



## Are Search Engines Becoming Obsolete in the Web 2.0 Frenzy?

By Max Starkov and Jason Price

Web 2.0 continues to generate much attention in the online travel industry. Inquiring hoteliers want to understand the status and future of search engine marketing and other Internet marketing formats in this new Web 2.0 environment. Are search engines becoming obsolete? Are Web 2.0 sites going to replace the search engines as an advertising media? Will online travel consumers abandon Google as a travel planning and research tool and shift their attention to Web 2.0 sites such as TripAdvisor.com and social networks like YouTube.com? Must a hotel engage in such strategies?

## Background

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Web 2.0 is the second-generation of web-based communities and hosted services (Wikipedia). Web 2.0 reflects a utilization of the Web in a new way, by both developers and Internet users. Especially of interest to hoteliers is the Internet user aspect of Web 2.0—also known as Consumer-Generated Media (CGM) or User-Generated Media or Social Media. CGM is online content created by Internet users and made available to other Internet users via Web 2.0 interactive technology applications.

This new dynamic has caused a degree of confusion and many hoteliers are unsure about the implications of Web 2.0 on more "traditional" Internet marketing formats such as search marketing, email marketing, and display advertising. This article details the roles of Web 2.0 and search engines and their significance, as well as supporting data and case studies on how search engines remain of strategic importance long-term in online marketing and distribution.

## Examining the Roles of Web 2.0 and Search Engines

Web 2.0 and CGM represent a new dynamic in communication by allowing consumers to drive the content. No one can question the important role, relevancy, and impact of such social network sites as YouTube, MySpace, and in the travel space sites like TripAdvisor, Yahoo Travel Planner, Igoyougo, HotelChatter, and many more.

So what about Web 2.0 and the search engines? Are these new and old Internet media formats in synergy, or are they at war with each other? Are search engines slowly becoming obsolete as consumer-generated media increases its dominance in online behavior?

Here is how hoteliers replied to our question regarding search engines and Web 2.0:

HeBS Poll Results:

Are Search Engines Threatened by Web 2.0 Sites and Initiatives?

39% - Yes

61% - No

The majority of hoteliers are correct. Web 2.0 is not a threat to established search engines like Google, Yahoo, and MSN. Consider the following:

- Specialized blog engines like technorati.com, blogpulse.com, and others could not and have not gained the critical mass required to replace or even threaten established search engines like Google and Yahoo.
- Only 3% of traffic from MySpace, Facebook, and others go to travel sites, according to HitWise 2007.
- HeBS uses state-of-the-art website analytical and campaign tracking tools for its clients, and can closely monitor where websites visitors and online bookers come from, their behavior and pathing patterns:
  - Consistently over 50% of visitors to a hotel website originate from the search engines.

- We have not noticed any decline in search engine contributions to traffic and bookings over the past several years.

We know search engines thrive on new content. Web 2.0 is a huge generator of new content and search engines index Web 2.0 sites with great fervor. Google, Yahoo, Windows Live all include Web 2.0 content (text, video, consumer reviews, blog entries, etc.) in their search results. In other words, Web 2.0 and the search engines are in a symbiotic relationship.

The online travel consumer research and purchasing habits clearly show the need for both media:

- Online travel consumers prefer to shop around and on average visit 3 to 4 travel related sites before making a booking. Indeed, Web 2.0 sites have increased their share in the travel planning process, but travel planning is still done predominantly on traditional travel sites--both supplier and intermediary sites, and in many cases using search engines to find the most relevant results.
- As noted in a December 2006 article by HeBS, **“Consumer Generated Media, a Threat or an Opportunity?”**, there exists an “ideological clash” between official and unofficial (consumer-generated) content. Online travel consumers need two reference points:
  - How does the travel supplier describe its own products/services, i.e. deemed official content
  - What is the experience of users who are willing to share about a particular hotel, resort, i.e. deemed unofficial content
- The emergence of travel meta search engines over the past several years (kayak.com) farechase.com, sidestep.com) is a confirmation of the viability of search engines in travel. To a great extent the third-party online intermediaries fulfill the role of meta search engines. For example, Expedia claims that over 40% of its visitors research travel on the site, and then end up booking on travel suppliers' sites.

### Industry Research Regarding the Importance of Search in Travel and Hospitality

Search engines are an essential component of the hotel direct online distribution strategy:

- According to Forrester research, 80% of website visits begin in a search engine or a directory service. Many other surveys also show that up to 85% of Internet users rely on search engines to locate relevant information on the Web (e.g. Google, Yahoo, MSN, etc).
- PhoCusWright surveys found that three-fifths of online travel shoppers cite search engines as resources to research their vacations.
- According to a recent study by the comScore Networks, some 73% of online travel buyers conducted relevant keyword searches in the weeks prior to an online travel purchase

According to Forrester Research, iCrossing, and other leading online behavioral research groups, the most popular online activity after checking and sending emails is the use of a search engine. They report that as much as 70% of all internet activity begins with a search engine. This is consistent for men and women and across demographics and socio-economics. Travel is no different. According to PhoCusWright, 64% of online users start with a search engine for travel related searches.

Shopping for personal travel, the following services were used in deciding what to purchase:

- Search Engines: 64%
- User-Generated Reviews: 47%
- Special Deal or Promotional Web Site: 34%
- Travel Search Engines: 25%

(The PhoCusWright Consumer Travel Trends Survey, Ninth Edition, 2007)

## HeBS Proprietary Research: Evaluating the Impact of Search Engines on Hotel Website Traffic & Revenues

According to a recent HeBS analysis, revenues directly attributable to search-generated leads (natural and paid search) were the highest source of website traffic and revenues for the hotel - more than email, strategic linking, online banner ads, third party intermediaries, and Web 2.0 sites and other forms of advertising combined.

HeBS researchers tested whether search engines still have relevancy going into 2008 amidst increased dominance of the direct online channel and the rise of Web 2.0 applications. While our researchers anticipated that search engines would still have relevancy, it was never anticipated that it would be on such a grand level.

To measure website conversions, including those generated through search, HeBS employed state-of-the-art website analytics and campaign tracking technology.

Here are some of the findings:

- Search engines contribute in average over 50% of the hotel website traffic. In reality, this percentage varies greatly (48%-75%); based on website optimization strategies, Internet marketing proficiency, property type, customer segmentation, location, budget allocations, etc.
- Revenues generated from search engines—both organic and paid search—were identified as the single greatest source of website revenues.
- Search constituted the highest source of traffic and natural search far outweighed paid search traffic that led to conversions.
- Google and Yahoo dominate with the largest share of search engine contributions to the hotel website.
- Web 2.0 and CGM sites and initiatives have no significant contribution to website revenues at this time. In many cases such sites are not among the top 100 referrers to the hotel website.
- These findings suggest that website optimization to make the website search-friendly remains the single most important activity for the hotel to influence growth of online revenues.

### Case Study:

Search engine contribution to hotel website traffic and revenues

	% traffic	% website revenues
Boutique Hotel Brand in California	57%	62%
Franchised Hotel in Orlando	55%	47%
Luxury Hotel South Beach FL	57%	69%
Upscale Beach Resort in Mexico	48%	53%
Franchised Hotel in Los Angeles	62%	50%
Resort in Napa Valley	57%	52%

### What Do Hoteliers Think About Search Engines?

What are the Internet marketing formats hoteliers believe generate the highest ROIs? The 2007 Benchmark Survey on Hotel Internet Marketing Budget Planning and Best Practices in

Hospitality, conducted by HeBS in conjunction with NYU’s Tisch Center for Hospitality, Tourism, and Sports Management, clearly shows that hoteliers understand that long-term, strategic objectives and Internet marketing formats such as website re-designs and organic search optimizations, search marketing, email marketing and strategic linking produce higher ROIs than new media formats such as CGM, blogs, etc.

The following chart shows hoteliers believe that long-term solutions such as search and website optimization produce higher ROIs vs. CGM, blogs, etc:

<b>What Internet marketing formats do you believe produce the best results and the highest returns on investment (ROI)?</b>	
1. Website optimization	71.9%
2. Search Optimization & Organic Search	68.3%
3. Website re-design/design	62.9%
4. E-mail marketing	58.7%
5. Strategic Linking/Partnerships	52.7%
6. Search marketing-Paid Search	40.7%
7. New media formats (e.g. CGM, blogs, etc.)	16.8%
8. Display advertising (banners)	16.2%
9. E-mail Sponsorships	6.6%

### **Web 2.0 and Search Marketing Strategies Are All Part of a Bigger Picture**

In 2007, one-third of all reservations in hospitality in North America will be generated from the Internet (30% in 2006). Over 65% of these Internet reservations will be via hotel-branded websites, though some major hotel brands already enjoy a very healthy 85:15 direct vs. indirect online distribution ratio. According to an August 2005 study by Merrill Lynch, over 45% of all travel reservations in the U.S. will be done via the Internet by 2010. As discussed above, a significant percentage of these reservations will be directly influenced by search marketing, as well as other direct Internet marketing formats.

#### **Web 2.0:**

In our view hoteliers should consider Web 2.0 and CGM initiatives only as part of a comprehensive Direct Internet Marketing Strategy, together with other fundamental Internet marketing formats such as search marketing, website re-design and optimization, email marketing, strategic linking and link popularity, online sponsorships and display ads. CGM initiatives like blogs should become a line item in the overall hotel marketing budget.

There are three approaches to building the hotel Web 2.0 / CGM strategy. Which approach to use depends on your situation and needs. If the goal is to protect and monitor the ‘chatter’ on the web about your hotel for whatever reason, then a Brand Defensive Strategy should be entertained first. If the goal is to leverage the expert knowledge that currently exists at your property out there on the web, then consider a corporate sponsored CGM initiative, like a hotel blog. Lastly, if the goal is to simply communicate to readers on high traffic Web 2.0/CGM sites, then you can advertise on them (run of site banner on MySpace.com goes for as little as \$2-\$3 CPM).

## Search Engines:

As discussed above, there is no doubt that search influences the hotel's bottom line. As research shows, search engines influence travel planning and purchasing on a grand scale.

Search engine marketing is a comprehensive undertaking that includes both organic and paid search, and has four unique formats:

- **Organic Search:** involves a comprehensive website re-design and optimization strategy and turning the hotel site into a search engine-friendly site.
- **Paid Search:** the perfect direct-response marketing tool, paid search has proven its importance. Includes pay-per-click marketing, paid inclusion services, media sponsored listings, creation of special landing pages of "high quality," etc.
- **Local Search:** with market share of up to 30% of searches on the Web, local search is particularly important in hospitality where searches are location-driven. Includes local search directories and mapping services of Google, Yahoo, MSN, Yellow Page online directories, etc.
- **Meta Search:** these travel-only search engines have become established niche players and are popular with certain customer segments. Includes paid listings and PPC types of advertising services.
- **Mobile Search:** expected to grow by over 112% a year from now through 2012 (eMarketer). Mobile search is already proven its worth in hospitality, especially for the drive-in market.

Each of these search marketing formats requires the development of a differentiated approach and marketing strategy, and naturally deserves a line item in the hotelier's Internet marketing budget.

## Web 2.0 and Search Engine Guidance on 2008 Internet Marketing Budget Planning

According to a study by PhoCusWright in conjunction with HeBS, in 2008, as much as 37%-38% of all hotel bookings will be transacted over the web, which represents 15%-16% growth over 2007. Use this as a benchmark to increase your overall Internet marketing budget. Now more than ever, billboards along the highway, hotel print brochures, and other traditional means of advertising should be shifted towards the web.

The top areas to devote your 2008 marketing budget include:

- Website Optimization and Redesigns
- Search Engine Marketing (organic, paid search, local search, meta search)
- Email Marketing
- Strategic Linking
- Display/Banner Advertising
- Online Sponsorships
- Website Analytics and Marketing Campaign Tracking
- Web 2.0/CGM Initiatives

## Conclusion:

Search marketing continues to play a major role in driving revenues and success, and should be a chief component of any comprehensive Internet marketing strategy. Despite all the interesting and novel Web 2.0 and CGM approaches to information sharing and communicating over the web (and more are sure to come in the future), it all starts with the fundamentals that generate the bulk of the hotel website revenues-search marketing, website re-design and

optimization, email marketing, strategic linking and link popularity, online sponsorships and display ads.

Hoteliers should keep a close look at Web 2.0 and develop a strategy as discussed above. In addition, Web 2.0 and CGM initiatives like customer reviews and experience sharing should become a line item in the overall hotel marketing budget albeit a small percentage. Consider seeking advice from an experienced Internet marketing hospitality consultancy to evaluate your current website assets and Internet marketing presence, and to help you build a robust Internet marketing strategy as per best industry practices, including the most appropriate and effective Web 2.0 / CGM strategy.

*Note: Mariana Mechoso, Director, eMarketing Services at HeBS, also contributed to this article.*

**About the Authors and HeBS:**

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A diverse client portfolio of over 450 top tier major hotel brands, multinational hospitality corporations, hotel management and representation companies, franchisees and independents, resorts, casinos and CVBs and has sought and successfully taken advantage of the firm hospitality Internet marketing expertise. Contact HeBS consultants at (212)752-8186 or <mailto:info@hospitalityebusiness.com>.