

Singing the Blues: The Cost of Customer Acquisition



Robert A. Gilbert, CHME
President



*To grow business for hotels
and their partners through
sales, marketing and revenue
optimization.*

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FUEL SALES ■ INSPIRE MARKETING ■ OPTIMIZE RE



Subject Matter Expert:

Cindy Estis Green
Co-founder & CEO
Kalibri Labs



A TIG GLOBAL SPECIAL REPORT

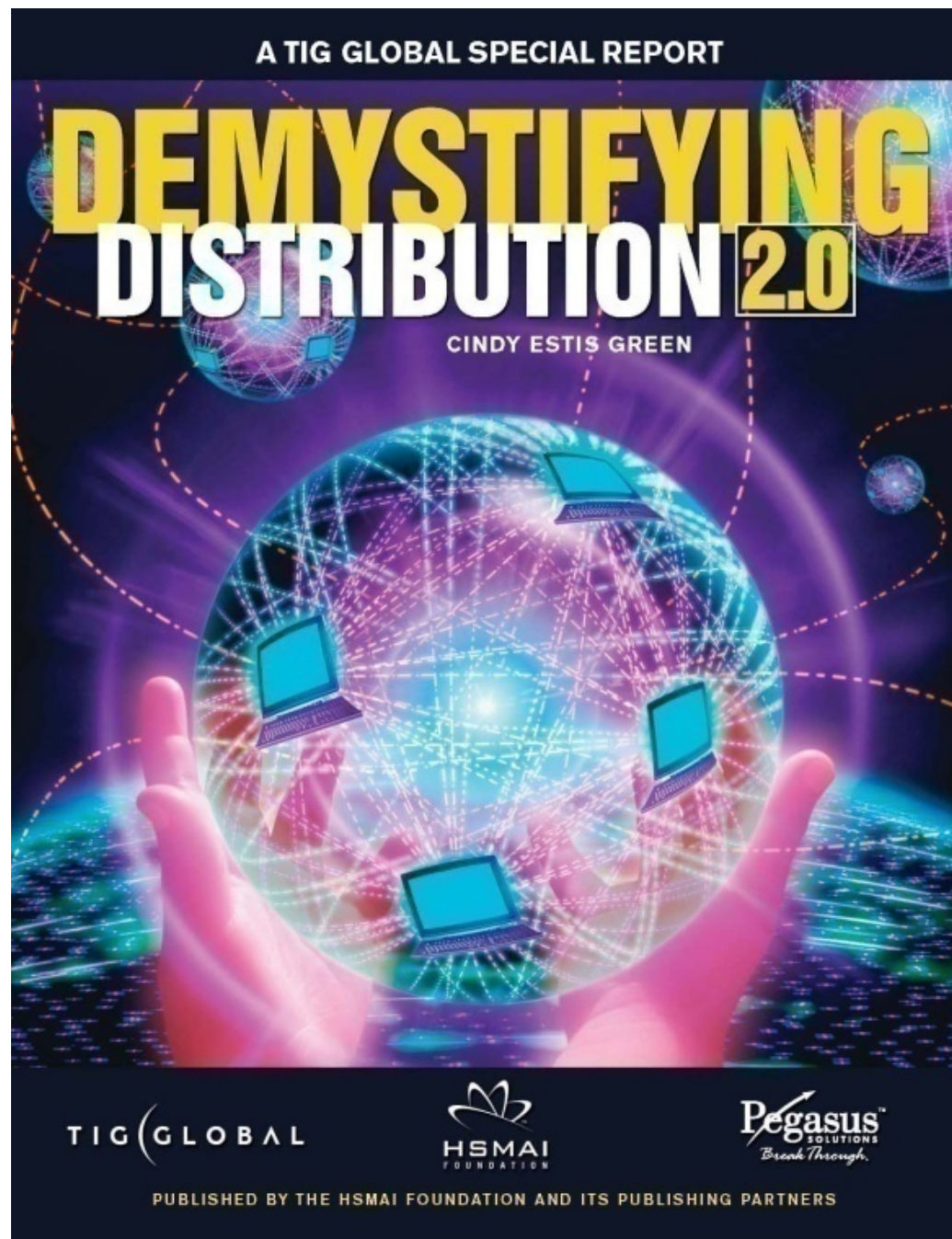
De-Mystifying Distribution

Building a Distribution Strategy
One Channel at a Time

CINDY ESTIS GREEN

**HSMAI**

Produced by TIG Global. Published by The HSMAI Foundation.



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What have been macro trends that have evolved since DCA was published in 201



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Value Shift Has Been Underwa


tripadvisor®
\$14.2 B


\$65.3 B


\$390 B


xpedia
Where you book matters.
\$10.9 B


614B


\$195 B


\$10


InterContinental Hotels Group
\$9.0 B


HOTELS & RESORTS
20.2B


Hilton
\$24.9 B


starwo
Hotels a
Resorts
\$16.7

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Booking Brands and Stay Bran

Google™

Expedia

priceline.com

You Tube



bing™

KAYAK



YAHOO!®

Booking.com

airbnb

Marriott®
HOTELS & RESORTS

IHG
InterContinental Hotels Group

COMMUNE HOTELS + RESORTS

CARLSON
REZIDOR
HOTEL GROUP



HILTON
WORLDWIDE

HYAT

KIMPTON®
hotels & restaurants

WYNDHAM
WORLDWIDE

CHOICE HOTELS
INTERNATIONAL®

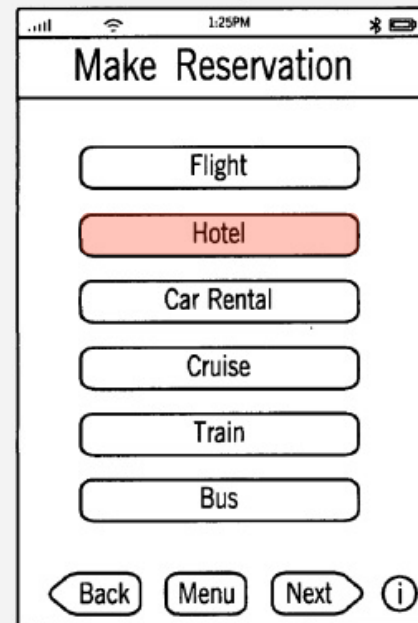
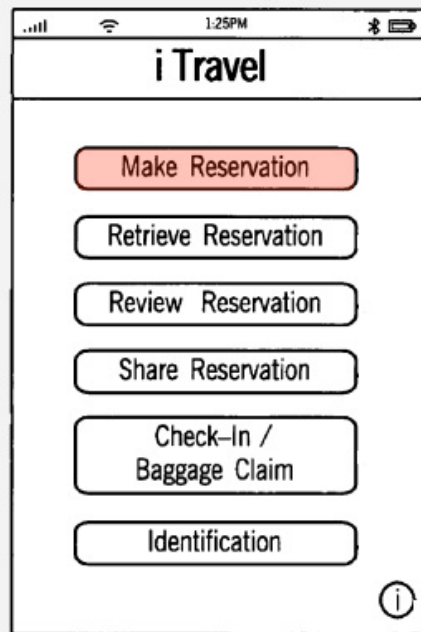
STARWOOD
HOTELS & RESORTS WORLDWIDE, INC.

Fairmont
HOTELS & RESORTS



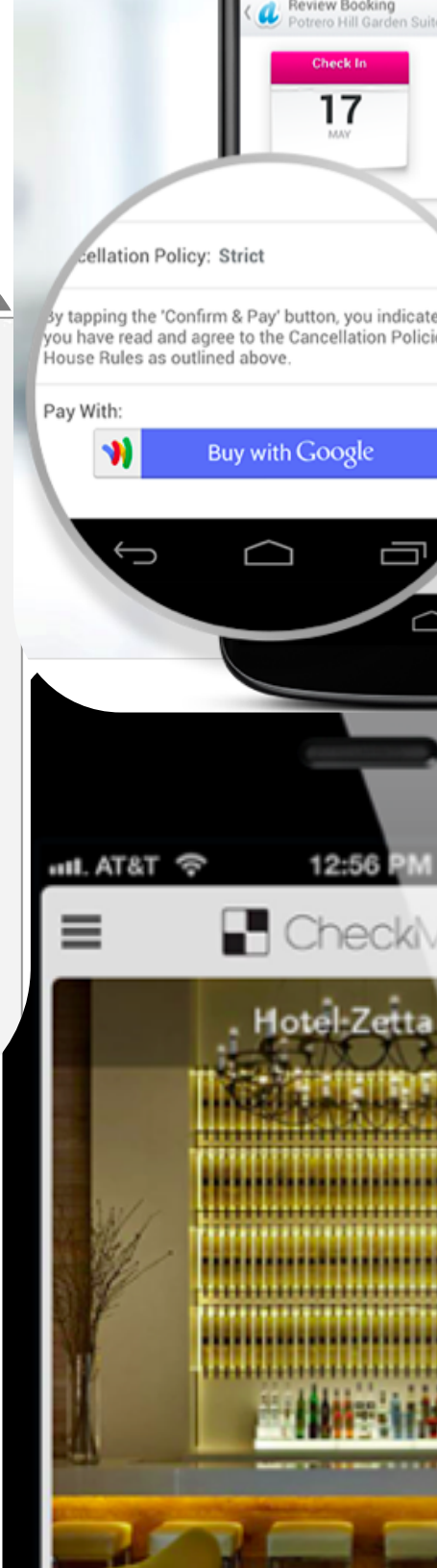
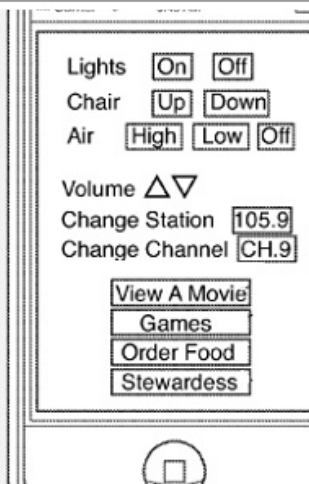
of the action...shop, buy, , eat, drink, stay, and pay

Apple Introduces a Future iPhone App Called iTravel

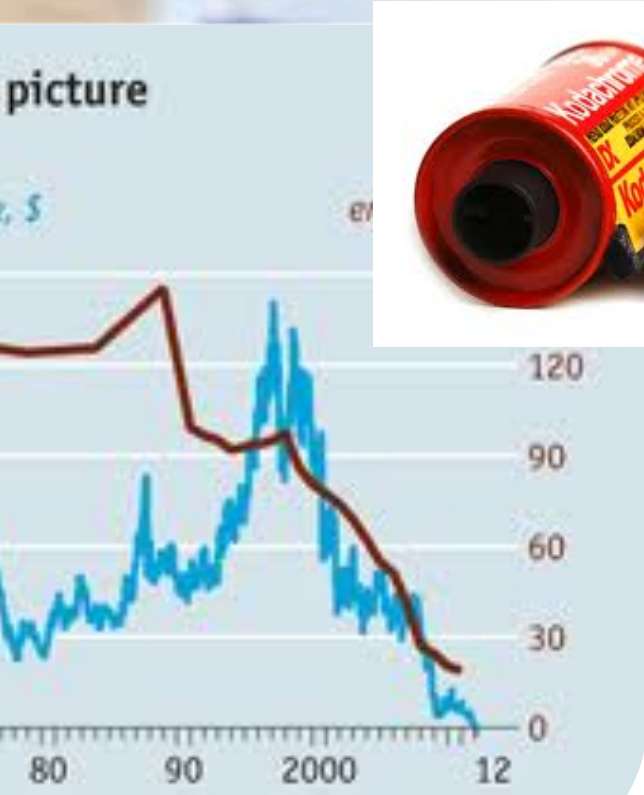


ently Apple

www.patentlyapple.com

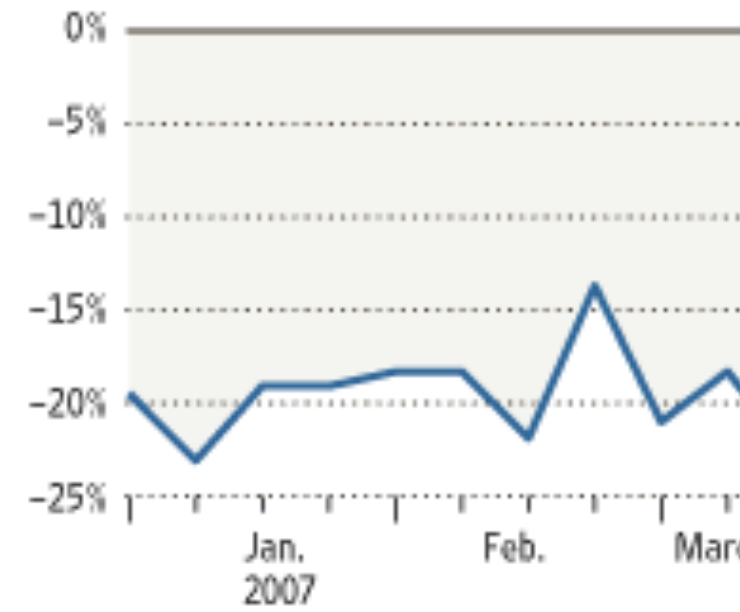


I don't want a Kodak moment.

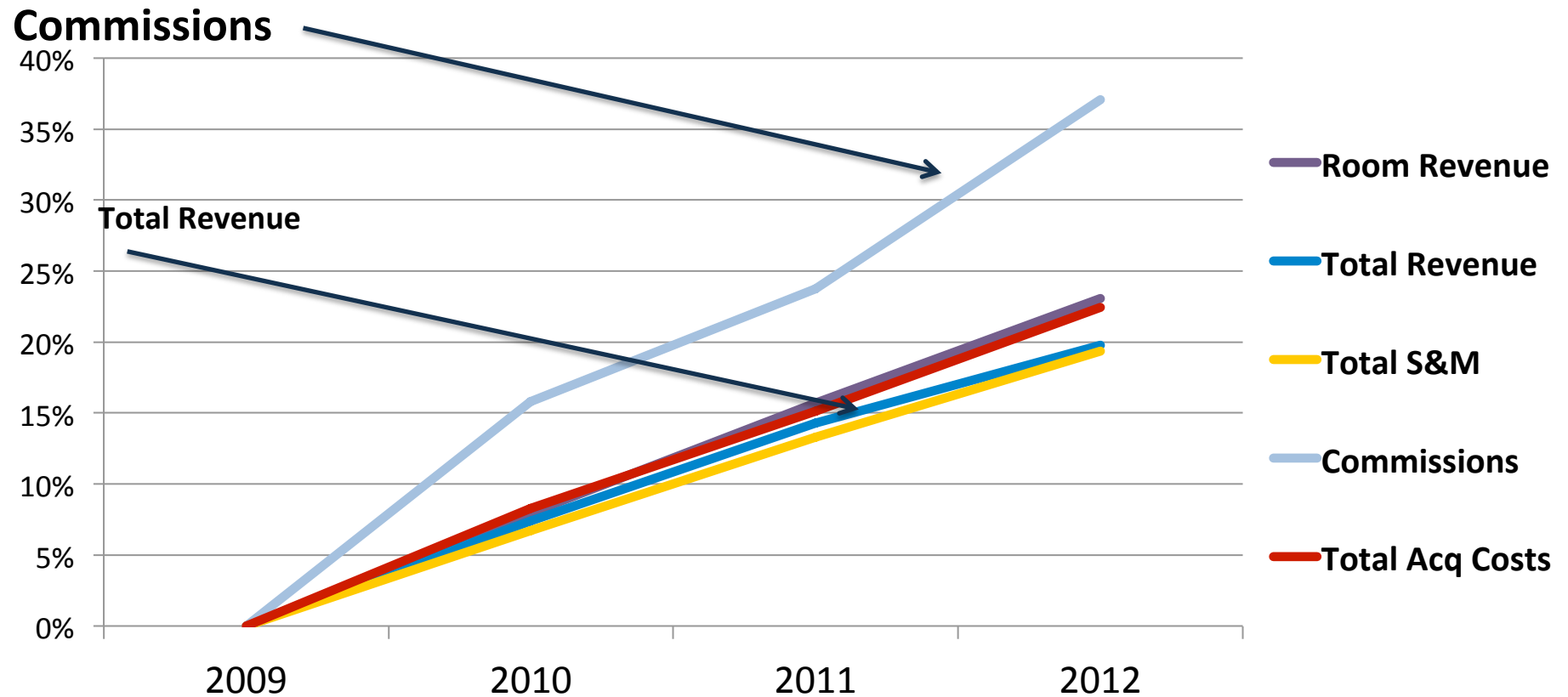


Slip Sliding Away

Weekly CD sales, change from previous year



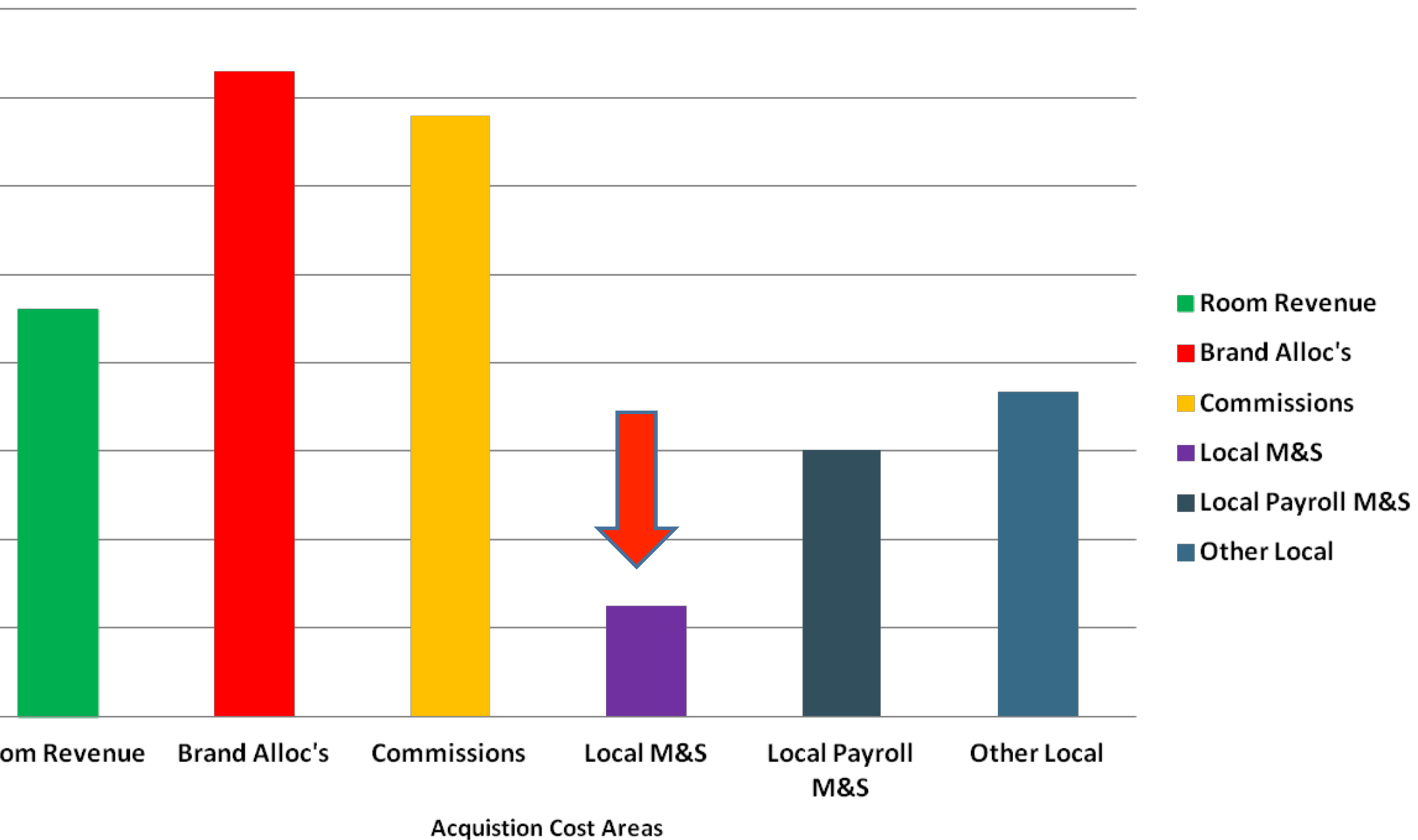
Acquisition/retention expenses rising at twice the rate of revenue growth



Source: 2013-14 HAMA Study

Reduction in Local S&M Spend

2009 to 2012 Increases



Operating Expenses and Profit NYC 2012



Cost Type	Low Contribution	High Contribution
Commissions Only	80%	90%
Commissions + Sales/Marketing	70%	80%

Cost of Customer Acquisition Travel Industry

TRAVEL SECTOR	COST AS % REVENUE
AIRLINES	3-6%
CAR RENTAL	4-6%
HOTELS	15-25%

AMA Sample P&L Database



468 hotels from 2009-2012

Data elements

- Total Sales and Marketing Spend
- Commission Expense (***retail only***)
- Total Revenue
- Room Revenue
- Number of rooms
- Group/Transient split

“Same store”—340 hotels



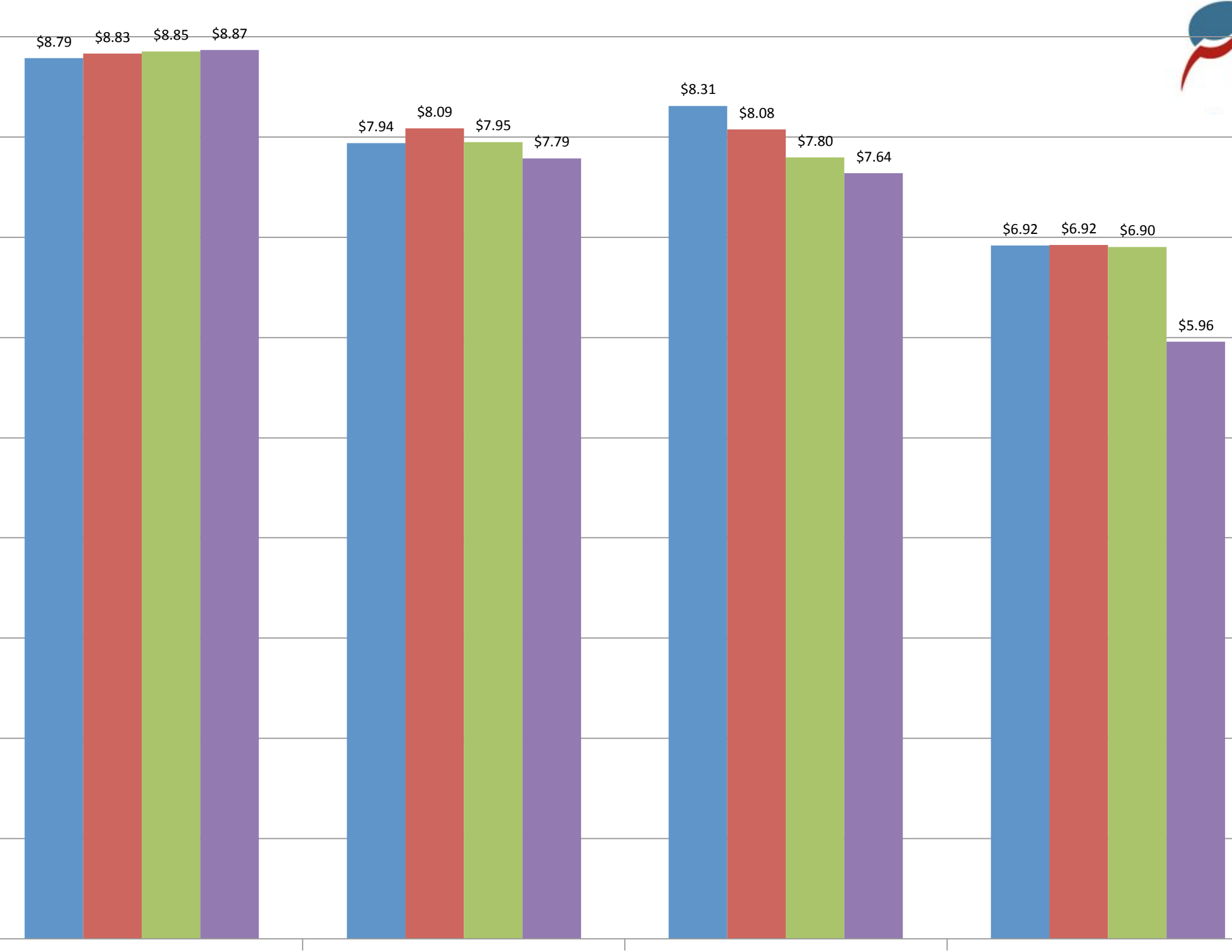
Net RevPAR

$$\text{Revenue} - (\text{Commissions} + \text{Total Sales and Marketing}) / \text{available rooms}$$

Net Sales and Marketing Efficiency

How much net revenue is generated for every \$1 spent in sales and marketing?

$$\frac{\text{Revenue} - \text{Commissions}}{\text{Total Sales and Marketing}}$$





branded luxury hotels were more efficient in sales and marketing spend than the branded upper upscale

however, independent and small chains outperformed branded luxury hotels in sales/marketing efficiency

luxury hotels were 11% better in S&M Efficiency than the Upper upscale, but with a 100% premium in ADR and revPAR that was a surprisingly narrow margin; they were 18% more efficient in sales & marketing efficiency when total revenue was considered

Commissions in upscale hotels grew more quickly than other channels between 2009 and 2012 but it was a close contest

Group hotels held steady in S&M efficiency from 2009-12 and were 1% more efficient than transient hotels (based on total rev); transients were more 19% more efficient on rm rev; transient declined over time largely due to the steep rise in commissions

Not the End of the World

Just the end of the world as we know it...
and a new era of opportunity





Implications of the Threat

Owners issue? **Costs**

Big Brand's Issue? **Consumer Access**

Independent Issue? **Cost and Access**

What it's not...

...its not about avoiding 3rd party marketers. They are a fact of life in the new marketplace.

What it is...

's about creating business acquisition strategies that deliver sustainable profit for hotels.

CIF Industry Advocacy

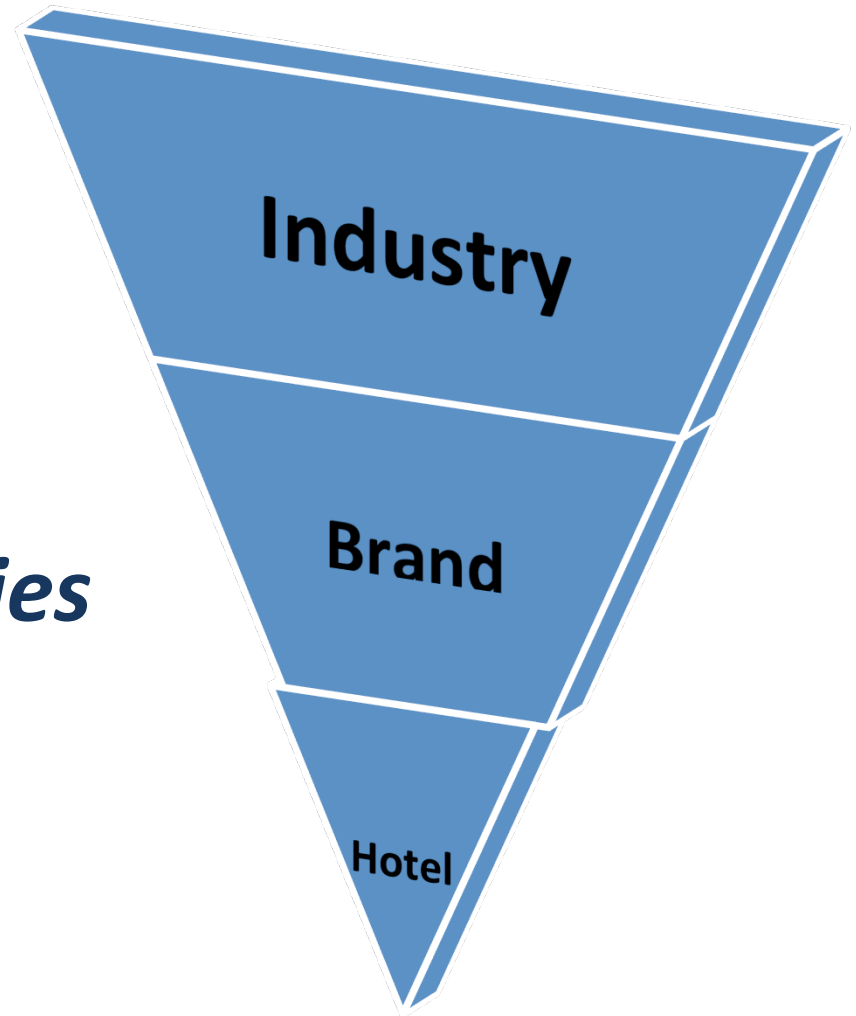
Consumer Innovation Forum

At the intersection of legislation and commerce

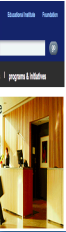
20 brands

10 ownership groups

4 management companies



Research and Education



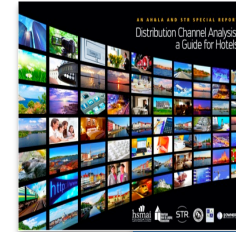
- New Models and Entrants
- Distribution Issues
- Hoteliers Resource for Understanding the Digital Marketplace

The New York Times



Consumer Deception

- Trademark Infringement
- Misleading Search listings and 800 numbers



Distribution Channel Analysis

- Reality check on cost of customer acquisition
- Industry resource for legislative action and policy

Your Thoughts & Questions?



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감사합니다 Natick
Grazie Danke Ευχαριστίες Dalu
Thank You Köszönöm
Спасибо Dank Tack
谢谢 Merci Seé
Obrigado
ありがとう

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