

Paid search producing positive results for hoteliers

David M. Brudney, ISHC, August 2011

Paid search advertising is becoming more commonplace by hotel marketers as a cost-effective, high-yielding e-marketing tool to help drive consumers to their respective website booking engines.

Paid search such as Google AdWords and pay-per-click (PPC) is generally a tactical outlet for driving short-term bookings - - a direct response advertising tool that allows hoteliers to achieve strong potential revenue. Paid search links search guests to hotel website booking engines.

Paid search including AdWords is special, too, because of the value represented as a branding outlet, a public relations channel and its ability to lower distribution costs versus third parties.

“We have experienced a 20% increase in PPC year over year,” said Agnelo Fernandes, VP sales & marketing, Terranea Resort, Rancho Palos Verdes, California (terranea.com).

“Since implementing an aggressive search marketing strategy, overall website revenue is up 50% year over year,” said Steven V. Seghers, president of Hyperdisk Marketing in Irvine, California (hyperdisk.com), referring to one of his hotel clients in the San Francisco Bay Area. “Return on investment (R.O.I.) for paid search alone is 6-1 and 8-1, and when you add in the total spend generated from paid search it is up to 15-1.”

AdWords and PPC advertising may be used in myriad ways:

1. Special promotions to fill “need” or “opportunity” dates or periods, where empty rooms are projected.
2. “Fire sale” or “flash sale” campaigns.
3. As a “shield” for special discounts or value-adds from other packages and price points running concurrently on online travel agencies (OTAs); these special discounts and/or value-adds are available only to those visitors who have clicked on to that particular key word or phrase; thus allowing the hotel to retain rate integrity.

Paid search strengths:

1. target need periods to grow occupancy;
2. speed of measurement and flexibility to craft multiple messages to reach different markets (e.g., transient, group, social/weddings and deal buyers);
and

3. ability to tightly control budget.

How it works

Terranea's Fernandes explained how it all works.

"Terranea devotes countless hours to search for key words and phrases that best describe Terranea's attributes. We put ourselves in our guests' shoes - - how the guest perceives the Terranea experience, how can we optimize that experience? What are those words and phrases that best "define" those guest experiences?"

Terranea also learns from reading guest surveys. "They tell us how the guest found us," Fernandes adds.

The information coming out of that research is then analyzed, processed and converted into "key words" and "key phrases" most likely to match what Internet visitors are seeking when searching online for types of hotels and hotel destinations.

A sample of key words or phrases searchers might use: "luxury golf resort", "Hawaiian resort destination", "Rocky Mountain resort" experiences or "close to an R&D business park" and "affordable airport location."

Then the process of purchasing those key words or phrases begins. Based upon demand - - some of those words/phrases are highly coveted by hotel competitors - - prices can range from US\$1 to US\$2 per word up to as much as just under US\$5, according to Terranea's Fernandes.

A consumer, using Google for instance, might type in a word or phrase that may have already been purchased by a number of hotels. The search results will include an ad with a link to the particular hotel's website and booking engine. Typically, the hotel that has "outbid" its competitors for that particular word or phrase will appear first.

Hotels are using a variety of full service sales and hotel Internet marketing agencies and online marketing consultants (e.g., Cendyn, Sabre and Hyperdisk) to help manage, monitor and optimize their e-commerce strategies and campaigns.

Paid search produces higher room rates and at less cost than OTAs

Hotel marketers interviewed disagree with the perception that paid search produces lower room rates. On the contrary, in many cases hotels are achieving higher average daily rates through key word buy campaigns.

Hyperdisk's Seghers has created "unique landing pages" for one or more of his hotel clients. "These pages help drive up conversion rates . . . and there is evidence to support once visitors land on those unique pages they are 'up selling' themselves."

"The cost to capture per hotel room booking through OTAs can range as high as 25% to 35% while paid search capture is 8% to 15%," Seghers added.

Luxury resorts, in particular, are finding paid search to be of tremendous value.

PGA National Resort & Spa, Palm Beach Gardens, Florida uses paid search campaigns to help drive hotel rate and sell more golf packages, according to Seghers.

"A big part of our e-commerce strategy is paid search. It works," Fernandes said.

David Burke, VP of sales & marketing for The Breakers, Palm Beach, Florida (thebreakers.com) concurs with Fernandes. "You have to use both . . . PPC and AdWords. (However) we still use the New York Times and a few other newspapers in winter to drive leisure business to our web site or call center."

Burke shared the story of a golfer from Cincinnati who via paid search found his way to the Breakers' website booking engine. "Historically, Cincinnati would not be a market where we would be spending any advertising dollars to reach golfers looking for a luxury resort golf experience. Online helps us reach those 'hard to find' areas home to potential customers for us."

"Today we spend about 30% to 35% of our advertising budget on search engine optimization (SEO), paid search, PPC and display advertising. A few years ago we were spending only 15% to 20%," Burke said.

Fernandes predicts within two to three years Terranea's e-marketing will grow to 50% of its total sales & marketing advertising budget.

Looking beyond the initial ROI metrics

AdWords and PPC are not getting the full credit they deserve, Seghers said.

"Too many hoteliers focus too much on paid search ROI for reservations booked exclusively online - - actual booking transactions on the property website's booking engine. They fail to credit all of the 'website lookers' and 'website buyers' who wind up calling the hotel."

Some visitors to a hotel website's booking engine, Seghers pointed out, wait until later to book the actual reservations - - often preferring to call the hotel direct or the hotel's call center.

“We’ve created and integrated a distinct tracking system for our client PGA National Resort & Spa that records how many guests - - those who originally found the hotel website’s booking engine via paid search - - made reservations by calling direct. One-third of all bookings (with origins from paid search) come from phone calls,” adds Seghers.

Paid search checklist

Here’s a paid search “real” value checklist:

- ❑ Total web bookings
- ❑ Web growth statistics (*visitors, traffic counts, geographical origins*)
- ❑ Call volume and inbound sales
- ❑ Organic search & SEO
- ❑ Bookings made via call center or hotel direct
- ❑ Initiating dialogue (*creating fewer opportunities for “public” critical reviews*)
- ❑ E-mail capturing
- ❑ Brand strengthening, building and growth versus comp set
- ❑ Public relations channel
- ❑ Growing loyalty with new guests (*retain the customer for life!*)
- ❑ Lead generation
- ❑ Referrals (*from partners & alliances, chambers of commerce, convention & visitor bureaus/DMOs and hotel management company inventories*)

Seghers advises his clients to keep a balance between paid search and other electronic and print advertising and public relations.

I will be writing more about paid search, SEO, AdWords, PPC and banner ads in my September column. In particular, I will be addressing any “downsides” that I’m able to uncover.

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