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Therefore developing a robust e-CRM strategy to develop customer loyalty via the hotel website is of paramount importance to hoteliers today.

We asked Max Starkov, Chief eBusiness Strategist, Hospitality eBusiness Strategies, to review the main aspects of e-CRM in hospitality, and assess latest trends and research study results.

Electronic customer relationship management (e-CRM) is a business strategy supported by Web technologies. It allows you to engage customers in strong, personalized and mutually beneficial interactive relationships, increase conversions and sell more efficiently.

Main components of an e-CRM strategy:

- Know Your Customer
- Customer Service
- Personalization
- More Efficient Marketing
- Build Customer Loyalty

Speak to me ... In My “Language”

Building Customer Loyalty via CRM Strategies on the Hotel Website

Background

The most common misconception in the industry is that CRM in hospitality and travel is synonymous to database management. Many hotel/travel companies, authors and conference speakers alike treat CRM as some kind of a technology application. The truth is that CRM in travel is much more than technology or database management. CRM and its online application, e-CRM are business strategies aiming to engage the customer in a mutually beneficial relationship.

Within this context, here is the best and most universal description of e-CRM for any hospitality company, travel supplier or online travel agency:

Electronic customer relationship management (e-CRM), in the context of Internet distribution and marketing in the travel vertical, is a business strategy supported by Web technologies. It allows travel companies (travel suppliers and online travel agencies – OTAs) to engage customers in strong, personalized and mutually beneficial interactive relationships, increase conversions and sell more efficiently.

Here are the main components of an e-CRM strategy in travel and hospitality:

- Know Your Customer
- Customer Service
- Personalization
- More Efficient Marketing
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Establishing mutually beneficial interactive relationships with your customers is the ultimate goal of any e-CRM initiative.

Why has CRM, and especially e-CRM, become even more important today?

Since Q4 of 2008, leisure travel has experienced a major decline worldwide. Corporate travel is also down as a result of massive layoffs and economic contraction. There are significant declines in corporate and association meetings and group travel business. Even with this expected decline in travel demand, online travel bookings in North America in 2009 are projected to grow by 10.5% and reach \$116.1 billion and grow by 11% in 2010 (eMarketer). This growth is primarily the result of the dramatic shift from the offline to online channel. Similar is the situation in Europe and APAC.

In 2009, more than 55% of all travel bookings and up to 40% of all hotel bookings in North America will be generated from the Internet (eMarketer, HeBS), which represents a double-digit growth over 2008. At least another third of hotel bookings will be directly influenced by online research, but booked offline. Over 65% of online hotel bookings will come from the direct online channel i.e. via the hotel's own website (76% for the major hotel brands).

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Below we will review the main aspects of e-CRM in hospitality, and assess latest trends and research study results.



Know Your Customer

Knowing your website visitors is an extremely important consideration when conceptualizing and designing your hotel website and your e-CRM strategy. After all, addressing your key audiences and providing them with relevant information is one of the key aspects of any hospitality site.

Different customer segments should easily identify areas on the site that “speak to them.”

Internet users visit a hotel website not as John Smith or Jane Smith, but as a Business Traveler, Meeting Planner, Special Event Planner, Family Traveler, Spa Services Seeker, Golf Outing Seeker, Vacation Planner, Convention Attendee, Wedding Planner, etc. If you do not speak to each of these audiences, you will lose most of them to your competition.

As for CRM data, it is crucial to understand that customers are a.) very sensitive about privacy and sharing data, and b.) willing to share data if there is a fair payoff. Therefore, customer data has to obtain and expand slowly and over time, in small pieces and at a “fair” price for both sides.

In this respect a very important consideration in hospitality is the creation of a Single View Customer Database. Is your guest data from POS, PMS, CRS, call center and the Web channeled into a single database? Many major brands have invested millions of dollars to achieve a “single view” of customers, regardless of sales channel. The benefits are obvious:

- Identifies your most valuable customers with best lifetime value perspective (20:80 principle)
- Allows guest-centric data mining: guest history, guest profiles, past bookings, preferences, etc.
- Enables informed decisions in real time
- Allows fast response times
- Real-time Guest Lifetime Value
- Delivers business insight to executives, marketers, sales

Customer Service

It is important to understand that customer service is only one aspect of e-CRM and is primarily a reactive function aiming to improve performance and efficiency, while e-CRM as a whole is a proactive long term strategy.

We believe that on the Internet, the customer support aspect of e-CRM is an extremely important trust-building and customer retention tool. A well positioned Contact Us or Help button or Push-to-talk feature speaks volumes about the hotel brand and builds trust. Fifty-seven percent of online shoppers “actively seek sites with good customer service.” (eMarketer Survey)

Customer support in the Internet age relies on a wide range of tools and techniques:

Web Self-Service Tools: Intelligent service channel management and natural language search engines, directing customer requests to the most appropriate support information and services; FAQs; “Ask the experts” self-service chat rooms, interactive maps and directions and business locators, etc.



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Live Service Tools: Push-to-talk functionality and real-time interaction with live agents; instant messaging and chat-room type of assistance; Voice-over-Internet Protocols (VOIP) applications; automation to pre-screen live support (selective approach)

E-Mail Service Tools: Inbound e-mail management; automated e-mail response systems, capable of automating 80%-90% of e-mail volume with 98% accuracy, and dramatically improving service and reducing support staff by up to 40%.

Industry Trend: Impact of new technologies on customer service online

- Providing consistent and satisfying service directly on the website
- Using intelligent self-service and analytic-driven insights (Omniture)
- Pre-arrival online check-in (Hyatt.com)
- E-Concierge (Hyatt.com)
- E-Folio (Marriott.com)
- Express check in kiosks in the lobby (Marriott.com)
- Pre-arrival room assignment (coming soon)
- Travel and weather alerts

Personalization

Personalization is more than providing the right information to the right person at the right time. Personalizing the customer experience on the hotel website is a powerful conversion and retention tool. Customizing your interaction with your most valuable customers (those 20% that generate 80% of your business) will provide significant long-term rewards.

Personalization on the property level should start by identifying all “electronic touch points” with your customers (hotel guests, meeting planners, travel professionals, etc) and creating an action plan. Personalize all electronic communications with your customers. Adopt a policy on how to address your guests via email (first name only, Mr/Mrs +Last Name, etc). Addressing the customer segmentation issues on the property website is a logical next step. Creating a targeted email marketing campaign is another good step.

For the major hotel brands, the personalization efforts are much more complex and expensive. Customization tools used by some major brands and airlines allow website users to actively personalize their website experiences using over 250 criteria. Here are some of the efforts by the major travel and hospitality companies to make the user experience more personable:

- Personalization agents using a variety of customization applications, capable of creating Behavioral Profiles and a Real-time profile for each customer
- Collaborative filtering, using preference matrix and artificial intelligence to capture and predict customer interests
- Decision-support applications, utilizing various applications for Behavioral Profiling, Predictive Modeling, Collaborative Filtering and Click-Stream Analysis, capable of “sensing” the purchasing

behavior and patterns of the user. By providing a customized booking experience these applications can boost the conversion rates.

Industry Trend: Behavioral Marketing

The Internet has allowed travel marketers to gain an in-depth knowledge of their customers, their travel planning, and their purchasing behaviors.

- Monitoring of the consumer behavior in all lifecycle stages
- Personalization of the hotel marketing message
- Targetability:
 - o Target Specific Customer Behavior
 - o Target Specific Demographics
 - o Target Specific feeder markets
 - o Geo Targeting
- One-to-one marketing
- Case Study:
 - o Yahoo Travel Behavioral Targeting
 - o MSN Customer Demographics Targeting

More Efficient Marketing

Internet marketing plays a crucial role in establishing interactive relationships with customers. This includes website and SEO optimizations, search marketing, email marketing, display ads (e.g. traditional banners), online sponsorships, strategic link building, Web 2.0/social media initiatives, etc.

In hospitality, the Internet has provided hoteliers with unprecedented capabilities to interact with their customers:

- eNewsletters
- Online promotions and sweepstakes
- Reservation confirmation emails
- Pre-Arrival emails with value adds and upsells
- Post-stay “Thank you” emails and comment cards
- Interactive Web 2.0 applications on the hotel website (experience and photo sharing, sweepstakes and contests, expert blogs, interactive calendars, customer generated top 10 lists of area dining or things to do in the destination, etc.)
- Social media profiles, fan and follower networks on Facebook, Twitter, etc

The main issues facing eMarketers in hospitality today are:

- Guest profiling and one-to-one marketing
- Accurate segmentation: focused segmentation equals higher response rates
- Create narrow-focused marketing campaigns
- Utilizing lifestyle data and personal preferences in the marketing
- Building opt-in email lists and precision e-Mail marketing (fivefold higher response rates)
- Internal benchmark of customer lifetime value
- Cross-selling opportunities
- Campaign tracking and ROI analysis

Customer Loyalty

Building interactive relationships with the customer consists of three critical lifecycle stages: Nurture -- Grow -- Retain. Here are some of these action steps:

- Understand customer needs and build a marketing strategy around those needs
- “Be there” for the customer in every step of the planning, purchasing, service consumption and post-stay cycle
- Communicate with the customer and provide unique value proposition
- Operate in the “Unanticipated Value” as opposed to in the basic or anticipated value environment (i.e. when companies provide well above and beyond what the customer expects, only then can they build strong customer loyalty)

Why customer retention in the online travel marketplace matters today:

It costs 4-6 times more to attract a new customer than retaining one:

- As high as \$82 on average in 2003-2006 (BCG)
- A Major Online Intermediary reports that each new booker costs \$38.38, while gross average profit is \$27 per booker

Existing customers are not only less costly to retain, but they also respond 4-5 times more readily to promotions and e-mail campaigns than new customers. It is important to extract more wealth out of your existing customer base.

The Internet has introduced remarkable price and information transparency. Hoteliers can no longer rely on low-attachment customer loyalty (e.g. inertia loyalty, price loyalty) and should strive to achieve true Premium Loyalty (i.e. emotional or brand loyalty), which results in high levels of attachment and repeat purchases.

Premium loyalty is achieved via:

- Product Differentiation (providing unique value proposition)
- Customer Differentiation (personalized service, customer appreciation and rewards)

For example, a product differentiation strategy is the best remedy against the industry trends in “Product Commoditization” due to:

- o Best Rate Guarantee and Rate Parity across all channels
- o TPIs (Third Party Intermediaries) and Hotels propagate the Web with price-driven hotel offers
- o Hotels match rates offered by their comp sets

Therefore a Differentiation Strategy is a top priority for any hotelier:

- o Product Differentiation Hotel vs. OTAs
- o Product Differentiation vs. Comp Set
- o Differentiated approach to the hotel's different key customer segments (i.e. family travel, business travel, meeting or wedding planners, etc.)



True loyalty on the Internet is difficult to achieve—your competition is just a click away. Reward Programs of major airlines and hotel brands provide a crucial competitive advantage over online intermediaries, most of whom do not have such programs.

Reward programs are very popular with online travelers, and especially with people who book online:

- 80% of online bookers belong to a travel reward program; more than 60% to a supplier-sponsored one (Forrester)
- Ability to earn rewards is the reason why 55% of online hotel bookers prefer to book on the hotel website vs. a third-party online intermediary (eMarketer), a key competitive advantage over the third-party intermediaries (except Expedia's new reward program)
- Travel consumers now perceive hotel reward programs as better value than airline frequent-flyer programs

Here are the most obvious benefits of a well-functioning reward program in travel and hospitality. You will be able to:

- Identify your most loyal customers
- Market to your most loyal customers
- Accumulate guest-centric customer intelligence
- Optimize Lifetime Guest Value

And yet travel suppliers and hoteliers do not need just any customer loyalty. A low-attachment loyalty (e.g. inertia loyalty, price loyalty) can bring only limited results. Hoteliers should strive to achieve a true Premium Loyalty (i.e. emotional or brand loyalty), which is characterized by high level of attachment and repeat purchases. This is the ultimate loyalty valued most by companies.

Measuring ROI of the hotel eCRM initiatives

A number of results from your eCRM initiatives are tangible, while some results will always remain intangible. The tangible results of many eCRM initiatives can be measured in dollar amounts and increased customer activity on the hotel website. These results include increased conversion rates on your website from eCRM initiatives such as email marketing, pre-arrival emails with value adds and upsells, online promotions, sweepstakes, etc. Results also include customer actions on the website such as signing up for the newsletter, becoming a member of the Loyalty Program, filling out a Meeting/Event RFP form, etc.

How do you measure intangible results such as price-driven loyalty (those that book only because they have found the best available rate in their destination) vs. premium driven royalty (those customers that are loyal, repeat visitors to your hotel)? How do you measure the lifetime value of the customer? The results of all your eCRM efforts are not always immediate, but many become visible over time.