


[Close Window](#)
[Print Now](#)

Dealing With Disruptors Revenue Strategy Summit Discusses Ways For Hoteliers To Improve Profitability

Friday, July 08, 2016

Dennis Nessler

bookmark this



We are on Twitter

[@hotelinteractiv](#)

The potential impact of the so-called disruptors—such as OTAs, online home rental companies and metasearch sites—on profitability in the lodging industry was the prevailing theme of the fourth annual Revenue Strategy Summit, which took place yesterday at the Renaissance Washington, DC Downtown Hotel.

The event played host to nearly 300 hospitality executives and included a number of educational sessions, as well as statistical data. For example, Cindy Estis Green, co-founder and CEO, Kalibri Labs, LLC, noted that in 2015 the OTAs claimed some 15 percent of hotel distribution, a sharp increase from 2010 when that number was closer to 11 percent.

Furthermore, an onsite poll indicated that some 64 percent of those in attendance believe that OTA's share of the market will grow to more than 25 percent by the year 2020, while roughly 34 percent believe it will remain below that threshold.

During the panel's opening session, Merging On The Digital Highway, executives from both brand and ownership companies were asked how they characterized the digital highway.

Nathalie Corredor, SVP, global strategy for Hilton Worldwide, noted, "It's just something that can change the experience for our customers. You do see things merging a bit, but I also think things are changing. I think new technologies, technologies becoming less expensive, and hotel brands starting to having enough scale to participate in technology is going to open up that back up," she said.

Chad Crandell, managing director and CEO, CHM Warnick, added, "where I see a lot of challenges that we've been faced with from an ownership perspective is really working with operators—both brand and third-party—in trying to get the digital highway to be much more effective on a mobile device. I think we're been very slow to that process. We're pretty efficient in many areas, but the mobile applications have really caused a lot of potholes in many of our hotel operator's platforms and that's an area that I think we still need to improve upon."

Jeremy Welter, EVP, Asset management, Ashford Hospitality Trust, offered a slightly more skeptical perspective. "I view it not as a digital highway, but as the digital tollway. It is becoming much more expensive; there's much more cost that we're seeing in customer acquisition. It's such an important area, as an owner, it's very difficult for us to get

RSS 2016

a roll-up of all of those costs. So the digital highway I think is very complicated, it's growing very quickly, and the brands and owners are not technology companies. A lot of folks are coming into the industry that are very savvy and very smart and have tons of money to spend to really change the distribution landscape," he said.

Welter later commented on some of the pricing strategies employed by the industry to compete with the OTAs. "I'm very concerned because I think some of the pricing discounts we're giving are too much. For instance, 10 percent discounts for members on weekend stays, I think that's too much. When you add 10 percent to the opportunity cost, plus the rewards points you're almost at the same cost [as Expedia]. The issue is half of your guests at branded hotels are going to book direct anyway," he said.

Welter further added, "what we're seeing in our portfolio is that some of the brands that have initiated this have some of the lowest RevPARs. We've supported this, but we need to be smart. In some ways it's the tail wagging the dog."

Crandell added, "I think this where there is a difference between brand equity and owner equity. Because the brands want to grow the rewards members, and owners don't necessarily want to pay for it. Their motivations are not aligned."

The panelists were also asked to assess the future of metasearch sites, which aggregate lots of information and allow consumers to do research, review hotels and do comparison shopping without actually booking.

According to Fernando Vives, SVP, commercial strategy & pricing, NH Hotel Group, "The metasearch [companies] are here to stay. It's going to be interesting to see how the OTAs will morph their approach. We will continue using OTAs for one purpose and metasearch for others," he said.

"What I see happening is that all these benefits and all this information is becoming more and more transparent and more available in more places. So it's less of a differentiator, and more of an expectation. I think a lot of this is converging because consumers can find a lot of the same information in so many places. I believe there's too much information out there today. There are too many options for an individual to process. So the winner will be one who can sort through that information and help you as an individual personalize what you're looking for," said Corredor.

Welter offered a different perspective on all of the disruptors. "The best strategy is to get more competition. More competition in metasearch and OTAs is going to drive down pricing for everyone. I think that metasearch continues to exist and evolve over time. The best strategy for us as an industry is to open up more content to get more players that compete against each other and that hopefully over time will drive down our distribution costs," he said.

As always, Airbnb was very much part of the discussion. Crandall acknowledged there has been an impact on hoteliers, particularly in major urban markets such as New York and San Francisco. "It's definitely had an impact. We see it, we track it. The compression nights we have in some of these markets is not the same," he said.

Crandall did note, however, there is reason for optimism when it comes to regulations. "What is beginning to happen is the AH&LA is having an impact on legislation that's starting to take affect on how these rental units are going be marketed...The playing field is starting to level off and a very significant impact will go to a more subtle impact."

Attendees at the event were asked if they believed government regulation of Airbnb and other online home rental companies would have a major impact on their growth and 51 said it would have some impact, while 26 percent said the impact would be very significant.

Special Events People

Follow us on Twitter @hotelinteractiv

Credit



[Dennis Nessler](#)

Editor

Hotel Interactive, Inc.

[more](#)