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# HOTEL MANAGEMENT

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### ONE-ON-ONE WITH F&B AFICIONADO STEVEN KAMALI

He's the guy the hospitality industry calls when it's time for food-and-beverage programming. He's worked on some of the hottest hotels, and with many brands. His clientele is a who's who of hotel owners. Just who is Steve Kamali? He's a lot of things—but not all what you might think.



**ONLINE EXTRA:** FOR MORE ON FOOD & BEVERAGE, VISIT HOTELMANAGEMENT.NET



The lobby of Cleveland's Kimpton Schofield and the outside of Milwaukee's Kimpton Journeyman. Kimpton's Patti Sedlacek, who directs revenue management efforts in the Midwest, calls OTAs a double-edged sword: high exposure, high cost.

## DISTRIBUTION

# Hotels, OTAs locked in love-hate relationship

BY KRISTINE HANSEN  
@KRISTINEAHANSEN

Much like a stormy marriage, the relationship between online travel agencies and hotels is packed with tension and necessity. To be profitable and hum along as a viable business, OTAs (such as Priceline, Hotwire and Expedia) and hotels can't survive without some sort of dependence.

"Our booking partners, including online travel agents, continue to be an important part of our business and an important source of customers for Hilton hotels," said Chris Silcock, EVP and chief commercial officer for Hilton Worldwide.

And yet, in order to be profitable, OTAs must charge commissions, a detail that frustrates hoteliers: Added exposure and marketing comes at an often high cost.

This can be especially grating for independent hotels.

"Our biggest challenge is the commission structure imposed on independent hotels," said Michelle Woodley, EVP of Preferred Hotels & Resorts. "Our research shows that our member hotels are hit with commissions that are considerably higher than the commissions paid by the big brands. We have attempted negotiations with the larger OTAs to help our independent hotels participate on a level playing field, but our attempts have been

met with resistance."

### THE DIRECT APPROACH

In order to blunt the sting, many groups, including Preferred, have initiated ways to drive more direct business.

"As part of our marketing strategy, we are exploring the opportunity to offer our iPrefer members attractive offers and loyalty rates," Woodley said.

Preferred isn't the only hotel group to unleash incentives like this. For many hotels, the solution to working with OTAs has been to beef up direct-booking incentives, whether that means creating a loyalty program or offering packages, specials and promotions only available through the hotel. Kimpton Hotels & Restaurants' properties guarantee the best rates—and perks like free Wi-Fi, a \$10-\$15 bar or minibar credit and credits toward free-night rewards by joining a free member-rewards program—when booking directly through KimptonHotels.com, via its Best Price Guarantee program. Should the customer find a lower rate on a third-party website, Kimpton pledges to match it—and throw in a \$25 food-and-beverage credit.

Hilton Worldwide's Hilton HHonors program is all about attracting repeat clientele who book directly through Hilton. They are also guaranteed a bet-

ter price than they'd find on an OTA—plus free Wi-Fi, HHonors points (which can also be used for entertainment and events) and, where available, the ability to choose their own room.

### THE OTA ADVANTAGE

Of course, OTAs have a different attitude. Expedia's stance is that hotels can benefit from the \$3.4 billion it spends on marketing each year, said Melissa Maher, SVP of Expedia's Global Partner Group. Expedia's brands include Expedia.com, Hotels.com and Hotwire.com. "A lot of times it's customers they can't reach on their own," she said, pointing to package-driven customers who want to lump air and hotel together, or are traveling from farther away, perhaps from another continent. They tend to stay longer, which drives up the total cost of their hotel stay, a boon for the hotel. "Our consumers' mix is a bit different than the hotels. They're a bit younger and they're brand-agnostic and partially made up of an international traveler," Maher said.

Woodley agreed that OTAs can entice a different kind of customer than a hotel can. "If the guest makes a booking, then we have the opportunity to convert the guest to become a member of our iPrefer Loyalty Program upon check-in," she said.

To that end, Expedia gives

client hotels access to revenue-management tools through Expedia Partner Central, which launched earlier this year. The OTA spent \$830 million last year on technology alone, moving toward this launch. Now, hotels have total control over their listing, including the ability to load photos and text, see competitors' rates and spot forecasted demand in a particular city. "What we've been concentrating on is looking at how we can use our technology, data and marketing so we can change more into strategic partnerships," Maher said.

### THE HOTELIER'S DILEMMA

Still, there are valuable advantages for a hotel—particularly a new property not yet operating via word of mouth, or with a repeat clientele, or lacking an advertising budget—opting to list on an OTA. "It can give a smaller or unbranded hotel exposure they wouldn't necessarily get without spending large amounts of money on [pay-per-click]," said Patti Sedlacek, regional director of revenue management for the Midwest for Kimpton.

But broadening customer reach doesn't come without risk, Sedlacek said. "OTA bookings are more expensive in terms of booking costs. In addition, you run the risk of building loyalty to the OTA versus your own brand as most OTAs offer

loyalty points now," she said. One example is Hotels.com, which offers customers a 10th night free after booking nine nights through its site.

"Your competition grows and your pricing strength lessens when people have so many options," Sedlacek said.

Preferred's Woodley is frustrated with the commodity approach on most OTAs. "A two-star motel is presented in the exact same manner as a five-star luxury resort," she said. "Our unique portfolio of independent hotels loses its personality when presented through an OTA. Guests love our hotels because they are unique and present a full authentic travel experience inspired by local culture. OTA sites just don't convey that essence."

Some hotels fear they'll lose a personal connection with customers by moving over to an OTA, essentially joining the pack of hotels on the site and being under an umbrella organization. Kimpton has received numerous complaints from customers about bed types and other requests regarding the room not being conveyed to the hotel—and therefore not being honored at check-in due to availability.

"Hilton HHonors members who come to us directly not only get a better price, but a better experience," Silcock said. "They can tell us more about themselves—like their preferences and what's important to them—which means we can greet them with not just a smile, but with a more personalized stay."

Expedia made strides in that area with Expedia Partner Central, helping to bridge the digital gap. "It encourages direct dialogue and engagement with the guest," said Maher, "and allows a more personalized experience." Guests can even request amenities in advance of their stay. Thanks to Real Time Feedback, which Expedia launched earlier this year, if something goes awry at check-in or during the guest's stay, it can be fixed immediately. How it works is that the guest answers three simple questions shortly after arrival, allowing hotel staff to reach out while the guest is still on property. "Close to 4.5 million times we've gotten feedback," Maher said. **HM**