Hotel Industry Network Marketing Development Strategy Research

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Abstract: This chapter is to introduce the background of the development of the hospitality industry online marketing, set up the aims and objective of this study, and state the rational to start this study

Keywords: Hotel Industry; Network Marketing; SEO Optimization; Marriott Hotel; The Marketing Strategy

1. Introduction

1.1 The background of the online marketing trend of the hotel industry

People now live in a world dominated by the use of technology where they are increasingly unable to work or even live without the internet, they use the internet to communication, trading and learning around the world. As a result, undertaking both online marketing and sales has become more and more popular and a significant measure for hotel industry business. Although global distribution systems are efficient in international hotel groups, brand loyalty will lead most customers to book via a hotel's own global distribution system (GDS). Some international hotel groups like Hilton Worldwide and Marriott have their own global distribution systems and this large hotel companies with the aim of cutting down distribution costs, and shift their potential online customers to their own website (Paraskevas A. et al. 2011).

With the internet users steadily growing and the internet increased used in hotel industry, third-party travel companies such as Booking.com, Expedia, and Travelocity among many others have gained a large amount of travellers who looking for a one-stop shop for all hotels in the city. The Priceline Group is a leader in global online hotel reservations and is composed of 6five primary brands, and is regarded as one of the most popular and outstanding online travel agents with Booking.com one of its brands. According to the Priceline Group report, now has over 295,000 participating hotels and accommodation and provides online travel services in over 190 countries. The gross profit for the group has seen an increase 32.6% from 4.1billion dollars in 2012. Booking.com and Expedia (Hotels.com) control more than 65% of European indirect online hotel sales, according to financial services group Nomura. According to, online travel companies play a role as a hotel's agent, booking consumers into rooms and charging service fees to hotels.

Chittoor et al. (2009) indicated that OTAs can provide a one-stop travel search service for the travellers. OTAs can compare price and customer satisfaction for customers that help travellers saving time and travelling expenses when they do travel search. This kind of "one-stop" service and special price offers to meet travellers' demands are creating success for OTAs and allowing them to gain greater market share than the hotel industry in online marketing. (Chittoor A. et al., 2009)

Based on the opinion of Enz (2010), in relation to hotel revenue management, hotels should aim to reduce distribution costs, raising property revenues, and improve customer relationships, (Enz, C. A., 2010, p.590). Ingold has defined Yield Management as:

"Yield management is a system for hotel owners to maximize profitability through their senior management in hotels identifying the profitability of market segments, establishing value, setting prices, creating discount and displacement rules for application to the advanced reservations process, and monitoring the effectiveness of these rules and their implementation."

For the suppliers—hotels, working closely with OTAs can potentially increase the brand name exposure and its potential sales volume. As a result, the hotel industry needs a "tool-key" to retain a friendly relationship with OTAs and also focus on its own online distribution channel.

1.2 Research Aimand objective

1.2.1 Research Aim

The aim of this study is to explore the relationship between hotels and Online Travel Agencies in search of the strategy for

hotels to compete more effectively with OTA through their own websites.

1.2.2 Objective

In meeting the aim of this research, the following objectives have also been addressed:

(1) To critically evaluate the reasons why hotels rely on OTAs by three dimensions of search engine marketing, consumer loyalty and yield management.

(2) To provide the theoretical basis of the study by critically reviewing and synthesising existing literature on search engine optimization, customer loyalty development and yield management in the hotel industry.

(3) To critically analyse the influence of search engine optimization, customer loyalty and application of yield management strategies on hotel online distribution with Marriott Hotel case study.

2. Literature review

The literature review provides an overview of the key theory developed in the research objectives and has obviously drawn on a wide selection of appropriate information sources, and indicated in the methodology.

2.1 Search Engine Marketing

Hotels can take advantage of distributing their product over the Internet by addressing their consumers directly while reducing the cost of traditional distribution methods and benefiting from increased flexibility to manage the distribution of their product (O'Connor, 2004)Nyheim et al. (2004) suggest that in order to select the appropriate channels and technologies to build competitive distribution methods, hotels should aim to decrease costs and improve revenues by effective management of global distribution systems and their ensuing channels.

It has been suggested by Boughton (2005) that search engine marketing (SEM) allows firms to target consumers by placing advertisements on search engines and has proven to be an effective audience acquisition strategy. Harris and Dennis (2008) point out that a search engine is an online communication tool between consumer and business. According to Rangaswamy et al. (2009), search engines can do more than just find information for their users and there is much more potential value that search engines can provide for both users and providers as shown and summarized in Figure 1. For companies, search engines can help to increase brand exposure, publish news and can get people's attention on the Internet, and it may change a customer's opinion to choose the brand when making their final purchase decisions.

Figure 1 –The context of search engine effect

Source: Rangaswamy A. et al. (2009) p.49

To build a good online sales environment, if a business wants their information to be published, and have interaction with their consumers, it must develop their e-marketing strategy with the aid of various online communication tools such as the business' own website, search engine and e-mail etc (Rangaswamy et al. 2009).

2.2 Yield Management

Most hotels typically agree to sell their rooms to OTAs at wholesale rates, and the OTAs will then mark them up at contract-specified margins to sell to individual travelers. Online travel agencies are powerful in online marketing and can bring potential customers to hotels. It is becoming increasing clear that they are becoming a threat and challenge to the hotel sectors direct selling and revenue management systems. Therefore, how hotels best manage the partnership with OTAs within their management strategies has now becomea popular issue to study(Yeoman and McMahon-Beattie, 2004).

3. Methodology

The purpose of this chapter is to examine methods used for the research process to explore the relationship between hotels and OTAs.

3.1 Secondary research

3.1.1 Choice of Design of Secondary research

It was necessary to undertake secondary research to strengthen the validity of the research project where secondary data and evidence are used by the researcher, with this data usually taking the form of official statistics and various types of documents.

3.1.2 Construction of Secondary research Design

When collecting resources, it is necessary to gain access through various sources including Athens online literature databases, online journals, online library databases, the case study company website and the University College Birmingham library.

Secondary research also concerns the use of the Internet to access information available online, from resources such as library databases and online journals. The range of information available from the Internet can help the researcher to save time and cost that makes their secondary research more efficient. However, it is important to carefully select these resources from the internet, to make sure they are reliable enough to be used. (Hewson, 2002)

4. Conclusions and Recommendations

Through exploring the relationship between hotels and online travel agencies, the aim is to seek the benefit and threat factors OTAs influence hotel distribution in the online marketing.

4.1 Conclusions

Most hotels rely on OTAs because of OTA has create a platform for the hotel which without financial support in the global online marketing and can help these hotels to expand a wide market online by the advantage of its technology and huge investment in the search engine advertisement.

In general, hotels can be divided into two different types which are monomer hotels and international chain hotel group. In the relationship between OTAs and these two types of hotel, comparing with both, monomer hotels are much more rely on OTAs than the international chain hotel group.

Search engine optimization (SEO) is a most effective strategy for hotels to develop their search engine market.

As can be seen from the literature review, both Rangaswamy (2009) and Boughton (2005) suggest that focus on search engine optimization help companies to achieve a top position in unpaid listings. And claim that SEO is the most effective way to gain the attention of most number of Internet users.In addition, according to the response of the interview, with the case of China Hotel A Marriott Hotel, Marriot highly emphasize that direct distribution channel is the main channel of the Marriot hotel to sell its products and it should be played more attention on it with continues innovation and development.

4.2 Recommendations for future research

It is necessary to critically examine the role of OTAs in the distribution of the hospitality industry. Although some benefit and threat of OTAs has been critically analysis in this study, the development and impact of OTA can be discuss as a particular issue. To explore more background information and theinfluence for the future of OTA can help to understand the relationship between OTA and their suppliers more deeply.

The study should be replicated based on two different type of hotels sample. Comparing the difference of the relationship betweenboth monomer hotels andinternational hotel chain and OTA that can make the analyses in depth.

Regarding the second conclusion, search engine optimization (SEO) is a most effective strategy for hotels to develop their search engine marketing.The study can firstly compare the function of SEO and SEM then list reasons to evaluate explain why SEO is better than SEO applying for the hotel to improve the online marketing.

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