



ONLINE MERCHANDISING:

HOW HOTELIERS CAN ENHANCE THEIR
ONLINE PRESENCE, SET THEMSELVES
APART AND DRIVE MORE BOOKINGS

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AS FORWARD-THINKING HOTELIERS HAVE FOUND, ONLINE MERCHANDISING DELIVERS AN IMPRESSIVE RETURN ON ONE'S MARKETING INVESTMENT.

They've discovered that rich visual media – such as videos, virtual tours and high definition photos – can better tell a hotel's unique story by amplifying its strengths, attracting new guests and keeping them coming back.



WHAT DIFFERENTIATES ONE HOTEL FROM ANOTHER? ONLINE TRAVEL SHOPPERS CAN'T TELL YOU. AS THEY SEARCH THE WEB FOR HOTELS THAT MATCH THEIR NEEDS, PREFERENCES AND PERCEPTIONS OF VALUE, THEY ARE CONFRONTED WITH AN OVERWHELMING GLUT OF SAMENESS.

Imagine you are trying to book a hotel in downtown Chicago for the weekend. You have a certain price range in mind. You have buying criteria related to the quality of accommodations, availability of breakfast services and proximity to certain restaurants and shopping districts. But several different hotels meet these criteria. You are struggling to choose.

What travel shoppers are experiencing on today's travel sites is an absence of well merchandised hotels. In other words, hotels are not presenting their unique stories and special qualities in a compelling way online. Instead, online searches pull up a series of undifferentiated "listings" that fail to entice shoppers or provide clear incentives to book.

Merchandising is not a new concept. The retail industry has long understood that the presentation of offerings is a key driver of sales and success. It's the element that clarifies a product's distinctive benefits and relevant features. It stimulates interest and provokes a buying decision.

The hotel industry, however, has been slow to embrace the possibilities associated with merchandising in the online world. This creates an opportunity for hoteliers that recognize this fact. Through online merchandising, they can actively differentiate their properties on independent travel sites, their own sites and their affiliated brand sites, driving more bookings and increasing their average daily rates.

As forward-thinking hoteliers have found, online merchandising delivers an impressive return on one's marketing investment. They've discovered that rich visual media – such as videos, virtual tours and high definition photos – can better tell a hotel's unique story by amplifying its strengths, attracting new guests and keeping them coming back.

Through engaging stories, enhanced presentation and extensive distribution, they are setting themselves apart in the online realm. Indeed, they are reaching new levels of growth and profitability – even as the hospitality sector becomes increasingly competitive and challenging.

MARKET DRIVERS IMPACTING ONLINE HOTEL INDUSTRY MARKETING

Intensifying competition, the proliferation of rich media and changing behavior among travel shoppers are a few of the drivers encouraging hotel owners and marketers at individual properties and management companies to rethink their existing approaches to marketing.

Competitive forces are intensifying as options and offers proliferate on the Internet. While supplier sites now represent 61% of online bookings, online travel agencies represent 39% of the market, according to travel research firm PhoCusWright.¹

But these numbers don't even reflect the heavy amount of research and comparison shopping taking place – a factor that deepens the struggle for shopper attention and confidence. Consumers search various sites – brand sites, online travel agencies and special interest travel sites – when planning a trip online.

According to the Travel Industry Association, online travel shoppers “have increased many facets of trip planning including the number of information sources used for planning, the number of places considered during the planning process and the number of places actually visited. The Internet has also led to decreases in the extent to which travelers make calls, especially to a travel agency or airline, state and local tourism office, car rental agency or hotel.”²

The reason for the continued success of online travel booking is “consumer comfort with online purchasing, perception of the Web as having the lowest prices and supplier disincentives for booking through other channels,” states PhoCusWright.³ Hotels that aim to compete on factors other than price are challenged to convey their key benefits and differentiators in an environment that heavily appeals to consumer interest in lower prices.

Another trend impacting online hotel marketing is the proliferation of rich media and visual content on the Web. As high bandwidth connections have become pervasive, consumers are now able to access video and other rich media on the Web. This has important implications for marketing. Automobile companies have been among the first to capitalize on this trend by showcasing their vehicles through video and other visually rich presentations. Real estate firms, meanwhile, have actively promoted virtual tours or walkthroughs of available homes and other properties.

Finally, it’s increasingly clear that consumer attitudes and behavior are changing with respect to online travel planning and purchases. Approximately 90 million American adults used the Internet to plan travel during the past year with 76.4 percent of online travelers planning leisure trips online, according to the Travel Industry Association.⁴ Nearly three of four travel shoppers (73%) research their hotel accommodations online and more than half (54%) use the Internet to book their stays, according to a study by Harris Interactive.⁵



“APPROXIMATELY 90 MILLION AMERICAN ADULTS USED THE INTERNET TO PLAN TRAVEL DURING THE PAST YEAR WITH 76.4 PERCENT OF ONLINE TRAVELERS PLANNING LEISURE TRIPS ONLINE, ACCORDING TO THE TRAVEL INDUSTRY ASSOCIATION.”

- Travel Industry Association, "Travelers' Use of the Internet," 2008



Consumer expectations also appear to be growing with respect to how hotels present themselves. Harris Interactive found that online travel shoppers consider visuals – photos, virtual tours and videos – “very important” and even ranked this factor higher than other factors such as the property’s star ratings, destination information, loyalty programs, hotel brand and customer testimonials and reviews.

But consumer demand for visual content and communication has generally outpaced the ability of hoteliers to deliver it. Despite the importance of the visual content factor, a substantial portion of survey respondents stated that they are less than satisfied with the quality and quantity of visual materials available online.⁶

MARKETING CONCERNS FACING TODAY’S HOTELIERS

Recognizing the growing importance of online travel shopping, hoteliers today are increasingly asking themselves: Am I maximizing my investment in my online presence? Unfortunately, they have a nagging sense that the answer is “no.”

Hoteliers increasingly realize they are not yet reaching their potential in terms of online marketing. What’s the evidence of unmet opportunity? Hotels are undifferentiated in the marketplace, stretched beyond all means in terms of available marketing resources and not reaching their bookings objectives.

Undifferentiated in the Online Marketplace. Visit the listings on Expedia, Travelocity, Tripadvisor, Priceline or any number of online travel sites and it becomes clear that few hotels actually stand out. Most hotels provide a simple set of pictures and a relatively stark description of their amenities and attractions. There is nothing vivid and interesting – no compelling presentation of a hotel’s distinct features – to set one hotel apart from another.

Hoteliers often recognize this is the case. They may have relied on corporate brands or representation companies to provide materials and set up online listings on travel sites. But corporate brands tend to focus on presenting consistent brand imagery and descriptions as opposed to the unique strengths and distinct features of individual hotels.



Given the undifferentiated presentation of most hotel information on the Web, it's unsurprising that online shoppers would tend to evaluate hotel choices more heavily on the one aspect that is most clear and immediate: price. In the absence of compelling content that underscores the strengths of a given hotel property, hoteliers are unable to compete on the unique value they provide their prospective customers. They are unable to present an experiential offering that attracts customers.

Stretched Beyond All Means. While hoteliers may have significant interest in marketing themselves more aggressively and enhancing their presence online, they don't necessarily have the time, skills and budget to execute on these goals.

This is particularly true with regard to marketing through online travel sites. Individual hoteliers generally don't have the resources to determine how best to present themselves on the many travel sites that could drive business. As a result, they are unable to figure out what sites represent their target customers and what actions must be taken to enhance their presence on these sites.

Not Reaching their Bookings Objectives. Given the increasing competitiveness in the online travel marketplace, it's not surprising that hoteliers are struggling to meet their objectives in terms of overall bookings. Clearly, a growing amount of research and overall bookings are taking place via the Internet. However, hotels are unlikely to drive a significant amount of new bookings if they are poorly positioned or relatively invisible in the online arena.

As overall online travel bookings grow, the opportunity cost associated with a weak online presence may be mounting. Hoteliers may be failing to reach their sales objectives because they are unable to present their key features and benefits online and guide their prospects through a satisfying decision process. But they also may be missing business because they don't have a compelling presence on the many independent travel sites that attract targeted customer segments.

BREAKTHROUGH MARKETING SUCCESS THROUGH ONLINE MERCHANDISING

To set themselves apart in the online marketplace and reach their sales objectives, hoteliers should begin exploring the power and potential associated with online merchandising. This is the ability to present your hotel in a way that is compelling to the travel shopper.

Building on the proven practices of successful retail merchandisers, online merchandising enables hotel owners and management companies to leverage the full reach and impact of online travel sites to differentiate themselves and drive bookings growth.

Online merchandising draws on rich media and visual content to present the benefits and features of hotel properties that are most relevant to targeted customers – enhancing their shopping and purchasing experience. One study of a full service hotel chain found that consumers who viewed rich media (video, high definition photos and 360° virtual tours) were 76% more likely to book than similar consumers who did not.⁷

Online merchandising in the travel marketplace has three key dimensions:

- **Engaging Stories that Differentiate.** Every hotel is unique in some way. It has special attributes and amenities, features and benefits. Whether it's the property's proximity to the entertainment or business district, breakfast options, or coffee makers in the room, it's necessary to tell a story that captures the unique value of the hotel. It's the story that helps a shopper determine the reason for choosing one hotel over another. As hotels target different target markets, they will, in fact, want to tell stories that reflect the preferences and priorities of those various types of shoppers or buyer personas.



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- **Enhanced Presentation that Sells.** Research on shopping behavior demonstrates that online shoppers are increasingly attracted to compelling visuals and video demonstrating the unique benefits a hotel has to offer. Whether these benefits are presented as high definition photographs, videos or virtual tours or some combination, the point is that visual content is becoming an increasingly key influence on the shopper's decision process and buying experience.
- **Extensive Distribution across Selling Channels.** Engaging stories and enhanced presentation represent limited value if targeted prospects are not exposed to your message in the first place. This is why far-reaching distribution is so critical to success. There are a vast number of online travel sites. To drive new bookings, you must present your hotel where the right shoppers congregate. The challenge lies in obtaining distribution in these selling channels – a tricky challenge that is best addressed by working with specialized firms that have distribution agreements offering extensive reach in the online marketplace. Some even provide this service – enabling hotels to reach tens of thousands of independent travel sites – for about the price of a single monthly booking.

Research suggests hotels continue to aggressively market online and intend to invest more than ever this year. Indeed, one study found 63% of hoteliers plan to increase their Internet marketing budget in 2009 and a majority are planning on raising their online budget more than 15%.⁸ Online merchandising represents a way to ensure they maximize the payoffs on their marketing spend.

THE BENEFITS OF ONLINE MERCHANDISING

As a growing number of smart hoteliers are now discovering, there are several core benefits associated with online merchandising. Among them:

- **Increased Online Bookings.** Reaching out to new markets in a compelling fashion, hoteliers have the opportunity to cost-effectively drive new sales growth – meeting (or exceeding) their existing objectives.



- **Increased Average Daily Rates.** By presenting unique benefits to relevant audiences and targeted shoppers, hotels can escape the margin-killing challenge of competing on price. Instead, they can begin to price their offerings at rates that more accurately reflect the value of the customer's experience. This enables them to increase ADRs and profitability.
- **Increased Return on Marketing Investment.** It's not uncommon to realize triple digit returns on one's (limited) marketing investment through online merchandising solutions. These payoffs far outstrip results generated through traditional advertising and marketing approaches.

By embracing online merchandising, hotel owners and management companies are turning the Internet into a powerful tool for differentiation and growth.

CASE IN POINT:

The B.F. Saul Company Hotel Division (www.bfsaulhotels.com) owns and operates a portfolio of business class hotels including Hilton, Marriott and InterContinental branded properties. Prior to March 2008, they had been distributing photos and virtual tours for all properties across VFM Leonardo's VNetwork which includes all of the websites travel shoppers visit while planning their trips online.

As part of their E-Commerce strategy intended to drive more revenue from online channels, B.F. Saul upgraded its properties to video distribution. By using VFM Leonardo's VBrochure Online Merchandising System to distribute relevant videos to the travel sites, B.F. Saul's properties are better merchandised with photos, virtual tours and video on display to online travel consumers.

"Media, Media, Media... visuals SELL hotel rooms... show them off! states David Attardi, Director of E-Commerce, B.F. Saul Company Hotel Division. "E-Brochures are GREAT selling tools that let you show off your hotel with professional still shots, 360 virtual tours and HD videos."

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- David Attardi, Director of E-Commerce, B.F. Saul Company Hotel Division



ONLINE MERCHANDISING: THE FUTURE IS NOW

The game is clearly changing in the world of online hotel marketing. Online travel shoppers increasingly expect hotels to provide a greater sense of the unique attributes and compelling benefits they have to offer. The opportunity is for hotels to enhance that shopping experience in ways that differentiate them online and drive greater bookings.

To succeed in this changing environment, hoteliers will be challenged to embrace online merchandising. They can address this challenge and market their hotels in a compelling way through engaging stories, enhanced presentation and extensive distribution across travel related electronic sales channels.

They'll need narratives that express their special attributes. They'll need to package them in video and visual content. And they'll need to distribute them to the many travel sites that reach their prospective customers. However, specialized partners can help them accomplish these objectives in an intelligent and cost-effective way.

Hotels now have an opportunity to truly optimize their marketing investments, increase average daily rates and drive bookings to new levels. They can differentiate themselves in a hyper-competitive, online arena. If they seek a competitive advantage, this is the moment to act. Why wait for the future, hoteliers must ask themselves, when the future is now?



ABOUT VFM LEONARDO

VFM Leonardo is the world's largest provider and distributor of online visual content for the hotel and travel industry. VFM Leonardo's content library includes more than one million digital photographs, videos and 360° virtual tours for over 80,000 hotels and resorts worldwide. Through VScape, VFM Leonardo distributes this content to its online media network of all four Global Distribution Systems, Pegasus, and 30,000 plus travel-related channels including online travel agencies, travel research and supplier web sites, search portals and major travel intermediaries. VFM Leonardo's online media network includes industry leaders such as Sabre, Galileo, Travelocity, Orbitz, Priceline, Tripadvisor, Yahoo! Travel, Kayak, Google and many more. For more information, visit www.vfmleonardo.com.

VFM Leonardo's VBrochure™ Online Merchandising System is part of the largest, most universally accepted and online visual content distribution network (VNetwork™) for the global travel industry. VBrochure is a user friendly system that helps you merchandise your properties in their best, most current light, wherever travel shoppers are shopping on the web. [Learn more about VBrochure >>](#)

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