

A Guide to Do

# **CHANNEL DISTRIBUTION ANALYSIS AND MAKE OTA CHANNELS MORE PROFITABLY**

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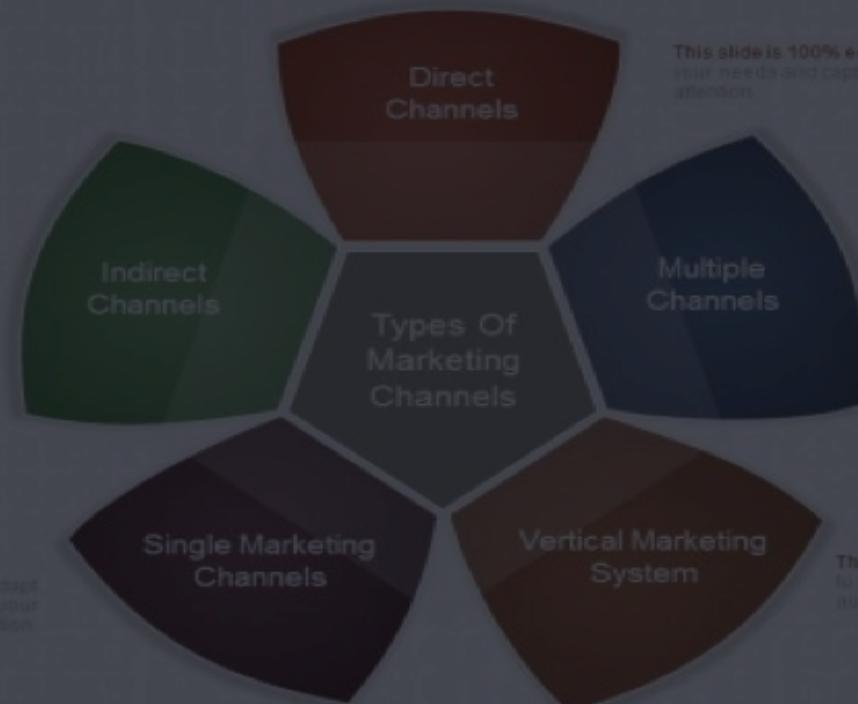
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# INTRODUCTION



# Distributed Marketing Channels PPT Infographics

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Over the past recent years, the hotel sector has experienced paradigm-shifting changes, particularly when it comes to hotel channel distribution. Among the many things that have been happening regarding this, you find that Online Travel Agencies (OTAs), big brands, metasearch websites and Global Distribution Systems (GDS) have all been fighting for customer attention. This, in turn, has led to hotel margins getting affected.

For it to be possible for hotels to navigate through these new trends smoothly as well as optimize their OTA channels, it is of the essence that they take a keen look at both

the benefits and costs of their channel distribution. Be it direct, online, offline or even indirect channels; hoteliers should leave no stone unturned when analyzing them. By putting the best foot forward when analyzing the above-stated channels, it becomes possible for hotels to develop holistic strategies that create profit and revenue streams which are easily sustainable even in the hotel's future operations. Below are some of the techniques that hotels should use when analyzing channel distribution data.



Overall, I am pleased with mycloud PMS and e-distribution solution. With a small operation, it is critical that our rates and availabilities are kept intact and with 'mycloud' we have succeeded in doing this. 'mycloud' is doing the job that it is supposed to and I am happy with it. I am also pleased to mention that I have been able to customize the booking engine as per my choice and it helps me a lot in getting direct bookings, thus saving us the commissions that we pay to third parties, mycloud is showing us its worth."

<https://www.wisteriaguesthouse.com/>

LEN (Owner)

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# STRIVE TO ACQUIRE ACCURATE DATA



## STRIVE TO ACQUIRE ACCURATE DATA

For channel distribution analysis to be effective, hoteliers should begin by ensuring that they acquire accurate data for use in the analysis processes. This is primarily because distribution channels are now turning out to be more complex and nuanced, not mentioning the increase in competition (Cities like Las Vegas alone have the capacity of serving around 167,730 hotel guests in a single night). This, in turn, makes the acquisition of accurate data a pivotal tool that a hotel can have in the development of a successful channel distribution strategy.

The hotel industry is showing an increase in the number of investors who believe it can generate good enough returns, given that the number of available hotel rooms in the US has surpassed the 5 million mark. For hoteliers to remain relevant in the industry through the capturing of accurate data, it's not enough for them to look for more data. Instead, they should use the key performance metrics to help them gain critical insights beyond basic client segmentation as well as demographics. Some core data sets that can be used for optimization of channels (such as OTAs) include; competitive and economic markets and customer-centered information like guest profiles, stay history, regional diversity and website navigation paths.

In addition to the above, for hotels to optimize their OTA channels for maximum profitability, they need to not only understand the "where, what, when and who" of their customers, but also the "why" of behavioral information. This is because the latter helps in highlighting the primary factors that influence the decision of their guests' travels.

It is also crucial for hoteliers to capture the channel preferences of their guests as it is vital for coming up with an ideal channel mix. An excellent example is; When a hotel understands that 52% of millennial travelers opt to make hotel bookings via general travel sites as compared to proprietary websites, it will change its approach of trying to get through to the younger demographic of its customers and elevate its relationship with OTAs.

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# HOTELS SHOULD CONSIDER ALL THEIR CHANNEL COSTS



## HOTELS SHOULD CONSIDER ALL THEIR CHANNEL COSTS

Historically, hoteliers tended to fail to consistently factor distribution costs in their channel distribution analysis as well as their channel decisions. Due to this, hotels that were focused on cash flow unwittingly priced rooms below fixed and marginal costs. In the long run, these lead to adverse effects on the hotels' profit and pricing structure.

For hoteliers to make their OTAs more profitable, they should ensure that they incorporate net revenue per available room (Net RevPAR) versus standard RevPAR while comparing all the costs of channel distribution. Some of these costs include customer acquisition and marketing expenses which should be in turn applied against the amount of revenue they bring.

Also, when hoteliers are evaluating their channel costs, it is vital to calculate the expenses tied to the direct bookings especially given that in the direct bookings in the US increased by 6% in the year 2016. These could include direct marketing campaigns and the management of loyalty programs among many others. In addition to this, whenever hotels use discounts and packages containing add-ons that generate business, such expenses should be added to the analysis of channel costs as well.

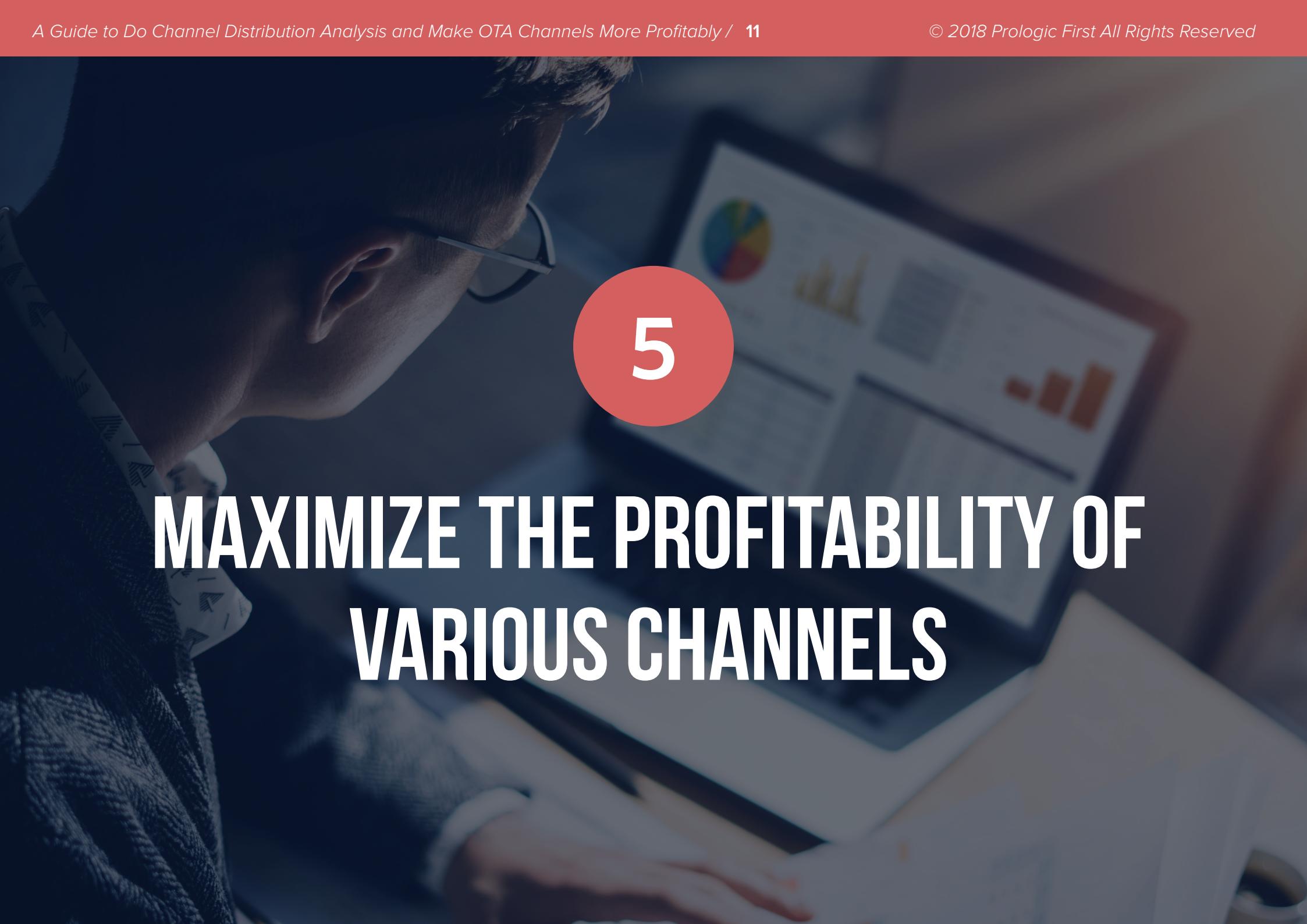
A speedometer-like graphic with a red circle containing the number 4. The word "MEDIUM" is at the bottom left, "HIGH" is at the top left, and "REVENUE" is written diagonally across the center.

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# HOTELIERS MUST MAINTAIN CONTINUOUS IMPROVEMENT

Hoteliers should analyze their channel distribution data to showcase the costs, performance, and profitability of every channel as they relate to customer segments and business goals if they intend to come up with an exceptional distribution mix. It is common to find some channels performing better on specific weekdays or during certain market conditions or seasons.

Hotel managers should remain vigilant and conduct regular audits for each channel to enable them to not only create but also to maintain an optimal channel mix. They must also decrease and increase inventory set aside for every channel to ensure that each one of them is functioning at its best and fits into the hotel's preferred distribution ecosystem.

A close-up photograph of a man's face, showing his profile as he looks down at a tablet device. He is wearing dark-rimmed glasses and a light-colored shirt. The tablet screen is visible in the background, displaying various data visualizations such as a pie chart and several bar charts in shades of blue, green, and orange. The overall lighting is soft, suggesting an indoor environment.

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# MAXIMIZE THE PROFITABILITY OF VARIOUS CHANNELS



## MAXIMIZE THE PROFITABILITY OF VARIOUS CHANNELS

The importance of hoteliers evaluating each channel's full contribution cannot be overemphasized. There are indeed benefits accrued to adding direct channels to a hotel's distribution mix. As much as direct bookings could increase a hotel's profits and revenue due to absence of commission, hoteliers should also focus on other money-making aspects (such as stepping up OTA operations) apart from growing their direct bookings. An excellent example of some of the profitable areas is analyzing channel distribution data to find the channels that efficiently deliver higher ancillary spending to guests.

Also, the rates of customer retention (such as repeat visitors) should be factored into this profitability equation especially in the determining of channel priorities. OTAs play a significant role in the retention of customers, and it is common knowledge that such guests are bound to provide a better lifetime value for the hotel because repeat visitors have no acquisition costs. In addition to this, the profits derived from subsequent stays from these guests replace the acquisition costs that the hotel would have incurred.

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# OBTAİN PEAK PERFORMANCE



## OBTAİN PEAK PERFORMANCE

Technological innovations are continually reshaping the manner in which guests make their decisions as well as channel distribution landscapes. Guests now possess unlimited options for booking hotel rooms. For hoteliers to obtain the peak performance in their channel mix, they should strategically decrease or increase their presence on low-margin or high-margin channels by use of techniques that improve overall profitability and revenues.

To achieve this, hoteliers should analyze the costs of attempting to change recognized customer preferences for third-party channels when considering a channel mix. One of the ways that they can effectively achieve this is by looking inwards into various regional channels which can provide not only better conversion, but also cost less because of lower commissions as compared to those of global OTA's. Choosing to shunt traffic to various direct channels could ultimately lead to the undermining of ROI. It is also crucial to note that as much as the use of indirect channels could be vital for a hotel's triumphs, direct bookings play a role in coming up with a high channel mix. Furthermore, 52% of an OTA's visitors view hotel websites, which in turn help hotels to acquire direct guests through traffic that originates from OTA's to websites that are enticing and offer real-time engines. This goes further to reinforce the essence of hoteliers making sure that their direct channels are converting well.

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# CONCLUSION

The hotel industry is one that has been existence for myriads of years now. However, with the ever-increasing technological developments and influence of the digital age, it is important for hoteliers to come up with innovative methods of analyzing channel distribution data while also making OTA channels more profitably. Above is an in-depth review of some of the ways that any hotelier can use to have the edge over the competition in this industry.



"mycloud PMS runs at its best to ensure the smooth efficiency of our front office department; it also keeps an accurate track record of statistics for the management team in order to make vital decisions. In addition, its POS system helps enhance food and beverage sales."



**ALEX BRESSERS**

MANAGING DIRECTOR | BYD LOFTS BOUTIQUE  
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## ABOUT MYCLOUD HOSPITALITY

mycloud was developed by Prologic First, an independent, private company with over a decade and a half's experience delivering end to end technology solutions to the hospitality industry across the UK, Asia, Africa and the Middle East. One of the biggest barriers to adoption and usage that legacy systems face is the license and implementation cost which can run into thousands of pounds and is a big deterrent for hotels in adopting new technology. Looking at the current trend in technology in the hospitality sector, cloud computing is considered to be the biggest disruptive technology and changer. We will provide you with an easy to learn, state of the art integrated solution for your hotel management needs as well as providing an online presence at a much lower cost. In fact, mycloud may very well be at a lower cost than the cost of maintaining your legacy systems when you also take into account the loss of revenue due to errors and inefficiencies to which legacy systems are prone.

**Schedule a Hotel PMS Demo**

(Our online demo takes about 30-60 minutes and you would need a desktop or laptop with microphone, speakers and Internet connectivity. Time shown here is in EST (Eastern Standard Time, -5:00 GMT)

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