilization of the latest technology and digital marketing methods available.

Website Revenue Optimization Consulting Recommendations for 2018:

- Choose to work with a team that is dedicated to the hospitality industry. They will have a better working knowledge of the hotelier's occupancy and business-needs and how to launch digital marketing initiatives that will be focused on achieving those specific goals.
- It's critical to work with an organization that prioritizes alignment across teams. Always ask your digital technology and marketing partner: Do you outsource any pieces of your services?
- Your digital marketing and technology partner should also focus on creating a cohesive experience across devices and channels for the travel consumer. Additionally, results of marketing initiatives should not be looked at in silos.

3. Website Enhancement

What kind of website enhancements can move the needle in terms of increasing conversion rates? How can hotels improve their website for travel consumers, blending both compelling creative with technology that improves the user experience, better sells the hotel product, and results in more direct bookings?

Website Enhancement Recommendations for 2018:

- The property website booking widget should simplify the user experience: A 'smart' booking widget should remember the dates of stay and number of adults/kids previously input by the user.
- Consistently experiment with A/B testing: Testing different elements of the website and seeing what performs best can have a significant impact on bookings. For instance, testing out two variances in text for the booking widget (Make a Reservation vs. Book Now) ended with the winning variation showing a 26.4% lift in conversion rate. Test promotional tiles, navigation menu titles, marketing messages in the home page image area, and more.
- Recognizing who is on property is important for upsells and guest recognition. A Guest Portal, or version of the hotel website that shows to guests on property, can focus on providing guests with information about their reservation and services offered by the hotel. The hotel can also promote amenities and on-site events to generate in-stay revenue. Lastly, email capture should be integrated to be used for future marketing efforts.
- In a recent study by flip.to, 95% of survey respondents said property and room information is important. Create an interactive and visual experience to showcase your accommodations as well as meeting and event spaces.

RECOMMENDED SHARE OF THE BUDGET: 8%

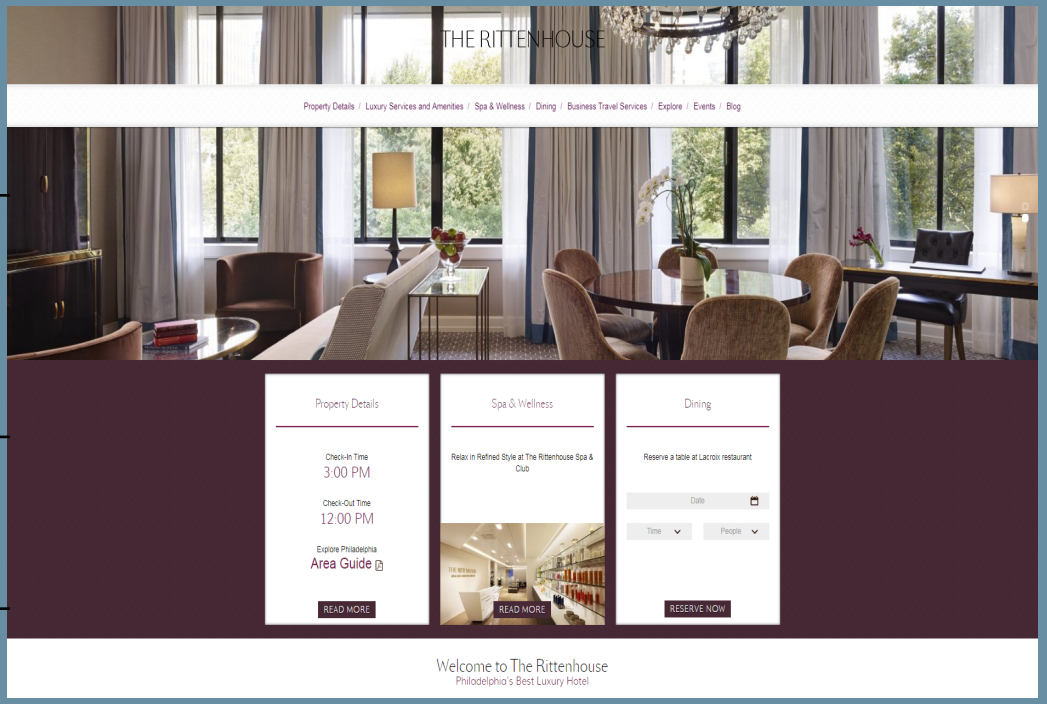
Your digital technology & marketing partner should:

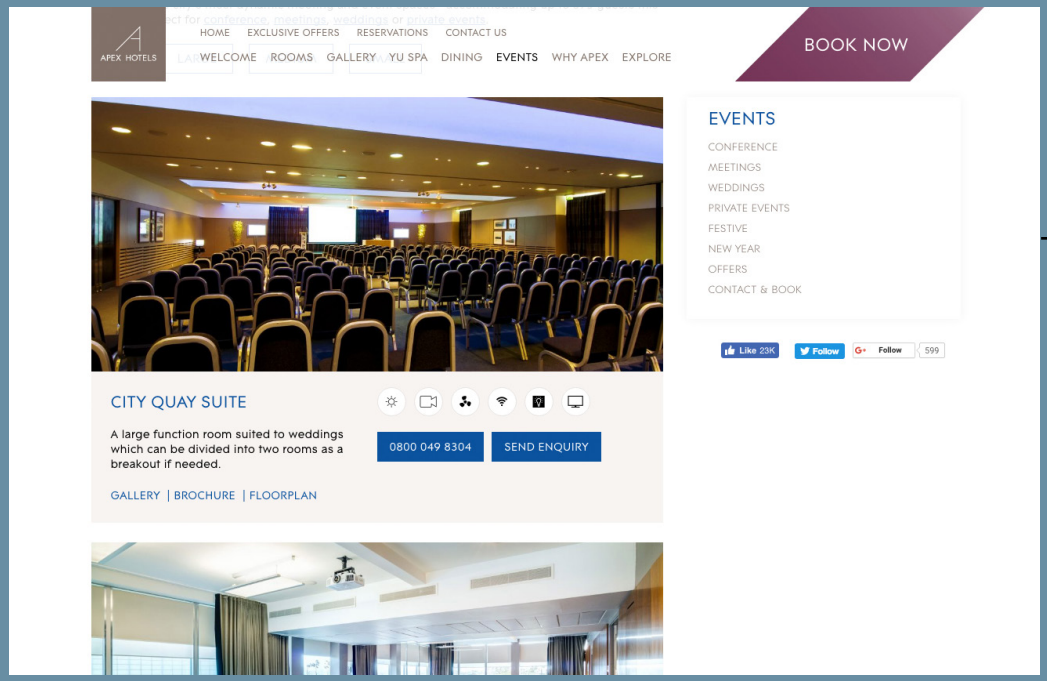
DRIVE DIRECT REVENUE + SMARTER STRATEGY + LOWER ACQUISITION COSTS + BOOST CONVERSIONS + ADDRESS BUSINESS NEEDS

Guests are directed to the Guest Portal upon connecting to the hotel's Wi-Fi, or from typing in the hotel website URL

Promote amenities and on-site events to generate in-stay revenue

Provide guests with important information about their reservation & services offered by your hotel





Create an interactive and visual experience to showcase your meeting & event spaces.

4. Website Hosting, Analytics & Operations

While hosting and analytics solution discussions sometimes take a back seat when it comes to the digital technology and marketing budget, it is important to carefully consider your options here. A hosting solution that does not deliver lightning-fast download speeds compromises the user experience and website revenues. An analytics tool without proper attribution modeling can result in making misinformed decisions, such as pausing campaigns that are working.

Website Hosting, Analytics & Operations Recommendations for 2018:

- When choosing a hosting solution, ask whether it's a cloud hosting solution with a CDN (Content Delivery Network). This will inevitably boost conversions on your hotel website by drastically improving the user experience as well as the search engine rankings that are increasingly dependent on fast download speeds.
- Ranked #1 in analytical tools by Forrester, consider using Adobe Analytics, best-in-class analytics used by major industry players like Marriott, Starwood and Expedia.

RECOMMENDED SHARE OF THE BUDGET: 4%

SNAPSHOT OF THE 2018 DIGITAL MARKETING BUDGET

GUEST ACQUISITION MARKETING	MINIMUM % MONTHLY SPEND
ACQUISITION MARKETING	
Search Engine Optimization (SEO)	7%
Search Engine Marketing (SEM) – includes Google Hotel Ads Metasearch	22%
Smart Data Marketing (DRM & INTENT)	12%
Social Media Marketing	2%
Promotional Email Marketing (Opt-in List)	3%
CONVERSION MODULES ON THE HOTEL WEBSITE	
Reservation Abandonment Application Suite	2%
Smart Personalization Engine	2%
Live Rates on the Website	2%
MULTICHANNEL CAMPAIGNS	
Acquisition Marketing Line Items from Above Should be Utilized for these Campaigns	
TOTAL	**66%**
GUEST ENGAGEMENT, RETENTION & RECOGNITION (CRM)	
Guest communications (transactional), Marketing Automation and Guest Recognition/Loyalty.	9%
DIGITAL ASSETS, CONSULTING, & WEBSITE OPERATIONS	
Website Redesign & CMS (cost amortized over 24 mo)	2%
Website Revenue Optimization Consulting	4%
Website Enhancements	2%
Guest Portal; Interactive Rooms & Meeting Space Showcases; Smart Booking Widget; etc.	
Website Hosting, Analytics & Operations	
TOTAL	**25%**
GRAND TOTAL	**100%**

CONCLUSION

When constructing a 2018 digital marketing and technology budget, hotel marketers must think about how they are going to engage online travel consumers throughout their complex "digital journey." The budget strategy must take a holistic approach in order to reach, acquire, and engage travel consumers throughout the entire travel planning journey, at the right time and on the right device.

The 2018 digital marketing budget should not be looked at as just another expense for the property. This is a direct distribution cost vs. hotel expense, as well as an OTA commission-reducing investment. In this sense, the digital marketing budget provides a dual benefit: It increases direct bookings at the lowest possible distribution cost and it reduces expensive bookings made through the OTAs.

The budget recommendations in this article are meant to guide you in how to achieve this – from reaching consumers in the dreaming and planning phases, to the conversion point and beyond. It doesn't end with the booking, hoteliers need to also enhance the guest experience while on property, and inspire their guests to book another stay.

So how will adopting this type of holistic budgeting strategy affect the bottom line?

From HEBS Digital's full-service portfolio, year to date in 2017, hotels and hotel companies that moved forward with all recommendations saw an average distribution shift of at least 25% from the OTAs to the direct channel. See what impact this would make for your hotel today.

ABOUT THE AUTHORS





Max Starkov is President & CEO and **Mariana Safer** is SVP, Global Marketing at HEBS Digital.

Founded in 2001, the firm is headquartered in New York City and has global offices in Las Vegas, London, Europe, Singapore and Auckland. Through its Smart Guest Acquisition Suite, including the smartCMS®, Smart Personalization Engine, Smart Data Marketing, and full-stack digital consulting and marketing solutions, HEBS Digital helps hoteliers drastically boost direct bookings, lower distribution costs, and increase lifetime value of guests.

Part of Hotel360 Technologies, HEBS Digital and Serenata CRM, the most comprehensive Hotel CRM Suite today, are the creators of the hospitality industry's first Fully-Integrated 360-Degree Guest Engagement & Acquisition Platform.

A diverse client portfolio of top-tier luxury and boutique hotel chains, independent hotels, resorts and casinos, franchised properties and hotel management companies, convention centers, spas, restaurants, DMO and tourist offices across the globe are all benefiting from HEBS Digital's direct online channel strategy and digital marketing expertise.

HEBS Digital's technology, website design and digital marketing services have won more than 400 prestigious industry awards, including World Travel Awards, HSMAI Adrian Awards, Stevie Awards (American Business Awards), Travel Weekly's Magellan Awards, and more.

The HEBS Digital team is comprised of thought leaders, a diverse team of experts comprised of over 33 nationalities speaking over 22 languages. Contact HeBS Digital's consultants at 1 (800) 649-5076 (North America), +44 07977 472653 (London), +64 (0) 9 889 8489 (Australia, New Zealand, South Pacific), +65 9005 1589 (Asia), or success@hebsdigital.com.