



Mobile Marketing & Distribution Strategy in Hospitality: the Future is Already Here

| By Max Starkov

Back in September 2001, HeBS presented an article titled [“Wireless in Travel and Hospitality: Hype or Necessity?”](#) Today, just as in 2001, the media hype on anything mobile has not eased up. Hoteliers are rightfully confused about the real impact of the mobile Internet and about the importance of the mobile distribution channel in hospitality. Eight years later, we revisit the analysis and recommendations we made back in 2001, offer an update on industry best practices, and provide hoteliers an action plan on mobile marketing and mobile channel distribution.

Note: Max Starkov will present the session “Mobile Marketing in Travel & Hospitality: The Future is Already Here - An Action Plan for the M-Marketer” at the upcoming [EyeForTravel’s Mobile Strategies for Travel USA Conference](#), September 16-17, 2009 in Chicago.

How Big is the Mobile Marketplace?

The mobile Internet is a reality: 3G (broadband wireless services) is the standard wireless technology, 4G (much faster than 3G) is already offered in the U.S., and smart phones like the iPhone, BlackBerry, Treo, LG, etc. are a part of everyday life.

Mobile devices are truly ubiquitous, and mobile users expect instant access to information—as well as an Internet experience that rivals the one via traditional PCs and laptops. A significant number of cell phone subscribers have access to the mobile Internet and use some kind of data service such as texting, email, Web browsing, etc.

Worldwide mobile communications usage has increased dramatically since 2001:

- The number of cell phone subscribers has surged nearly 25% annually for the past eight years.
- Mobile penetration stood at 12% in 2000, and has grown to reach over 60% in 2008.
- There were 4 billion cell phone subscribers worldwide at the end of 2008, according to the United Nations International Telecommunications Union (ITU) - compare this to less than 1 billion in 2002.
- Around the world more people use their mobile phones than PCs to access the Web because mobile phones are cheaper and easy to carry around ("constant presence").

What is the situation in the U.S.?

The number of mobile phone lines has already surpassed the number of land lines in the U.S. More than 90 percent of the U.S. population has a mobile device of some sort.

US Mobile Phone Subscribers 2008-2013		
Year	millions	Penetration %
2008	270.3	88.9%
2009	280.8	91.4%
2010	291.2	93.9%
2011	298.4	95.2%
2012	302.0	96.1%
2013	308.7	96.7%
<i>eMarketer, May 2009</i>		

New research from EyeforTravel shows the average number of Americans who browsed the Internet via their mobile devices grew by 61% in 2008 vs. 2007. eMarketer estimates 26.3% of mobile phone subscribers will log on to the mobile Web at least once per month in 2009, for a total of 73.7 million mobile Internet users.

Why Should Hoteliers Care?

The promise of "immediate, anywhere and anytime" Internet access, instant information and transaction capabilities, location-based services and personalization are the key advantages of the mobile Internet.

A recent Nielsen Mobile poll found that in 2008 only 9.2 million U.S. mobile subscribers purchased goods or services with their handsets. Yet today, mobile customers are much more at ease with the idea of m-commerce.

How serious is the demand for mobile services in the travel space? A recent report by PhoCusWright projects mobile bookings to reach \$160 million in 2010 alone. Sixty-seven percent of travelers and 77% of frequent business travelers with Web-enabled mobile devices have already used their devices to find local services (e.g. lodging) and attractions.

Another poll by Harris Interactive, conducted April-May 2009, shows that 71% of U.S. adults felt that it was safe to make a purchase via a mobile phone. Forty-three percent of respondents are willing to purchase hotel rooms and 40% tickets for travel via their mobile devices.

In other words, hotel guests—past, current and potential—are increasingly becoming mobile-ready, and hoteliers have to respond adequately to this growing demand for mobile services. This is the reason why all major hotel brands, travel suppliers and OTAs have mobile Internet initiatives in place, including mobile brand websites, mobile applications, including iPhone apps, m-CRM and mobile marketing.

The Future is Already Here: Location-Based Mobile Services (LBS)

Location plus personalized services are not only the essence of the mobile Internet, but the very definition of what travel is all about.

Location-based services (LBS) are based on the unique ability of the mobile Internet device to determine its exact location by using GPS, and then to use that knowledge to perform functions, provide information, suggest activities, check out if friends are in the neighborhood, etc.

eMarketer estimates that there were 63 million location-based services (LBS) users worldwide in 2008, and expects this number to reach 486 million in 2012:

Year	LBS Users, millions	% Change
2007	18.9	-
2008	61.3	224.1%
2009	134.0	118.8%
2010	215.3	60.7%
2011	329.0	52.8%
2012	486.0	47.7%

Ultimately, the location-based services' success is closely tied to addressing existing and significant privacy concerns. CTIA, the international mobile industry organization, has already issued guidelines addressing user notice and user consent.

Location-based services have already greatly improved the travel consumer experience. These mobile services are expanding in use and popularity among travelers who expect to receive services such as mapping, navigation services, city guides, etc. upon arriving at the destination.

For example, a traveler approaching New York City and using LBS can obtain information on the city's main tourist attractions, Broadway show times and ticket availability, exciting events, hotel information and promotions. They may plan or adjust existing travel plans, as well as make reservations via the LBS-equipped mobile device. Furthermore, if they are browsing a neighborhood such as the West Village in Manhattan, they can easily search for the nearest Italian or sushi restaurant, read customer reviews, select a place, and make an instant reservation.

LBS also allows guests at large hotels and resorts to be notified of new and unscheduled performances, dining promotions, cancellation of events, and new special offers (i.e. 2-for-1 seafood buffet, 25% off day trips, \$50 off spa treatments, etc). These services not only provide useful information to hotel guests, but allow good hotel marketers to sell auxiliary services and do ad-hoc promotions.

In addition to these "conventional" services, new types of LBS are already here: services like buddy beacons and friend-finders help travelers and pub hoppers alike hook up with friends who happen to be at the travel destination or in the neighborhood.

Location-based services are poised to become a great marketing tool in the hands of pro-active DMOs, resorts, hotel and restaurant chains, and tourist vendors.

What Should Hoteliers Do?

What are the "killer" applications for the hospitality space? What are the mobile services that will allow hoteliers to take full advantage of the exploding mobile channel? Over a third of travel companies will be investing in mobile this year (EyeForTravel).

Here at HeBS, we believe that the following mobile Internet services and applications will make the biggest impact in hospitality over the next few years.

Mobile Hotel Websites

A word of caution: the mobile Internet is not wireless access to the conventional Internet. The mobile Internet does not merely duplicate the traditional Web. Many retailers and travel companies who literally "translated" their conventional websites for the wireless world failed to achieve any significant usage and conversions. Why? The mobile Internet adheres to different rules than the conventional Internet. Mobile users have even shorter attention spans. They have less time to browse and are often on the go. Slower speeds, yet to be perfected mobile browsers, smaller displays, limited data-input capability (e.g. the number of keywords that may be typed in a search), multi-step booking and information retrieval processes are some of the limiting factors.

Imagine trying to squeeze your wide-screen hotel website, designed to fit screen resolutions at 1280x1024 pixels and above, onto the tiny screen of a mobile device. Our analysis shows that more than 90% of mobile users access the hotel website via mobile devices with screen sizes of 320 x 480 pixels. Accessing a "conventional" website via a mobile device, even the latest iPhone, often results in an undesirable user experience: the inability to find information needed, and a predictable outcome of abandoned websites and reservations.

To solve this issue, hoteliers should offer a mobile website specially designed to provide an excellent user experience in a mobile environment.

Mobile users demand mobile sites that download fast, provide short and concise textual content with no fluff, minimalistic visual content, and navigation that is straight to the point. Efficient and simple navigation is of particular importance so people can easily find short descriptions of hotel amenities and services, maps and directions to the hotel, a toll-free phone for information and reservations, and an easy-to-use, basic booking engine.

The economy and budget limitations are no longer an excuse for lacking an inexpensive mobile-ready hotel site. Designing and building a "starter" hotel mobile site can be fairly inexpensive: from \$495 for a 4-page starter site to \$1250 for a 10-page mini-site. Many of our clients have some type of m-commerce site: from mobile-ready starter sites and more comprehensive mini-sites, to full-blown m-commerce sites for multi-property hotel clients.

A recent Internet Retailer survey found that 7% of online retailers already had an m-commerce site in late 2008. Having a mobile hotel site, due to the nature of location-based and in many cases impulse-driven services the hospitality industry provides, has become a priority.

Here are the typical hotel mobile site features being implemented today:

- Multi-property hotel companies and brands - automatic detection of mobile browser access, ability to search and book hotels by location, bookable special offers, interactive maps and directions to the property, area attractions information, reward program login for quick reservations and account information, Omniture or other enterprise analytical tools to track traffic and conversions, special 1-800 numbers to track mobile phone reservations, etc.
- Single property hotels and resorts can start with a simple 4 to 10-page mobile mini-site, featuring code allowing the mobile device to automatically detect the mobile site. Information on this mobile site should include the hotel's contact information (email and phone number), reservation information with a link to the mobile version of the booking engine or a simple reservation request form, a description of the hotel's main services and amenities, information addressing the main customer segments, and an interactive map and directions to the property. HeBS tracks traffic and conversions on

mobile sites via Omniture and uses a special 1-800 phone functionality to track mobile site calls and conversions.

Case Study:

Browsing on hotel mobile websites is becoming more and more popular among mobile customers.

Number of mobile site visits January-July 2009:	
Regional midscale hotel brand	79,500
Multi-property resort company	22,279
Regional multi-property hotel company	14,379
Boutique hotel in San Diego, CA	4,286
Full-service hotel in Seattle	1,891
Luxury spa resort in Florida:	9,917

Mobile Booking Functionality

Enabling reservations via the hotel mobile site is another very important, though more complicated, issue. Today all major hotel brands' mobile sites have booking capabilities. Independent hotels and resorts are usually at the mercy of their third-party PMS or booking engine vendors. Unfortunately, only a handful of these vendors have developed mobile booking capabilities, most recently SynXis and InnLink.

To facilitate mobile reservations due to the mobile devices' limited functionality for data input, secure customer profiles need to be stored either via the hotel mobile site, the mobile booking engine vendor, or a subscription to specialized m-commerce digital wallet services. For example, for the major hotel brands, the reward program guest ID number should be sufficient to pull up all customer data and preferences needed for a hotel booking. The property selection, arrival date, number of room nights and number of rooms, all selected from easy to use drop-down lists and calendars, should be the only missing parameters.

Independent hotels and resorts can either use a mobile engine from their third-party booking engine vendor or, for the time being use a simple [reservation request form](#). Today, either way is correct, since the majority of mobile reservations for independent hotels and resorts come from the mobile site's toll-free telephone number. HeBS' research shows that as much as 8 out of 10 mobile reservations come via the special 1-800 from the hotel mobile site, and only 2 are "true" mobile reservations.

Case study:

Multi-Property Hotel Company: Bookings via the mobile booking engine and the special toll-free reservations number, January-July 2009

	Mobile Booking Engine	Mobile Toll-Free Phone	Total:
Number of bookings	161	650	811
Room nights:	270	1080	1350
Revenue:	\$32,100	128,400	\$160,500

During the same period, the mobile site had a total of 78,953 mobile visitors. Therefore, the conversion rate was approximately 1%.

Naturally, as mobile reservations become more widespread and the comfort factor increases, hotel mobile sites will have to offer mobile booking functionality.

M-CRM and Customer Service

M-CRM or mobile CRM will rule the mobile Internet. Customer relationship management (CRM) and mobile services were meant for each other: mobile devices are constantly present, always on and usually used by only one person. Hence, using the mobile space to provide intelligent, unobtrusive and highly personalized services convinces customers that this is their service. Custom-tailored services and offerings, based on knowing your customers, matching customer preferences, and predicting behavioral techniques are only part of personalizing the customer service in this space.

Here are only some of the m-CRM and customer service initiatives possible, already in use by many of the major U.S. airlines, and some of the hotel brands:

- Reservation confirmation text messaging
- Pre-Arrival texts (up-selling opportunity; reservation reminder; value add - e.g. what will the weather be during your stay, events and happenings at the hotel or in the neighborhood, etc.)
- Post-stay texts with short guest satisfaction surveys
- Text Alerts: weather alerts, airport delay alerts, traffic alerts (construction on a main highway into town, etc.)

When conceptualizing and delivering m-CRM, hoteliers have to tackle serious issues like data security, privacy concerns, how to make services and applications non-invasive, and solicit customer opt-in and consent.

M-Lists: Opt-in Customer Mobile Text List Creation

Text messaging is huge and growing. In 2008, over a trillion text messages were sent worldwide, and on average there were 357 texts vs. 204 phone calls/per month per cell phone subscriber.

Unlike email marketing, which is free, unregulated (except the toothless CAN SPAM Act of 2003) and susceptible to massive abuses in the form of unsolicited spam, mobile text marketing has to overcome two very serious obstacles:

1. Mobile users, all of them burned by the email spam experience, are vehemently guarding their privacy and protecting their cell phone/PDA numbers. People are willing to share their email with just about anybody, while entrusting their mobile number only to close friends and relatives.
2. Wireless carriers are taking the privacy of their subscribers very seriously and reacting fiercely to any attempts of cold calling or unsolicited text campaigns.

Therefore it is not an easy task for the hotel to create an opt-in list of existing guests and potential customers' cell phone numbers (m-list). These guests would have to provide the hotel with explicit consent to receive special promotions or event announcements via their mobile devices—many people are wary of this.

How should you create and expand the hotel m-list? Here are some techniques and approaches to solicit opt-ins for the hotel's m-list, all of which require a very carefully thought-out solicitation of the mobile user's consent:

- Guest check-in/check-out solicitations
- Website sign-ups
- Interactive sweepstakes, contests, games that require the input of a cell phone number or sending a text message to a shortcode
- Mobile barcode coupons and initiatives
- Social media initiatives
- Quizzes and polls

Mobile Advertising

eMarketer projects that mobile advertising will rise from \$648 million in 2008 to \$3.3 billion in 2013. This year alone marketers will spend \$760 million in mobile advertising (+17.3%) and almost a billion dollars in 2010 (\$995 million or an increase of 30.9% vs. 2009). Forrester projects mobile marketing to grow from 2009 through 2014 with a CAGR (compound annual growth rate) of 27%, second only to the growth rates projected in social media.

Mobile advertisers should take into account several unwritten rules that differentiate the mobile space from general online advertising.

Mobile advertising should:

- Deliver real value that goes beyond price
- Provide real convenience for the mobile travel consumer
- Be conceptualized in a way that puts the mobile travel consumer in charge

Many “ugly” advertising approaches from the e-commerce world, such as pushy, “in your face” advertising campaigns, cold calling in the form of unsolicited email marketing, “bait and switch” type of paid search campaigns, etc. should be discarded once and for all. These advertising formats will never work in the mobile space due to the existing overt hostility toward any intrusion in customer privacy by both consumers and mobile carriers.

What are the mobile marketing formats that are of particular interest for hoteliers? In our view there are 4 areas of interest for hoteliers:

1. “Traditional” Mobile Advertising

This includes proven advertising formats from the non-mobile Internet world: sponsored mobile search listings (e.g. Google mobile ads), mobile banners, and mobile barcode-type of advertising initiatives.

Due to space constraints, creating short but appealing marketing messages is a challenge with both the mobile search and display formats. Mobile barcodes, similar to Japan’s very popular QR code, are already becoming part of the marketing mix of retailers worldwide.

Case Study:

Google Mobile Ads

More and more people are browsing the mobile Internet via their mobile devices and are being exposed to Google mobile ads, which results in visits to the hotel mobile site or reservation calls via the 1-800 number. Here are the Google mobile ad views/impressions for sample hotels across the U.S. from January-July 2009, which constitutes a significant increase of 35%-50% vs. the same period of 2008:

Full-service hotel in San Francisco	2,878
Casino hotel in Nevada	24,977
Boutique hotel in Los Angeles	5,031
Golf resort in Arizona	2,064
Luxury spa resort in Florida	4,463

Hoteliers have to be prepared to work with conversion rates and campaign tracking technology that are different from the Internet world. Website analytical vendors like Omniture and ad delivery and tracking technology vendors like DoubleClick have already deployed mobile campaign and conversion tracking technology. For example, DoubleClick Mobile provides full compliance with Mobile Marketing Association (MMA) standards, reports on impressions, clicks, jump pages and third-party metrics, dynamically displayed ads, and handles custom executions for jump pages - coupons, media downloads and more.

2. Location-Based Services (LBS)

LBS-based advertising is a “hot” new area where m-marketers are already testing interesting initiatives to promote businesses to travelers based on their physical location. LBS-based advertising includes a wide range of marketing formats and options that have one thing in common: advertising is tailor-made to fit the concrete GPS location of the mobile user at any given time. Examples include offering discount coupons for the closest Starbucks, special pre-fixe dining at a nearby restaurant, and banners for businesses based in the vicinity.

Imagine the impact LBS-based advertising could have in hospitality, which is location-based itself: from “beaming” deals for hotels at the next exit to travelers on the interstate, to offering 2-for-1 drinks at the hotel bar to hotel guests or passers-by, to giving \$50 off all massages for walk-in guests to come to the hotel spa within the next hour. For example, HotelPal, a new app for iPhone, takes your physical location via GPS and then shows you all the hotels in your vicinity including rates and special offers, and provides booking capability.

3. Mobile Text Marketing

There are two approaches for mobile text marketing: 1) to the hotel’s own opt-in m-list, or 2) to “rented” m-lists. Similar to email marketing to the hotel’s own email list, the preferred and recommended m-marketing approach is to target the hotel’s own opt-in m-list. Once the hotel addresses the privacy and customer consent issues as discussed above, and generates an m-list of opt-in cell phone subscribers, the next logical step is to conceptualize the text campaigns and decide on their frequency. Providing real value and building expectation should be the underlying considerations.

Text marketing to “rented” m-lists is not considered best practices, similar to renting email lists. With rented m-lists there is an additional aggravating factor, which is the extra sensitivity of mobile users about privacy issues.

Here are sample text message marketing campaigns:

- M-Coupons - e.g. discount coupons for a free drink at the bar, 10% off a reservations, etc.
- Sweepstakes - e.g. text “sweeps” to a shortcode and enter our Free Room Giveaway
- Contests
- Interactive games

4. Mobile Applications

Mobile applications or “apps” have exploded in popularity with the introduction of the first iPhone. Apple boasts over 50,000 applications (both free and paid) that people can download via the iPhone Apps Store. BlackBerry has a similar apps storefront with a growing number of apps.

From interactive maps, to Frommer’s and Lonely Planet travel guides, restaurant and hotel reviews, to flight status, personal tours and currency exchange calculators, there are apps for practically everything.

A number of hotel brands have launched their own apps. For example, Omni Hotels' new free iPhone application enables iPhone or iPod touch users to book hotel rooms, search rates and reservations and receive special offers directly through the app. The app gives full access to Omni's mobile site, and includes features like mobile check-in and loyalty account sign-in.

Here are just some of the intriguing downloadable apps currently available for hospitality and travel:

- Interactive games themed around a travel brand, destination or type of travel: cruising, foreign travel, family travel, etc.
- Interactive contests
- Apps sponsored by travel/hotel brands
- Personal tours of a city/destination (e.g. tour starts/ends at your hotel or resort)
- Interactive games where the hotel/resort is at the center of the activity

Mobile apps are good branding tools, though not many hotel companies can afford the expense in this economic environment. Application development costs vary, but can start from \$25,000 for an app that people would want to download.

Conclusion

When HeBS released the article [“Wireless in Travel and Hospitality: Hype or Necessity?”](#) in September 2001, no one could foresee how big the mobile channel would become. Luckily, many of our predictions materialized, some beyond our most optimistic expectations.

The mobile Internet is already here. Mobile marketing allows hoteliers to take advantage of a unique marketing and distribution medium where mobile services, marketing messages or applications are delivered via a very personal device (e.g. your cell phone or smart phone). This creates an additional responsibility for m-marketers to “thread carefully” and strictly adhere to best practices and standards due to the highly sensitive privacy concerns of mobile users and wireless carriers alike.

Travelers are already using their mobile devices to plan and book travel and hotels. Even mobile sites of small, single properties are being visited by thousands of mobile customers. Some travel and hotel companies are already taking advantage of the growing mobile traveler population and generating incremental revenues from their mobile sites, marketing and apps.

What can hoteliers do in the remaining months of 2009? An excellent first step is to create a mobile site, which by default is the “gravitational” center for all future marketing efforts: from text messaging and Google mobile ads, to mobile sweepstakes and applications. As discussed in this article, budget limitations are no longer an excuse for lacking an inexpensive mobile-ready hotel site.

Launching Google Mobile ads as part of a comprehensive search marketing strategy is another natural step. Also, start soliciting sign-ups to the mobile opt-in list (m-list) on the website via hotel email marketing campaigns, social media initiatives, interactive sweepstakes and contests.

What should hoteliers plan for 2010 and beyond? Location-based services, m-CRM and mobile apps are initiatives in need of careful planning, sophisticated technology, and a better

economic environment. Even so, hoteliers should start thinking about how to incorporate these initiatives in the upcoming years.

Consider seeking advice from a mobile-ready, full-service hotel marketing and direct online channel strategy firm to actively help you take advantage of the mobile channel one step at a time. Learn which mobile marketing formats make the most sense for your hotel and how to implement latest trends and best practices in your mobile Internet marketing efforts so you can realize respectable ROI and incremental revenue growth.

About the Author and HeBS:

Max Starkov is Chief eBusiness Strategist at Hospitality eBusiness Strategies (HeBS). HeBS is an award-winning, full-service Internet marketing and Direct Online Channel Strategy firm, strictly dedicated to the hospitality and travel verticals. Having pioneered many of the "best practices" in hotel Internet marketing and direct online distribution, HeBS specializes in helping hoteliers profit from the direct online channel and transform their websites into the hotel's chief and most-effective distribution channel, establish interactive relationships with their customers, and significantly increase direct online bookings and ROIs. Visit us online at www.hospitalityebusiness.com

A diverse client portfolio of over 500 top tier major hotel brands, luxury and boutique hotel brands, resorts and casinos, hotel management companies, franchisees, independents, and CVBs has sought and successfully taken advantage of HeBS' hospitality Internet marketing expertise. Contact HeBS consultants at (212)752-8186 or info@hospitalityebusiness.com.