

Are hotel operators paying enough attention to user generated content in marketing your hotel?



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A classic sixties and onwards advertising strategy adage was “If you can’t improve the product, put it to music”, recognizing the emotive and recollective attributes of music and rhyming word “jingles”. Recall how the memorable Sheraton “800-325-3535” tune of the seventies steered potential guests to the latest direct booking medium of the day; the “toll free” 800 number.

Times have changed. Fast forward to today, and traditional “Mad Men” methods of advertising have given way to “user generated content” (or “UGC”), particularly social media mediums (Facebook, Instagram, Twitter and so on) and online review websites (such as TripAdvisor).

Not only does UGC have a wider reach than traditional advertising methods (as of Q4 2016, Facebook reportedly had 1.86 billion active monthly users), it is also far more trusted by the current generation of millennials (being those born between 1977 and 1995, who are forecast to have record-breaking purchasing power - US\$1.4 trillion by 2020).

What research in the market tells us

A recent survey by IPSOS showed that, unlike previous generations who consumed traditional, professionally-created advertising content, millennials spend 30% of their media time on UGC.

Not only do they spend more time on it, but millennials also trust UGC far more than they trust traditional advertising; the survey showed that conversations with friends (74%), peer reviews (68%) and social networking (50%) generally rank higher with millennials when it comes to levels of trust than print newspaper (44%), radio (37%) and television (34%)¹.

Another recent survey by PhoCusWright, relating specifically to the influence of TripAdvisor, found that 75% of respondents now use the review site before booking a hotel, 53% would not book a hotel that had no reviews and (most important to the focus of this article), although bad reviews can put people off, hotels can reduce the impact of a bad review by responding quickly

and appropriately; 62% of respondents agreed that seeing considerate and action focused hotel management responses to reviews made them more likely to book, while 87% agreed that an appropriate management response to a bad review would “improve their impression of the hotel”. That said, simply slagging off even the most ill intended guest review as “fake news” or the “guest from hell” is not constructive and will not instill future guest loyalty.

In light of this evidence and increasing trend in how hotel guests evaluate and choose hotels, one would surely expect operators’ obligations in hotel management contracts to have adapted to reflect the growing dominance of UGC in attracting guests to their hotels. So how many provisions relating to UGC does your average hotel management contract contain? The answer, surprisingly, is none.

What should Operators be doing?

Operators will no doubt argue that they are already taking steps to utilise UGC, and may point to their “brand standards” and “centralised marketing services” as addressing this. However, given the ever increasing importance of UGC as a marketing medium, isn’t it time that operators include express obligations to owners to ensure that their hotels are properly promoted using UGC?

For instance, operators should be obliged to:

- maintain certain minimum rating levels on review websites;
- strive to win awards and accolades on review websites; and
- respond promptly and appropriately to both good and bad reviews.

And where they fail to do so, owners should have the option to terminate their hotel management contracts in much the same way as they generally can for poor

financial performance. Indeed, this as well as a minimum percentage of bookings to be generated via the brands own online web site ought to be alternative prongs for consideration in what would be a broadened and "modernized" performance test model.

Operators will almost certainly be reluctant to accept such obligations, and may argue that they could still receive negative ratings on review websites despite their best efforts (for example, as a result of "internet trolling" or false reviews being posted by competitors). However, this could be addressed through the use of software, and in the drafting of the obligations in the hotel management contract, and shouldn't prevent the parties from at least attempting to address this very relevant, trending and influential aspect of the modern hotel industry.

So, why do Owners still pay Operators for marketing?

Another relevant question which we have no data for, but which we can only surmise: with the proliferation and effectiveness of UGC advertising (effectively collective customer "self-help" marketing and advertising), presumably the cost of funding the central marketing activities of hotel operators has decreased, albeit the central service charges levied by the operators has not and in many cases has been upped.

Operators will invariably say they cannot allocate or account for such costs in order to render an answer, which is indeed a concern when these same characters are accounting for your hotel. But an explanation is due to hotel owners.

Unfortunately, as with many issues arising from the current state of hotel management contracts in the industry, the status quo is unlikely to change until owners take a stronger stance with operators when negotiating their management arrangements.

It also would help the cause if the consultants and lawyers assisting owners in their hotel management contract negotiations got with the times and delivered some more contemporary drafting to address the ever-increasing impact of UGC in guests' selection process when choosing where to stay.

For more information please contact:



Scott Antel

Partner
Head of Hospitality and Leisure
(MEA)
T: +971 (0)4 511 9717
Scott.Antel@blplaw.com

Scott Antel is a Partner and head of Berwin Leighton Paisner's hotels practice in the Middle East and Africa.

Based in Dubai, Scott has more than 25 years' experience working in emerging markets around the world and is recognized as the leading specialist hotels lawyer in the MEA region.



Stephen Greyling

Senior Associate
Real Estate and Hotels
T: +971 (0)2 652 0306
Stephen.Greyling@blplaw.com

Stephen Greyling is a Senior Associate in BLP's Abu Dhabi real estate team. Stephen specialises in real estate law, with a keen interest in the hospitality sector, where he has gained considerable experience in recent years.

Working closely with Scott, Stephen has considerable experience acting opposite some of the largest hotel brands in the market on premier hotel projects across the region.

¹ Adapted from the IPSOS MediaCT Millennial Social Influence Study 2014.

² Results based on an independent survey of 12,000 travellers conducted by PhoCusWright, and adapted from an article by Carina Perkins - <http://www.bighospitality.co.uk/Business/TripAdvisor-study-gives-insight-into-impact-of-reviews>.