



# HOTELS

PASSION FOR HOSPITALITY



OWNER EQUITY BY CHAD CRANDELL  
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## Don't be a dimwit

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

*Dimming be damned* was the general consensus when it was reported that Expedia was withdrawing from the practice.

"Dimming" has been described as the stripping of media content and pertinent information from hotel listings, negatively impacting search positions for select hotels. Some believe the practice was a knee jerk reaction on the OTA's part to punish major hotel brands who were offering lower rates to loyalty members on brand.com. Expedia claimed dimming was implemented for the sake of the guest, as certain listings represented "low consumer value" as reduced rates became available elsewhere. I think most will agree that the brands and Expedia are each flexing a little muscle these days, as they vie for market share and brands pursue a more balanced partnership.

So, what does all of this mean for hotel owners?

### 1. We can't undo the past

During the Great Recession, hotels were left with a lot of excess inventory to sell and OTAs rushed in to fill the void. Perhaps with more foresight and technology this void could have been addressed by the lodging industry. Instead, the brands and other referral networks turned excess inventory over to the OTAs without restrictions to sell their rooms. As a result, OTAs developed a successful

and profitable means of selling rooms and offering guests price transparency like they had never seen before. OTAs quickly emerged, in the minds of consumers, as the lowest cost provider of hotel rooms and a one-stop-shop for accommodations.

## **2. Adopt to a new, but “old” paradigm**

Now, many years later, the brands and other hotels in an improved economy are trying to regain control and price perception. Not an easy thing to do after all this time. We need to revert back to treating OTAs as a channel for selling "excess" inventory. This may not be readily accomplished given current agreements, but something we, as an industry, should strive for. For that to occur, the customer will also need to believe that booking direct unlocks unique and valued benefits...this is where the brands come in.

## **3. Carefully evaluate brand tactics and measure impact on the bottom line**

Brand strategies to drive more direct bookings have been focused on "price" as the leading incentive. It's too early to tell whether these tactics are really working. I hope they do. But I am equally fearful that the cost – including lost revenue resulting from discounting to drive direct bookings, as well as brand fees (loyalty, PPC and other expenses incurred to divert these booking, which are not neatly captured in one place on the P&L) could leave owners in a worse position financially. We have all been trained that direct bookings are the least expensive, but do we know this for sure? We need to be diligent in our tracking of direct booking costs and resulting revenue to calculate the true ROI of brand tactics. Further, I hope brands will continue to challenge OTAs to lower commissions, leveraging increased negotiation power through mass consolidation occurring within our industry. I would also look to challenge brands to reduce their booking and loyalty program fees.

## **4. Be wary of new OTA tools/benefits offered to hotel partners**

Our industry allowed OTAs to create transparency that we weren't prepared for and have been recovering from ever since. We fell for it once, let's not do it again. OTAs continue to introduce new and enhanced tools offered to help hotel "partners." From offering systems that allow hotels to communicate with guests while on property to thwart negative post-stay reviews, to real time analytics that will alert managers to changes in competitor pricing with messages such as, "oh no, a price drop" (and we wonder why rate growth has been so anemic) – we need to carefully weigh the short-term conveniences of these offerings against the long-term impact on our hotels, guests and profitability.

I view hotel owners as potentially the most vulnerable party in this battle...we need to keep our "wits" about us to be sure owners don't get caught in the crossfire, as brands and OTAs continue to duke it out.

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