



Developing a Total Email Marketing Strategy

The shift toward online distribution requires hoteliers to develop a comprehensive email marketing strategy to establish interactive relationship with their customers. | By Jason Price and Max Starkov

Boston Consulting Group describes the marketing power of the Internet in terms of reach and frequency. Nowhere is this better illustrated than through email marketing. Following the lead of the airlines, many hospitality managers are evaluating email marketing for its low cost, rapid dissemination, and measurability. As many marketers have demonstrated, a well-executed email strategy can produce results. It can strengthen existing market share while at the same time reach new markets to boost revenues, particularly online-generated revenues.

Email marketing - a powerful marketing tool

Email marketing is a crucial component of the hotel eMarketing and online distribution strategy. The shift toward online purchasing suggests that the website is becoming a key point of entry to establish interactive relationship with your customers and capture client email profiles. Over 192 million North Americans are active Internet users (Nielsen) and 37 million of them have already purchased travel online. The Internet offers a vast, interactive, content-rich media and most importantly, a growing distribution channel for the hospitality market. It is estimated that 8%-10% of all hotel bookings will originate on the Internet in 2002. In fact, some hotels already generate 20%-30% of their total bookings from the Internet.

Email gets the most attention of any hospitality eMarketing effort because intuitively it makes sense—since email can create direct revenue opportunities with past, present, and future customers. Email marketing increases revenue opportunities throughout each customer's purchasing life cycle. The reason this is effective is because a total email marketing strategy addresses the entire buying process from initial email capture to message evaluation and everything in between including copy creation, type of messaging, follow-up, and vendor partnership, all components of a comprehensive communications strategy. Once the strategy is built, an effective email campaign serves as a powerful sales force and marketing channel.

Why a total email marketing strategy in hospitality makes competitive sense:

- Serves both as direct-response vehicle and branding tool
- Creates personalized interactive relationships with customers
- Targets and entices recipients with relevant promotions
- Plants seed in the minds of recipients regarding future travel plans
- Serves as a tool to move distressed inventory
- Functions as a sales force - tens of thousands reached in seconds
- Recruits and retains customers, new and old
- Least expensive form of active marketing available

Does email marketing work?

You bet! Everyone uses email. We read, forward, file, and print email. We send email to friends, family, and clients. Furthermore, almost everybody has at one time or another actively signed up to receive travel related information from a travel supplier or third-party collection service. Travel is a sought after product and a top information category chosen by most Internet users.

The Aberdeen Group indicates that email marketing has grown more than 270% from 1999 to 2000 and rapid growth is expected to continue well into 2005. An estimated 30 billion permission-based email messages were sent in 2001; a number that will grow to 150 billion in 2005 (Winterberry Group).

By category, travel related email marketing retains a loyal audience, especially if it offers the recipient value, accurate communication, relevance, and familiarity. Forrester Research points out that on average, only 5 percent of recipients have ever unsubscribed from any travel related list. Indeed, some travel-related email campaigns report response rates as high as 25%. Let's face it; consumers want to learn about travel specials and promotions. Even travel agents serve as a viable audience as they too seek bookable opportunities.

But isn't email marketing junk mail and spamming?

Wrong! Thanks to technology and the law, filtering agents and anti-spam laws have begun reigning-in annoying junk email. Filtering products such as Spamex and Spamcop, which cost less than \$30 off the

shelf, delete messages sent by anonymous senders to group lists and can filter by key words in the message itself.

The laws are getting tougher. Go to www.spamlaw.com and read the anti-spam laws in your state. Third-party email messaging vendors, also called service bureaus, and marketers are increasingly wary of these laws and are leading the charge to protect the privacy and protection of email recipients.

Permission-based and Precision Email Marketing

Permission-based email marketing is the second-generation email approach that goes well beyond guerilla email marketing, known as email spam. A permission-based customer list is one in which you asked the customer permission to enter personal information voluntarily including an email address for the purpose of marketing, i.e. you obtain "permission" to send promotional emails. Opt-in or opt-out options enable the user to sign up or be removed from a marketing list. Growth in permission-based, 100% opt-in, opt-out practices consistently cleanse the customer lists to produce the most robust client lists possible. Once a firm starts an email collection process, it should include these features resulting in email that will be opened and read time and again without concern of violating email privacy norms.

Precision e-mail marketing is the next, third generation email approach that dynamically "reads" customer profiles, purchasing habits and history to create highly personalized emails. Over the past year airlines have used this type of marketing extensively to promote special offers in order to sell seats. Actually, permission-based email and precision email marketing have become the airlines' preferred marketing tool. Why? It is cheap and it works! For example, precision e-mail marketing has generated up to a fivefold increase in response rates and tenfold lower conversion costs than direct mail (IMT Strategies).

Why does email marketing make sense for hoteliers?

- Low cost: Email is relatively inexpensive, pennies per email compared to \$1 to \$3 or more per direct mail.
- Reach: Almost instant outreach to an expansive client base, one email blast can be equivalent to thousands of sales calls.
- Protects brand integrity: Enables promotion of the latest specials on a one-to-one basis to a pre-selected audience without announcing to the world the latest discounts.
- Personalization: The recipient thinks this is a personalized invitation at a preferred customer rate.
- Instant gratification: People are at their computers most of the day and can receive, respond, forward, and print email almost immediately.
- Rich Media: Email marketing comes in various styles: text, e-Newsletters, HTML messages like a postcard or survey. The hotel gets its message across with sound, color, animation, video, whatever is most appropriate.
- Results: Outcomes based, from knowing who opened the message, clicked on which links, how much time spent viewing each page, completed a transaction, or forwarded the email.

Email for distressed inventory?

Great idea! Group cancellations and overestimations can make empty rooms the biggest competitor. It is well-known that the September 11th tragedy left hotels scrambling for solutions. Using email to move distressed inventory is an effective, practical option. With a well-executed message matched with a robust customer list, an email campaign can begin producing revenues within 24 hours without weakening brand integrity. The challenge is in collecting the right data and stratifying the data list to meet campaign objectives.

Case Study: Distressed Inventory

A Las Vegas hotel casino blasted an email promotion to an existing customer base. The message included a video insert and link to the booking engine. The hotel experienced a 30% boost in occupancy within 12 hours of the campaign.

An Orlando hotel blasted an email promotion that included room nights combined with local attractions. The hotel included a "Forward to Friend" button that expanded the initial database. The campaign helped the hotel generate some 40% of total bookings online during that test month.

Who are the customers for email marketing?

This is an important question. There are three main groups of email audiences: consumers (leisure or business), travel intermediaries (travel agents, wholesalers) and corporate clients. If a significant percentage of reservations come from transient business travelers, or from overseas tour operators, build campaigns that focus on these client segments.

How about consumer email marketing?

Hoteliers can either buy a broadcast to a permission-based consumer email list from any number of third-party vendors or create their own "home-grown" email capture strategy, or do both. Renting from a third-party is an efficient short-term strategy. It creates an immediate audience and serves as a supplement to your own customer email database. Long-term, starting immediately, it is important to build an in-house customer database as part of a total email strategy. It is critical to capture client data at the property-level for the purpose of creating highly relevant, targeted email marketing campaigns.

Hoteliers are in a unique position to build a robust list from existing customers. Using a list built from existing customers, the conversion rates can be ten times greater than any standalone rented mailing list because the targeted group already knows and has experienced the product first-hand. In addition, the hotel can stratify the customer list by specific characteristics, communicate and offer value in the message, and send targeted and relevant mailings frequently to the intended audience, an audience that even anticipates these messages announcing hotel specials.

Hoteliers should carefully consider how large and comprehensive a customer list would be from a home grown collection strategy. Anyone who has stayed, inquired, or visited the property, visited the hotel website, or spoken to a receptionist by phone or in person qualifies. An organically grown database of customers can exceed the value of any customer list worth renting.

Reasons for building a homegrown customer list:

- Represents an existing client base
- Serves as a tool to access greater audiences, i.e. friends, family, colleagues
- Builds retention and overall loyalty
- Ownership of the database
- Low cost

Where can customer information be captured? The short answer is at any perceivable point of contact with customers: in the reservations process, on the website, through convention attendee lists, holiday parties, weddings, special events, at the front desk from walk-in customers, phone inquiries, groups and tour operators, travel agents and vendors.

How big is the potential homegrown customer email list?

Based on actual experience a hotel can calculate the potential size of a customer email list by filling in the fields below:

Number of rooms: _____

Occupancy rate (last year): _____

Estimated average number of guests per room: _____

Estimated average number of days per guest: _____

Total potential number of guests per year per property: _____

Case Study: Hypothetical 200-room hotel

A U.S. hotel with 200 rooms has an occupancy rate of 62%. The average number of adult guests per room is 1.3 and the average stay is for 2 days for either business or leisure. The total number of guests for the one-year period would be 29,383 guests. If 60% of them use the Internet (average Web usage in the U.S.), the customer email list could be 17,630 strong within 12 months. A smartly done email broadcast to the entire list could produce a 5%-10% response rate, i.e. a minimum of 882 people will click a URL link in the email and come to the hotel website to see a Web-only special or promotion. Experiences show that 3%-5% of these qualified respondents will book i.e. minimum 26-35 people, which represents revenue of \$4,420-\$5,652 based on 1.9 night average stay and \$85 per night ADR.

How about capturing email on the hotel website?

Does the website offer customer email capture functionality? If so, that website might draw 10,000 visitors per month, if optimized for the search engines. A conservative look to book ratio of 20:1 yields 500 transactions per month. Consider another 5% will sign up for promotions but not book producing, another 500 registrations. The total number annualized from the website could result in an estimated 12,000 new client profiles added to the database.

How does a hotel compare to today's average where 8%-10% of all revenues in hospitality are generated from the Internet? It is estimated that four years from now the Internet will contribute over 18% of all hotel bookings. Hoteliers are beginning to like what they see as online distribution cuts costs, attracts affluent customers and lessens the dependency on more traditional and expensive distribution channels. Hotels must employ new strategies to take advantage of these opportunities to capture this Internet market.

What about travel agent email marketing?

Why do travel agents represent such an important group for email marketing? Travel agents that use the Internet and email are exactly the travel agents hoteliers must reach. These agents are likely to visit hotel websites, book online, and even boast hotel web-only promotions in their own marketing efforts to preferred clients. Research from the most respected travel organizations, such as ARC, ASTA, IATA and Plog Research, as well as leading travel industry trade publications shows that:

- 96 percent of agents send and receive e-mail
- 79 percent of agents receive e-mail travel requests from clients
- 54 percent of agents e-mail clients with special offers or incentives

Case Study: Hotel Pre-Opening

A plush, boutique hotel in Texas will open its doors to the public in mid October 2002. Management initiated a weekly email campaign to the most robust travel agent email database available in the US. The campaign gets the hotel name in front of both corporate and leisure travel agents, and allows them to come and visit the promo hotel site, review Web-only specials, and register for a sweepstakes, thus initiating an important interactive relationship between hotel and travel agency community.

Case Study: Joint Email Marketing:

In the aftermath of September 11th, many New York City hoteliers teamed up to create joint marketing campaigns. Two notable campaigns were the popular "America Loves NY" and "This Week's Top Hotel Deals in NY", produced by Hospitality eBusiness Strategies. These HTML email campaigns ran on a weekly basis over the course of 6 months and provided links back to the hotel websites. More than 50 hotels in NYC and over 40,000 travel agents participated in this successful campaign with click view rates as high as 25%.

How can hotels know what data to collect?

Collecting the right information is essential to not confuse long-term marketing plans. For example, in selling automobiles, single males and females have their own particular tastes and needs as do families and seniors. By asking the right set of questions on the website and at the front desk, the dealer can stratify his database to reach discrete audiences with the appropriate set of messages. It is essential to consider which audiences the hotel wants to reach and with what types of messages.

Based on the type of hotel and other variables, one can begin to get an idea of what data is important to build a customer database. It is critical to avoid the 9-deadly sins of email marketing and not appear anxious or aggressive when collecting client information. The hotel must collect with sensitivity resulting in a process that runs on autopilot whether it's online or through your reservation desk. Start collecting the data!

It is important to follow the path of the customer! Exploit every point of entry from the reception desk and corporate sales office, to the reservation operator and website. Create an environment suitable for data collection; client profiles from call-ins, walk-ins, or online lookers regardless if they are patrons, travel agents, or others. At the same time, a central repository will be helpful to avoid repeat inquiries from the same customers.

The hotels should always seek permission. It's been shown that if a hotel asks permission and clearly demonstrates how one can opt-in or out easily and conveniently, chances are the user will sign up and remain a loyal recipient of hotel emails. Such collection tactics include:

- Sign our "Guest Book"
- Announce a drawing
- Offer a promotion or special discount
- Refer a friend
- Follow up e-Questionnaire
- eSurvey

Where to store the data?

Outsourcing the technology support for email marketing makes complete sense. In 2001, an estimated 72% of all email campaigns were outsourced (Forrester Research, 2001). Third-party vendors or "service bureaus" are inexpensive and this is their core competency. These vendors specialize in email messaging including email capture, hosting, managing, stratifying, blasting, and reporting outcomes of the campaign.

There are a plethora of third-party vendors ready to serve technology needs and act as guardian of the data. These low cost highly competitive ASP technologists want hotel business and can provide, at minimal cost, features and formats to capture, create, and blast a campaign. Some vendors offer templates to help design an eNewsletter while others support Macro Media for Flash. Hotels should understand the level of customer service each vendor offers. Of course, stick to your budget.

Not surprisingly some online booking technology vendors offer email collection and messaging management. Two are iHotelier and SecureRez, each with their own suite of tools to help a hotel build a total email marketing strategy.

A reputable service bureau adheres to the strictest rules permitted by law and will maintain client information in a secure environment. They will not rent or barter information to outsiders. However, hoteliers should seek advice on vendor selection, review of campaign, and vendor agreement.

How to create the campaign

There are a number of guides to email marketing, starting with the marketing objectives?

For example, is it to use email as a direct response vehicle? Or as a branding tool? Begin by devising a strategy, and start with these basic questions:

- Who is the target audience?
- How often should a hotel launch this campaign?
- Who will support the campaign?
- What is the budget?
- Case Study: eNewsletter

A Canadian golf and spa resort generates a seasonal eNewsletter and sells advertising space on the mailing to local hiking, fishing, and boating clubs. As a conference-housing center, the resort hosts a high volume of business people who return for holiday. Some 7,500 patrons receive eNewsletters each season and the cost of the campaign pays for itself with the advertising from local vendors.

Email marketing is used for a range of purposes. What is the purpose of the campaign? According to Forrester Research these campaigns are used for the following:

- Promotion or discount - 66%
- Newsletter - 48%
- Product announcement - 34%
- Advertising/Marketing - 28%
- Alerts/Reminders - 24%
- Market Research - 8%
- Other - 4%

A quality email campaign delivers comfortable, interesting content, and offers value in the form of premiums, discounts, or specials. Whenever possible, the hotel should avoid the hard sell, be brief and to the point and never overstate the message.

A quality campaign would appear in an HTML newsletter. Today's browsers support viewing many forms of inviting eNewsletters. Information delivered in this fashion reinforces the hotel brand—its logo and colors--and organizes the delivery of content so that a quick glance may be all that's necessary to draw the user to link to a hotel website and book now.

Other suggestions include the need to clearly identify the hotel and intent in the subject line and property insignia. In addition, subject line must be relevant and personalized, if possible. The subject line should not exceed 80 characters. Sample subject lines:

- Sue, see great upcoming resort specials and enter free getaway! (65 characters with spaces)
- Can we expect you to play golf with us again this year? (58 characters with spaces)

Is there follow up?

You bet there is! Assume a 10% response rate on 50,000 recipients. Is the hotel prepared to handle 5,000 inquiries over the phone or by email? Has the campaign objectives been communicated internally to the sales team? Is the website optimized for the special rate? Is the network able to withstand such traffic over a short period of time? The entire campaign may come down to preparation for the post launch activities.

Recent trends in email technology and services include:

- Built-in templates that incorporate hotel brand and insignia for on-demand email blast campaigns
- Dynamic content merge to produce highly targeted and timely campaigns (precision email marketing)
- Email forwarding features to increase client database collection and evaluate the campaign
- Multi-part MIME detects a users email box to discern AOL from Outlook from Yahoo to Hotmail to Lotus Notes, etc to assure guaranteed delivery
- Enhanced personalization from subject line to initial salutation
- Enhanced tools to help stratify your database by demographics, zip code, country code, language preference, past patrons, or any combination or permutation
- Integration and use of Rich Media, Flash, and HTML
- Numerous and hungry low cost service bureaus willing to make a deal

Important issues to remember

- Establish interactive relationship with customers: Turn e-mail into a preferred communications vehicle, enabling the hotel to stay in touch with customers 24/7, from virtually everywhere.
- Frequency: Create a schedule and stagger blasts over an appropriate time frame. Use it immediately and often for distressed inventory or less frequently for seasonal activities and travel planning.
- Personalize and Relevance: Address customers by first names and offer information relevant to lifestyle and demographics. Don't blast an AARP special rate to young families, etc. A relevant campaign is worth its weight in gold.
- Permission-based: Recipients must actively offer information after having requested it. This narrows the scope of emails one receives on a constant basis and reaches those active information seekers.
- 100% Opt-In and Opt-Out is a self-policing cleaning mechanism: Make it easy for recipients to opt-in or opt-out and they'll choose to remain on the list. This self-policing method allows the system to scrub and refine customer lists.

Don't forget what customers want

Here is a list of U.S. email users' opinions regarding ways Permission Marketers can improve their email programs (as % of respondents, two choices per respondent allowed, Q1 2002, Quris/Greenfield Online, May 2002):

- 42% - Less frequent messages
- 35% - Better prices and offers
- 24% - More relevant, targeted messages
- 18% - More Control over email options

- 18% - Time savers and convenience
- 17% - Exclusive e-mail offers

Conclusion

A total email strategy addresses every aspect of the email marketing process. It's organized to leverage a hotel's existing and future client base for ongoing and upselling opportunities. This includes matching the right messages with the intended audiences for ongoing customer relations.

In this article we explained the rationale for the need to create a total email marketing strategy and the value of building an "organically grown" hotel-based customer lists. We looked at types of customers that could benefit from email marketing and examined how all this data, put to good use, can turn email marketing into a strategic sales force. It takes work but is achievable with the right message and overall strategy. Implementing this strategy does not have to be an expensive proposition or a lengthy process. For example, Hospitality eBusiness Strategies' highly successful Internet Strategy Consulting Services include special Email Marketing Packages.

In conclusion, a total email marketing strategy serves as a springboard to launch various email campaigns, to boost ongoing customer acquisition, relationship management, and increased bookings on and off line. An experienced eBusiness hospitality consultancy can help you navigate and utilize the Internet to its fullest potential.