

DIRECT BOOKING BOOM!

LEE JAMIESON EXPLORES THE RAPID GROWTH IN DIRECT ONLINE RESERVATIONS AND INVESTIGATES THE FINANCIAL BENEFITS ON OFFER



RESERVATIONS

By all accounts, the Middle East's hotel sector is in the midst of an online reservations boom. As the region's consumers increasingly move online to make their purchasing decisions, hoteliers are scrambling for the latest online reservations technology.

The growth figures reported by hoteliers in the region speak for themselves: The Arabian Park Hotel reports a 5% year-on-year

increase in online bookings; Dusit Thani Dubai has enjoyed an AED 2 million (US \$544,500) year-to-date increase in revenue from online bookings; and the Al Diar Siji Hotel reported an 86% increase in online bookings during the first five months of 2011.

"Online booking is indeed a fast-growing channel for the region's hospitality industry," says Al Diar Siji Hotel and Siji Hotel Apartments general manager, Fouad Melhem. "The online travel market is burgeoning and more web booking portals are soon expected

to flood the market. Therefore, an increase in internet booking is inevitable and hotels have to take action if they want to secure a share."

As online reservations continue to escalate, hoteliers are looking to balance their portfolio of online booking channels to maximise revenue and retain control over their online presence.

Online reservation is likely to form a more significant percentage of a business' annual revenue, so hoteliers are diversifying away from their current online strategy which is dominated by online travel



Fouad Melhem, general manager, Al Diar Siji Hotel & Siji Hotel Apartments.

agents (OTA) and global distribution systems (GDS).

“Since the economic downturn in 2008, hoteliers have realised the importance of online presence and e-distribution,” explains ResNet World managing director, Saahil Mehta. “Initially, hoteliers were too dependent on OTAs, which has resulted in lower profitability and overuse of these channels.

“Now, a number of hotels are fighting back and have started to improve their own online presence through internet marketing and e-distribution — which is improving profitability and brand value.”

WEBSITE WONDERS

Many hoteliers are recognising the importance of direct online book-



WITHOUT A DOUBT, DIRECT ONLINE BOOKINGS ARE THE MOST COST-EFFECTIVE RESERVATION CHANNEL. THEY ALSO BRING IN THE HIGHEST ADR ON ELECTRONIC CHANNELS



Dominic Carr, corporate vice president front office, Rotana.

ings. This channel sidesteps the OTA's sales commission process and allows greater control over a brand's online presence.

To capitalise on this trend, there has been a number of hotel website relaunches. For example, since the new direct booking engine was introduced on rotana.com in late

2010, the company has seen bookings more than double. Similarly, Al Diar Siji Hotel's Melhem expects the recent launch of aldiarhotels.com to increase the company's online bookings from 15% to 40% by the end of the year.

“Looking at the countries that we represent in the Middle East, the strongest channel is now the hotel's own website, followed by the GDS and the OTAs,” explains Micros-Fidelio regional vice president services and business development, Oliver Menzel.

According to figures from Micros-Fidelio, hotel websites generated 68% of the room nights which were booked via electronic channels in 2010; up from 62% in 2009. GDS decreased from 36% to 27%, according to Middle East and Egypt data from Micros-Fidelio partners.

“Hoteliers are therefore looking to merchandise their own website more effectively,” continues Menzel. “The weakest opportunity is still the OTA scenario, but with Expedia.com and Booking.com entering the market with a local language site, the picture may be about to change again.”

Demand for direct online reservation technology may be strong in the UAE, but it has a patchy record in other areas of the GCC — perhaps, in part, due to a lack of local-



sation from solution providers.

Trust International has identified a high demand for localisation and intends to grow its market share in the region with Arabic versions of its yourVoyager CRS solution and Internet Booking Engine.

“Markets like Saudi Arabia, Doha and Qatar still have high potential for new systems,” said Trust International regional vice president for sales, Heinrich Kessler, “Especially hotel groups working locally with their customers. The key challenge will be to adapt to the booking behaviour in the region's various markets.”

FINANCIAL BENEFITS

Direct online reservations make financial sense. While OTAs and GDS can provide a steady revenue stream for hotels, the commission charged, typically ranging between 15% to 30%, can make them costly.

“Without a doubt, direct online bookings are the most cost-effective reservation channel,” says Rotana corporate vice president front office, Dominic Carr. “They also bring in the highest ADR on electronic channels and they usually bring in more revenues through

STRATEGY STUDY – DUSIT THANI DUBAI

As of May 2011, Dusit Thani Dubai increased its year-to-date revenue from online bookings by AED 2 million (\$544,500). Sales and marketing director Leon Salinel is now looking to convert more business from the hotel's online booking engine by driving more traffic to its website.

Salinel's Strategy:

1. Localisation. The website is currently available in three different languages, with a fourth – Arabic – to be added soon.
2. Visibility. The newly updated website is now easier to navigate and features highly visible offers.
3. Conversion. The main website directs customers straight to the booking engine. The chances of turning those people who are merely browsers into those who will buy increase
4. SEO and SEM. A combined search engine optimisation and marketing strategy ensures the hotel stays high in search results. This has been outsourced to a specialist agency.



dramatically the moment that they enter the booking engine.

4. SEO and SEM. A combined search engine optimisation and marketing strategy ensures the hotel stays high in search results. This has been outsourced to a specialist agency.

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ON THE MARKET: DIRECT BOOKING SOLUTIONS



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AVAILPRO

Availpro's newly-released Facebook engine allows customers to make a reservation direct from this popular social media website.

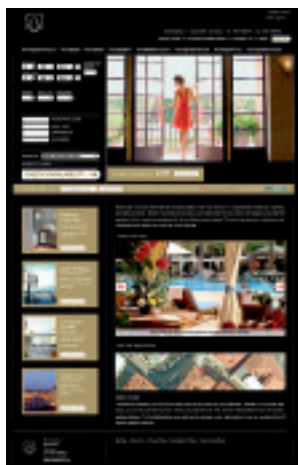
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“ALTHOUGH HOTELS DO NOT NEED TO PAY COMMISSIONS ON RESERVATIONS MADE DIRECT, THEY DO BEAR ALL THE COSTS ASSOCIATED WITH MAINTAINING THEIR WEBSITES AND DRIVING TRAFFIC”

Assita Kone, hospitality business development manager, Traveport.

selling add-on services and discounted standby upgrades. They also encourage loyalty and repeat bookings through the promotion of our loyalty programme.”

However, hoteliers are not attempting to shift guests that previously booked through an OTA onto direct online booking — rather, they are aiming to mature and broaden their online reservation channels to secure a greater market share as the consumer appetite grows for online booking.

“We still need OTAs and GDS,” reminds Carr. “They are very important to us as they provide excellent international exposure that we would not be able to achieve on our own.”

As part of the commission paid to OTAs and GDS providers, hotels benefit from their combined marketing resources in multiple markets. Therefore, direct online reservations are not without cost,

as Traveport hospitality business development manager, Assita Kone confirms: “Although hotels do not need to pay commissions on reservations made directly, they do have to bear all the costs associated with maintaining their websites and driving traffic, whilst the GDS has built-in infrastructure that provides access to an established network of loyal travel agency users around the world”.

In this respect, OTAs provide an indispensable service to independent hotels that cannot access the economies of scale that large branded hotel chains benefit from. By their very nature, the websites of big-budget international hotel chains can be highly visible in international markets.

“For non-branded hotel properties like us, our own website does not have the reach that other hotel brands have,” explains Arabian Park Hotel revenue and reservations manager, Imelda Ramos.

“We are therefore more reliant on OTAs to expose our properties to a much wider audience and drive room night production into them.”

UNDERSTANDING THE BENEFITS OF E-MARKETING

In an effort to increase their online presence and drive traffic to their own booking engines, operators are reinvesting resources into e-marketing techniques.

By far the most cost-effective technique is search engine optimisation (SEO) whereby website content is written to show up in online searches. SEO is a complex and competitive area where results can vary depending on evolving search



Trust International's Heinrich Kessler.

trends, the authority of the domain name, the elusive “page rank” value assigned to websites by the search engines and how effectively keywords are woven into the website content. Together, these elements determine how far up the search rankings a company will be listed for commonly searched-for terms — and every company wants the top position!

“If you do not appear on the first page of any search engine then the likelihood of your property being booked is greatly reduced,” explains Evolution director of e-commerce, Yunna Takeuchi. “Think carefully about which keywords you want to target and use these keywords in your page title, headings, internal links and copy.



Imelda Ramos from Arabian Park Hotel.

As the name suggests, the account is only charged if the user actually clicks on the advert.

“Currently we are investing heavily in online technology like PPC, social media and SEO — in both English and Arabic,” explains Rezidor director of revenue development, Cristina Polo.

“Our websites have been revamped to provide better digital platforms for booking. Websites need to be appealing yet still reflective of the actual hotel so the consumer feels confident in the product they’re buying. I think it’s important to get the basic things right: websites should have good content, be fast and be efficient.”

In many hotels across the region,



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“**CURRENTLY WE ARE INVESTING HEAVILY IN ON-LINE TECHNOLOGY LIKE PPC, SOCIAL MEDIA AND SEO — IN BOTH ENGLISH AND ARABIC**”

Cristina Polo, director of revenue development, Rezidor.

You can also generate awareness by distributing press releases that contain links back to your website.”

Another method is the pay-per-click (PPC) model which allows hotels to prominently display adverts in a user’s search results when they search for specific terms.

68%
OF ROOM NIGHTS BOOKED VIA ELECTRONIC CHANNELS IN 2010; UP FROM 62% IN 2009.
SOURCE: MICROS-FIDELIO (MIDDLE EAST AND EGYPT)

TOP FIVE TIPS FOR DIRECT ONLINE BOOKING

1 Multiple Platforms – ensure potential guests can book directly from their mobile phones and social media accounts.

Personalisation – differentiate direct channels from OTAs by establishing a personal touch with potential guests.

2

3 Value Adds – offer incentives to potential customers to book directly.

Book Now – ensure that a “book now” button or form is present on every page.

4

5 Invest – ensure that you have a robust internet marketing campaign behind your direct booking project.

there needs to be a stronger strategy behind direct online reservations. Some hotels are not investing an appropriate amount of resources, despite the savings from OTA commissions and the fact that this channel offers more profitability.

“The primary issue is that many hoteliers see internet marketing as an expense rather than an investment with immediate results and a very high ROI,” explains ResNet World’s Mehta.

“Hoteliers must carefully employ ROI-centric initiatives including SEO, PPC, social media optimisation (SMO), website re-design, email marketing, mobile marketing and so on. I say it time and time again: why not use part of the

expense paid to third parties to directly attract potential guests?”

One hotel that has stepped up its commitment to growing direct online reservation is Taj Palace Hotel Dubai. It is hoped that a revamped website, new monthly e-newsletter, online promotions and the outsourcing of its SEO requirements to a specialist agency will increase online bookings by 10% per month in 2012.

“Our strategy is to have a good mix of bookings from our own website and OTAs,” says director of sales and marketing, Mohamed Anwar. “Hoteliers looking to increase their online presence need to adopt a back-to-basics approach, which means going out with the right rates at the right time and maintaining rate parity.

“It is vital that your website is well maintained with regular uploading of unique content and a sound search engine marketing plan behind it.”

DYNAMIC ENGINES

As the web becomes more sophisticated, operators cannot ignore the wider context that surrounds their hotel’s website. It is impossible to see the website in isolation from popular social media sites or the region’s SmartPhone revolution; the reading experience on mobile devices is radically different to the traditional web browser experience on a PC.

Today’s online booking engines need to be dynamic in order to meet the diverse needs of consumers and their technology choices. For example, they need to detect the use of a SmartPhone and immediately redirect the user to a mobile version of the booking engine.

The time has come for direct booking engines to be liberated from their static websites — they need to go where the customers are. Developers of direct reservation technology are working hard to integrate booking engines into a customer’s SmartPhone or social media experience.

This industry need has prompted solution provider, Availpro, to launch a reservation application for Facebook, as director of the board, Philippe Lamarche, confirms: “Social booking is set to become the

next big thing, and the release of our Facebook engine received significant interest from hoteliers in the Middle East.”

The integration of direct booking engines on multiple platforms allows hotels to integrate a “book now” button at every conceivable point of sale.

“I think that any [hotel] booking system should comply with a simple motto: don’t make the client think when performing a booking,” advises Lamarche.

ENTER GOOGLE

Just when the industry felt secure about the future of online booking, search giant Google enters the travel search business!

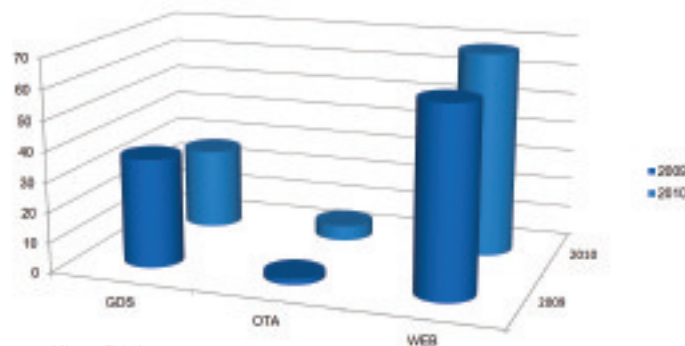
Last year, Google integrated hotel rate data into its Google Maps service. Rates are displayed along-

side star ratings, and users can adjust the check-in and check-out dates to compare prices. There are concerns that small aggregators will be priced out of the online search market, especially considering that for the time being Google is only looking to work with partners with extensive inventory and coverage across multiple markets.

“Google’s entrance into the travel search business will affect different segments of the travel industry in very different ways,” explains TravelInk’s visibility development manager, Jennifer Nagy.

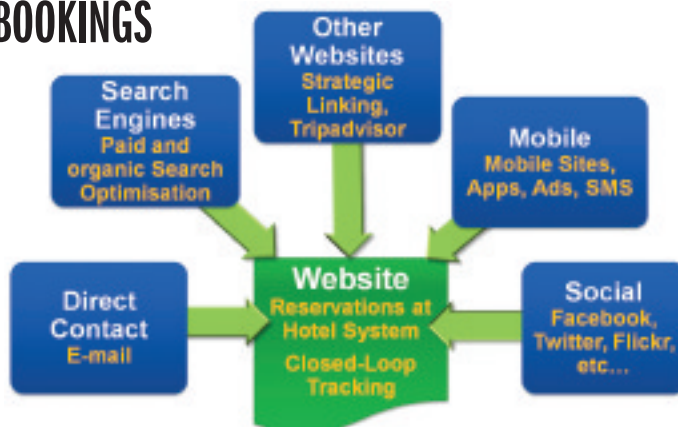
“At this point, it is doubtful that Google is looking to undercut the huge amount of advertising revenue they earn from the OTAs. However, if Google looks to start gaining OTA market share, OTAs will have relatively few options to reach

ONLINE BOOKING PERFORMANCE MIDDLE EAST % OF ROOM NIGHTS PER CHANNEL GROUP IN ELECTRONIC DISTRIBUTION



Source: Micros-Fidelio

MULTICHANNEL STRATEGY FOR DIRECT ONLINE BOOKINGS



Source: Micros-Fidelio



HOTELIERS MUST CAREFULLY EMPLOY ROI-CENTRIC INITIATIVES INCLUDING SEO, PPC AND MOBILE MARKETING. I SAY IT TIME AND TIME AGAIN: WHY NOT USE PART OF THE EXPENSE PAID TO THIRD PARTIES TO DIRECTLY ATTRACT POTENTIAL GUESTS?



Saahil Mehta, managing director, ResNet World.

customers without using the world-wide leader in online searches.”

Dramatic change in the online booking market will only occur if Google manages to change consumer behaviour through its new service. It is unclear whether more accessible data displayed directly in the search page will translate into less time shopping around, or vice versa, if Google’s new service will prompt users to search for the hotel website and book directly if the price is competitive.

“Overall, I believe that as it becomes easier for travellers to search for — and book — hotel stays, the less inclined they will be to shop around,” concludes Nagy. “Therefore many customers will not visit a hotel’s website to compare prices before booking their stay through an OTA.

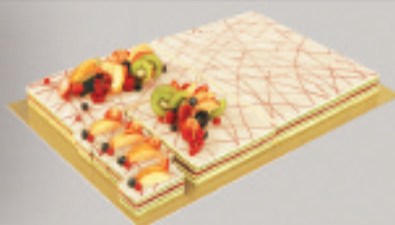
“Both revenue managers and marketers need to recognise this shift in consumer booking behaviour and they must adjust their strategies accordingly.” HME



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