OWNER EQUITY BY CHAD CRANDELL

*Chad Crandell, CHMWarwick, managing director and CEO, CHMWarnick, Beverly, Massachusetts*

# The book direct war: How can you tell if you're winning?

*(The views and opinions expressed in this blog are strictly those of the author.)*

I recently participated in a panel at the Revenue Strategy Summit (RSS) in Washington, D.C. If there is one conference that reminds us that innovation and technology are firmly rooted at the cornerstone of our business today (service is still number one in my book, but you still have to get the guests there first), it's the RSS. It was an excellent event all around.

This year, several major brands have launched marketing campaigns aimed at enticing guests to book on brand websites ("direct") in exchange for preferred pricing, with the ultimate goal of shifting share from OTAs, and lowering overall commission costs.

During the panel that I participated on, the brands were commended for finally taking a stand against the OTAs. At first, I too was nodding my head, feeling empowered that we, as an industry, had a new mechanism for regaining control and managing guest acquisition costs. Then, the conversation shifted and we began to dissect this brand strategy to combat OTAs, and the implications from a profitability and ownership perspective. The conversation went something like this:

The goal: Increase direct bookings, reduce overall reliance on OTAs, and lower the overall cost of customer acquisition.

The strategy: Brands introduce "member rates" which are lower than best available rates found elsewhere, made available to any brand loyalty program member and only to those booking on brand websites.

The benefits: Increased direct bookings, less reliance on OTAs, lower overall commissions paid to third parties, increased number of loyalty members.

The questions: Here is where it gets interesting…

- What percentage of loyalty members were already booking direct, to which we are now forced to offer a reduced rate, in essence eroding pricing of one of our highest-rated demand segments?
- What is the increase in the number of loyalty members as a result of these campaigns, and what is the ownership cost of funding this incremental membership base? Remember, owners pay a healthy percentage of every member guest folio to fund these programs, so there is a real cost associated with a loyalty guest stay.
- What will the cost of redemptions look like in the future? More loyalty guests equal more potential redemptions, which are reimbursed at a very low rates unless extremely high occupancy hurdles are achieved.
- What is the potential lost business associated with being dimmed and losing visibility on OTAs who are discouraged by these new marketing campaigns?
- Who will be funding these programs? Should owners expect an increase in brand costs for marketing?
- Who is really benefitting? Are we actually shifting share away from OTAs, or simply diluting the revenue that was rightfully ours to begin with…loyalty guest revenue?

The answer? We don't know. I hope in time my skepticism will subside surrounding the underlying economics of this strategy. I hope we'll learn that the book direct movement has had an increasingly positive impact, both in regaining control and in generating *incremental* business at a lower overall net cost to ownership. In all sincerity, I do commend the brands for taking a stand and implementing strategies aimed at reclaiming what once rightfully belonged to us…the guests. I am also optimistic that perhaps this is just the first of many efforts to fight the OTA battle. Just image what it might be like if we took back what is still rightfully ours – *our inventory*. Now that is something that might even end the war for good.

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