



Brands, owners and technology strategists all converged at the Revenue Strategy Summit in Washington, D.C., last week, bringing a varying degree of opinions on the hotel industry's newest weapon against online travel agencies: loyalty member discounts aimed at spurring direct bookings.

The questions of loyalty and distribution largely dominated the first breakout session at RSS, which took place at the Renaissance Washington, D.C. Downtown Hotel. During that panel, "Merging on the Digital Highway," Hilton Worldwide's senior VP of global strategy, Nathalie Corredor, gave a firsthand account of the hotelier's "Stop Clicking Around" campaign.

Corredor said results were positive so far for Hilton's direct-booking effort and that its HHonors loyalty program was growing "faster than ever."

"We're retraining the consumer that, even if you do want to go look around elsewhere, booking direct and creating a direct relationship with us will give you overall the most value for your stay," Corredor said. "Whether that's by us personalizing your experience or that's because you get free Wi-Fi or breakfast, whatever it is, you can't match that total value equation somewhere else."

BALANCING ACQUISITION COSTS AND TOP-LINE REVENUE

That equation can look different, depending on which side of the brand and owner relationship you're on, other panelists said.



Jeremy Welter, executive VP of asset management for Ashford Hospitality Trust, supported brands' direct-booking campaigns overall. But he also raised the point that discounts for exclusive member rates might become their own acquisition cost that's unfavorable to owners.

While he's in favor of reducing OTAs' market share of bookings for his hotels, at some point discounts for direct bookers and loyalty club members get too high and erode average daily rates, Welter said.

“One of the things you won't be able to measure is the lost ADR,” he said. “Over the long term, with all the brands doing [loyalty pricing], that helps. But with it not being available on metasearch, it makes it difficult. Consumers are still looking at the rate they see on Expedia, and they're not cross-shopping that lower rate today, so it's going to take a long time to educate those consumers. We'll need to be cautious and sensitive to that.”

Fernando Vives, chief commercial officer for Spain-based NH Hotel Group, added that the conversation changes in a productive way for hotels when they evaluate the price they pay for the market share they gain.

“When you open up the discussion about Net ADR, it changes many things,” he said. “It's a very objective model to analyze your acquisition costs per channel and how much it costs to offer rewards.”

Welter agreed, which is why, when his company accounts for the percentage of ADR given away as a loyalty discount — not to mention the cost of complimentary Wi-Fi and breakfast, or maintenance costs for concierge lounges — a direct booking and an OTA-sourced booking might even out. He cautioned against too aggressive a discount to steal share from an OTA, which might only account for one in 10 guests anyway at some hotels.

“What we're seeing in our portfolio is that some of the brands that have initiated this at very steep discounts are the ones where we're seeing the lowest revenue and ADR,” Welter said. “So we're supportive of this experiment, and we'll try it, but we need to be very smart because, in some ways, it's the tail wagging the dog. You have a loyal guest who'd pay a premium rate, and you're discounting all of those to drive down a few points on an OTA guest that's only 10% of your volume.”



In response, Corredor conceded that giving a 10% discount to somebody who might have booked directly without it isn't necessarily a win. But she added that if the discount offered roughly equals the commission the hotel would have paid to an OTA for the same guest, it's still worth it to the hotel.

"That's still a win, because you transfer the value to the consumer as opposed to transferring it to another business," Corredor said. "If you ever add value to the consumer, that's always a win."

HOTEL LOYALTY IS MORE THAN JUST PRICE

Chad Crandell, managing director and CEO of CHM Warnick, pointed out that hotel owners and brands aren't always aligned on matters of direct bookings, loyalty programs and acquisition costs.

"It can't always be top-line-driven," he said. "It frustrates me so much: We're at the highest levels of occupancy this industry has ever seen, and where the brands think we can motivate people is to discount the rate."

Crandell joined the rest of the panelists in urging RSS attendees to remember what else inspires loyalty in a guest aside from discounted rates. Welter suggested direct-booking campaigns emphasize other perks in their marketing messages.

"Loyalty is not just price," Welter said. "It's the rewards, benefits and making you feel like an important guest. That's what the brands have done a very good job of. They've got great loyal guests. They continue to stay in our hotels. And we don't need to do discount pricing to get them to stay in our hotels."