

Channel Research

▶ Purpose

- This project is running in parallel to the path to purchase research which is consumer focused and which will deliver a new set of evidence based insights around how holidaymakers in each target segment plan and buy a holiday in Ireland. This channel management research will dovetail with that research and will inform Irish industry partners on effective management of the various channels available to reach these potential visitors.



Objectives

- ▶ To understand better the sales channels available to reach international leisure visitors
 - Specifically to review these routes to market in terms of:
 - The total cost of sales,
 - The minimum requirements to perform in these channels
 - The expected rate of return.
 - To enable Irish industry partners to grow international sales.

Channel research

▶ Methodology

- Dedicated project team:
 - Jenny De Saulles: Sales and Tourism
 - Oonagh Cremins: Distribution and Revenue Management
 - Jenny Taaffe: Direct Web
 - Ruth Andrews: Travel trade

Contributors to the report

Direct Contributors:



Research Contributors:



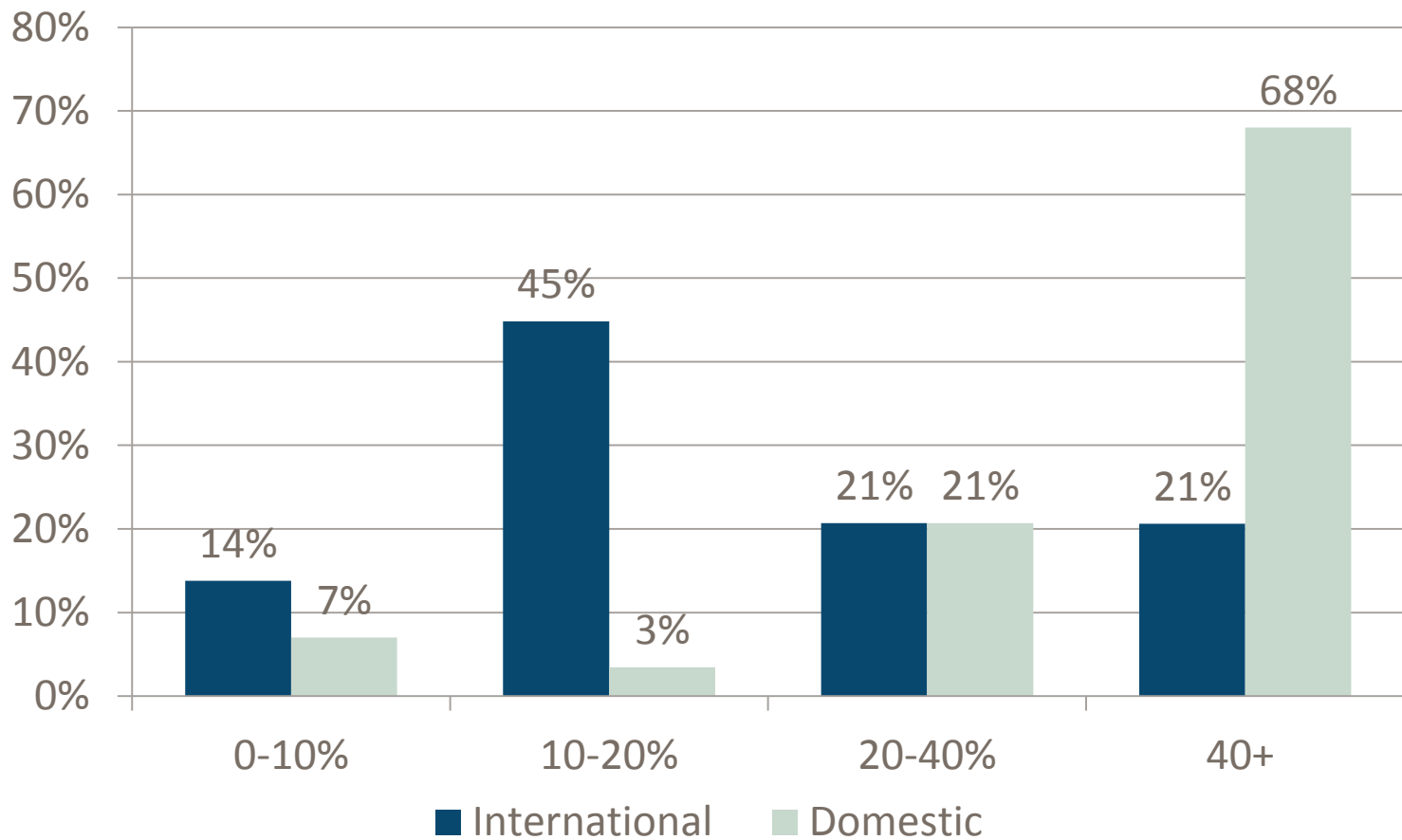
Channel Research

» HOTEL SURVEY

Where is the industry at?



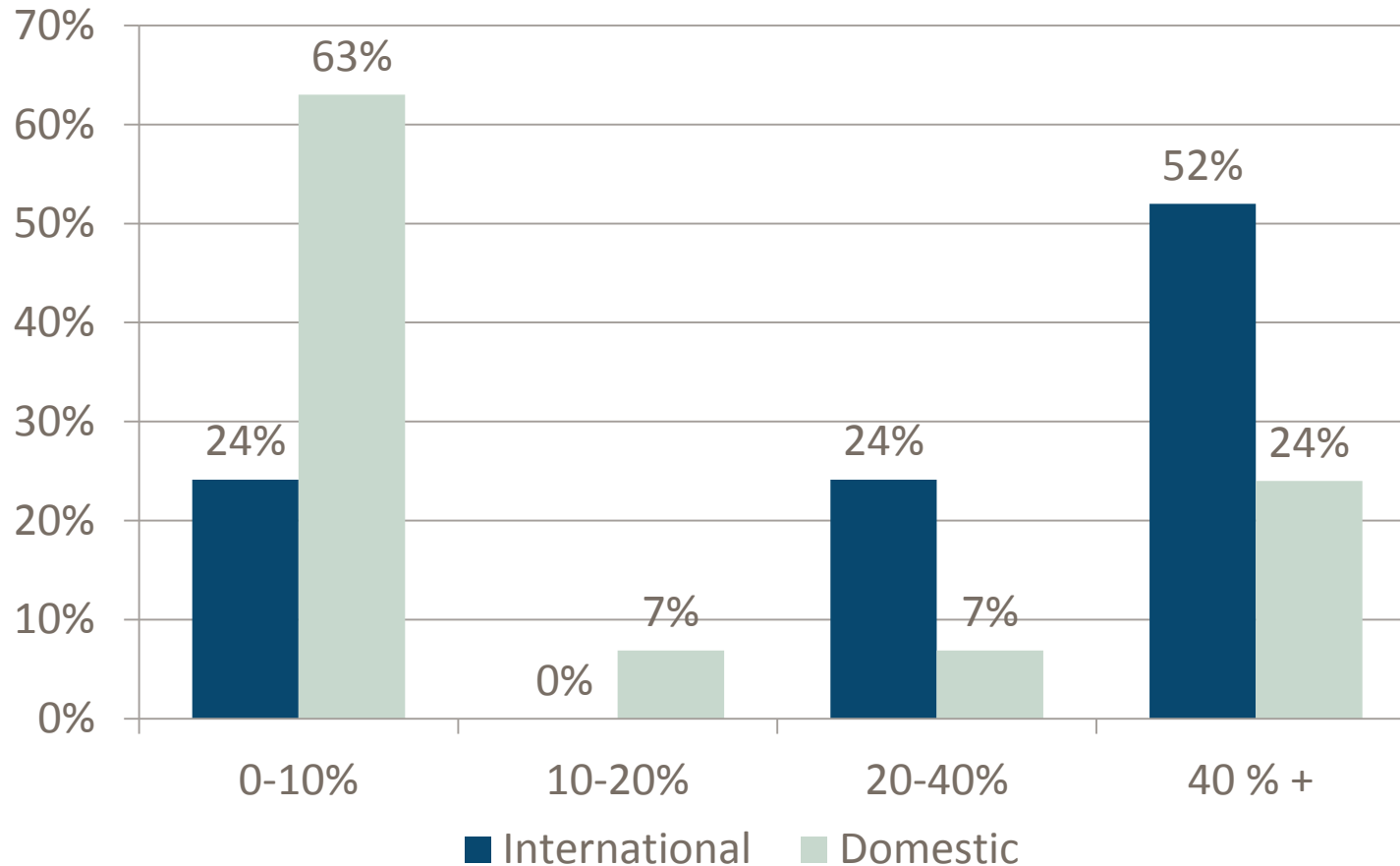
Sales delivered through own website



Sales delivered through own website - learnings

- ▶ Properties 59% receives less than 20 % international business via brand web
 - Partly due to independent nature of industry
 - Partly due to lack of Optimisation or knowledge or skill level at property level
 - Content and SEO to be reviewed and optimised more frequently?

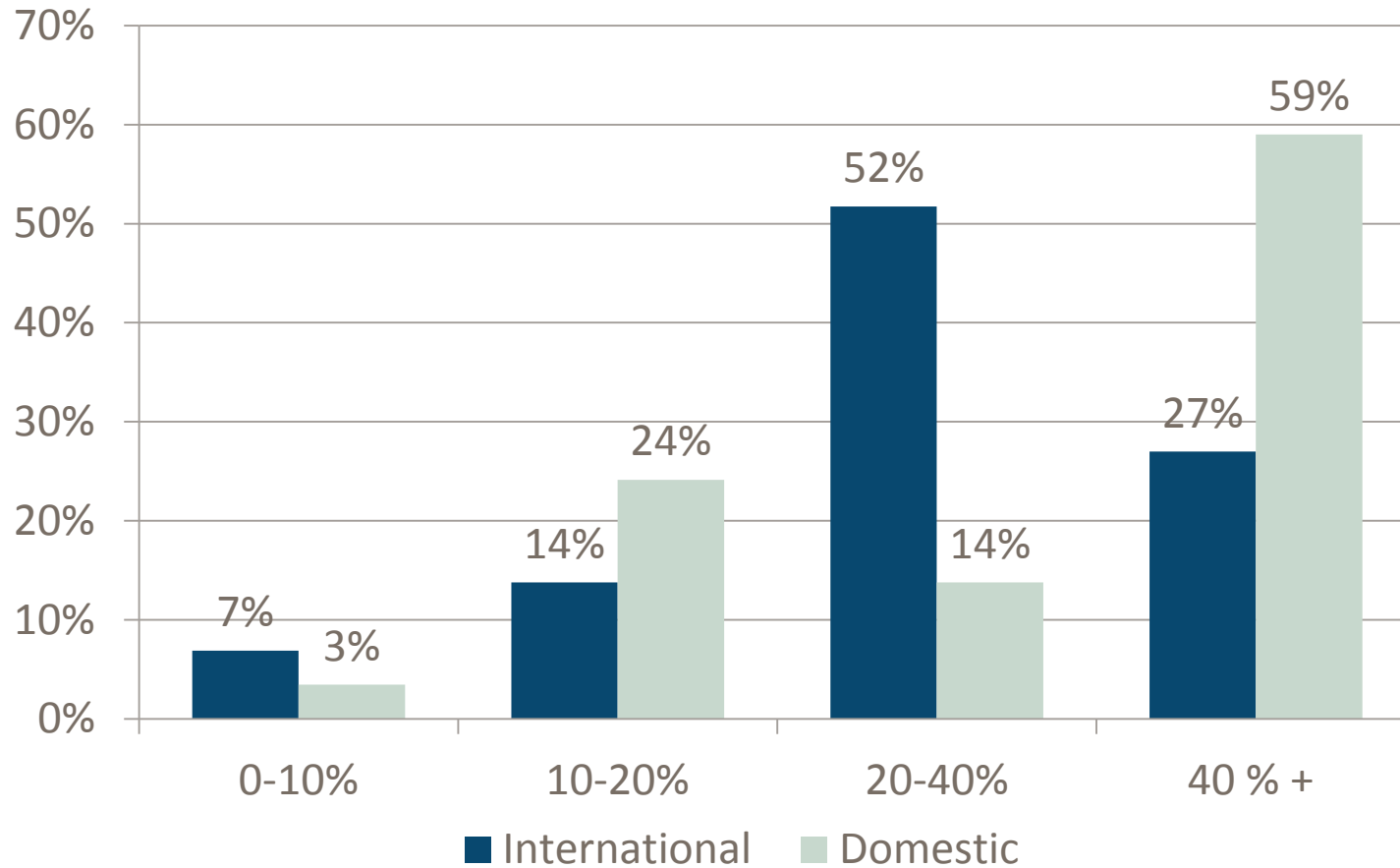
Sales delivered through GDS



Sales delivered through GDS - learnings

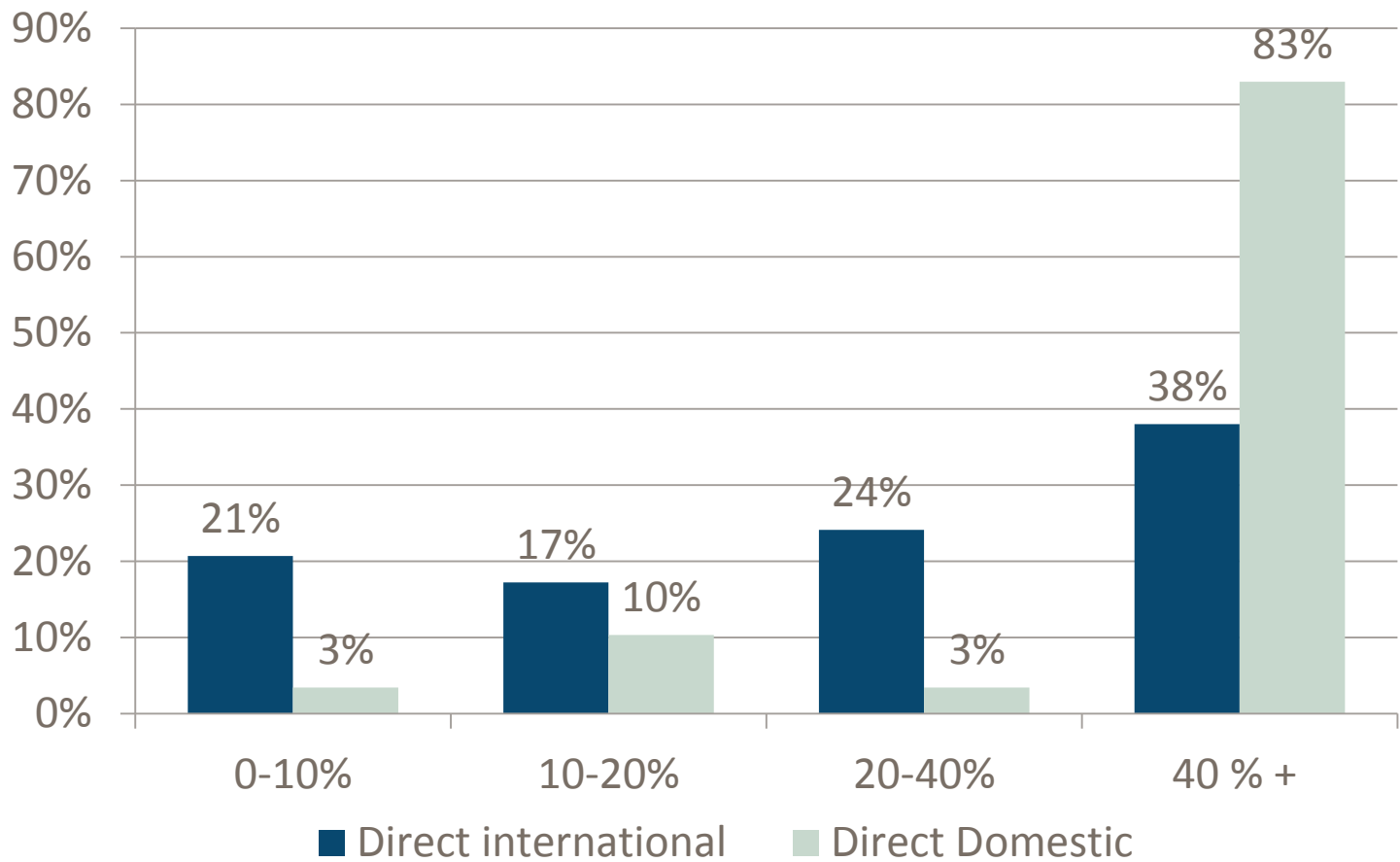
- ▶ Over 90 % of properties represented on GDS
- ▶ In performance terms a channel of 2 extremes
- ▶ 63% receive less than 10% international sales through this channel – however at the opposite end over 44% of properties receive international sales in the region of 50% via this channel
- ▶ However the complexity of this channel seems to prevent people from gaining international sales via this channel which is primarily an international channel
- ▶ Is this lack of knowledge ? Focus ? or is it due to location

Sales delivered through OTAs



Sales delivered through OTAs - learnings

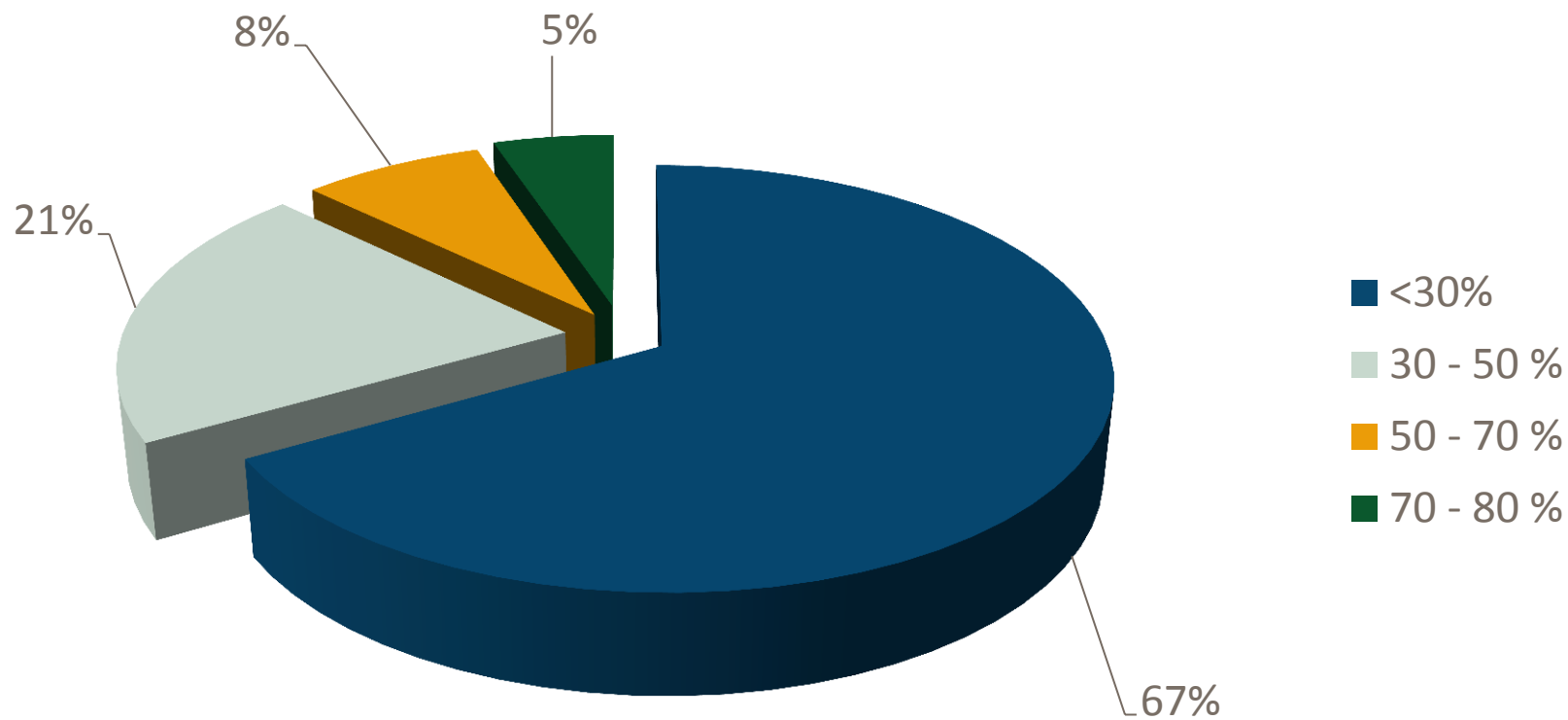
- ▶ For over 50% of respondents OTA'S deliver 40% of international bookings
- ▶ Only 20 % of properties receive international business at this level (40%) via brand web
 - Reinforces the global reach of these channels
 - Reinforces the need for education in how to manage these as business partners capable of delivering certain business for hotels
- ▶ Equally interesting – OTA'S have a strength in the domestic market as well with respondents (38%) indicating domestic business levels via this channel in excess of 50 %
- ▶ Hotel brand sites have a strength in the domestic arena with 52% of respondents indicating domestic business via brand web in excess of 50 %



Learning's – Direct Business

- ▶ Level of direct international business is low
- ▶ Yet many industry perceive this to be higher approximately 50% of their total business comes via this channel
- ▶ Implications
 - Clarity of contact points on all collateral
 - Creating an awareness in international markets of ability of hotel teams to deal with their requests
 - Indicates possible need for language skills at front desk
 - Upselling and telesales

% Auto Reservations



Just over 2/3 of hotels have less than 30% of their bookings delivered into their systems

1. Channel Proliferation and Innovation

- ▶ The rate of change within different routes to international markets has been phenomenal, with the biggest growth happening online.
- ▶ New opportunities e.g. Hotels Tonight offers Irish accommodation providers new opportunities to sell last minute stock.
- ▶ The rate of growth and innovation is set to continue

2. Growth of the OTA

- ▶ The number of online tour operators continues to grow,
 - has grown 30% a year since 2009
- ▶ Growth in international bookings is much stronger than domestic market bookings.
 - Growth of 18 per cent is forecast in the next 12 months.
- ▶ Our survey of Irish hotels identified OTAs as the channel delivering the most international sales.
 - Of those we polled, more than half (52%) said up to 40 %
- ▶ Global Distribution System (GDS)
 - Business-to-business platform has more than 1m travel agents booking through it.
- ▶ Irish suppliers need to develop a deeper understanding of how online intermediaries can help grow their international revenue.

3. Evolving business model

- ▶ In their race for market share, both OTAs and review sites are providing functions and offerings from the other
 - Two years ago, for example, Trivago was a price comparison site and TripAdvisor was a review site. Both now offer direct booking options and continue to develop these.
 - In response, OTAs such as Booking.com and Expedia, which traditionally offered bookings only, are now enabling users to post reviews.
- ▶ As these brands evolve, Irish businesses will need to keep abreast of their offering and continually review which site offers them the best potential for international sales.

4. Technology – distribution and customer relationship management (CRM)

- ▶ For hotels, distribution is becoming ever more complex.
 - Our survey of Irish hotels found that 90 per cent of hotels have between five and 20 OTA intermediaries, with more than 46 per cent having between 10 and 20 online intermediaries. Most hotels also work with five to 10 tour operators and numerous independent agents, so the channel mix is complex
- ▶ Each OTA shows hotels the average rate they get, the average booking window, the average length of booking and the countries from which bookings come
- ▶ For businesses to maximise their revenue and the opportunities these channels present, they really need to analyse, rate and categorise the types of bookings being received
- ▶ Of properties surveyed, 49 per cent have no bookings automatically delivered to their bookings management system.

4. Technology – distribution and customer relationship management (CRM)

- ▶ As more and more consumers go online to book, many Irish hotels are standing still when it comes to online, so the gap between consumer and hotels is widening.
- ▶ Appropriate capacity management and rate control is a challenge as hotels do not have immediate access to information on real-time availability, because they do not consolidate their online data and co-ordinate their bookings information.
- ▶ While there are technological solutions for managing and analysing the information, the cost is prohibitive for smaller businesses, such as family-run hotels or smaller chains
- ▶ It is critical that we address this issue through appropriate training and support.
- ▶ Along with using booking data to maximise growth and revenue, tourism businesses can use the customer data from each channel to drive repeat business.
- ▶ Technology can play its part – a good CRM system, effectively segmented into the relevant client groups, can drive repeat sales, especially when combined with appropriate messaging targeted to each group.

5. The need to improve sales skills

- ▶ All agreed that Irish suppliers were pleasant, friendly and easy to work with but
- ▶ When compared to our competitors, for example, Scotland, Germany or the US, Irish suppliers were less commercial and the most frustrating to work with at the contracting stage.
- ▶ Specific feedback included:
 - Not prepared at sales calls. Have not researched my business and my needs.
 - Do not listen. Have a pitch prepared and deliver it despite what I ask for.
 - Poor follow up, untimely and incomplete.
 - Poor commercial acumen. Don't understand need for various contract rates or rates of attrition despite agreeing them or contracting deadlines.

Implications for Irish trade

1. Scale: global versus regional

- ▶ Look to the international marketplace.
 - Core Markets
 - Core Segments
 - 24.5 million potential visitors warm to Ireland as a holiday destination.
- ▶ This gives the tourism industry a significant pool of potential sales that can offer sustainable growth.

Implications for Irish trade

1. Multichannel presence

- ▶ Potential visitors to Ireland use multiple options to book their holidays
- ▶ A multichannel presence to ensure they are where their potential customers are
- ▶ This will deliver scale and a distribution capability within the international target market

Implications for Irish trade

3. Developing distribution capability

- ▶ Focus on distribution capability.
 - What channels can they use to distribute their product to potential visitors and what are the roles of each distribution channel?
- ▶ The simple role of each channel is to deliver sales
 - Channels can have broader roles.
 - OTAs, for example, often have a billboard effect
 - Tour operators can offer market expertise to help develop tourism products.
- ▶ Businesses need to look at the total value delivered, including rates, length of stay, lead times and reach to target segments.

What must Irish industry partners do?

1. Manage distribution channels and use technology

- ▶ Businesses need to analyse and manage the multiple distribution channels in an effective way.
 - To understand how each channel performs across all key performance indicators.
 - Continually optimised to meet the short, medium and long-term sales objectives of the business.

What must Irish industry partners do?

2. Shift focus to cost per acquisition

- ▶ Our industry focuses on revenue per available room (RevPAR)
- ▶ Should focus on the cost per acquisition.
- ▶ Lead to more strategic thinking and make the most of the potential value of a visitor, which should lead to more repeat sales.

What must Irish industry partners do?

3. Improve sales capability

- ▶ Irish tourism businesses need to develop their sales teams
- ▶ They need to ensure their teams have the hard skills involved in selling, which include understanding how to:
 - Develop and manage leads
 - Develop commercial partnerships
 - Negotiate and complete contracts
- ▶ Furthermore, each sales manager must have the analytical skills to develop a strategic sales plan based on market trends, channel knowledge and sales performance to date.