

onejourney⁷

2023: The future of hotel revenue is ecommerce

Transforming hoteliers into retailers.



Hotels need to be more ‘Selfridges’: Transforming hoteliers into retailers

In a digital-first world, hospitality providers need to respond to consumer demand at pace. Hotels are no longer just room-centric businesses. To thrive, they need to provide experiences that deliver the value that guests are paying for.

Hotels can continually augment revenue and guest experience by viewing properties holistically and considering how to monetise the wide range of products and services offered.

By looking to the wider retail sector and learning from the ever-evolving world of ecommerce, hoteliers can maximise technology investment and service delivery to improve the guest’s digital experience and increase revenue, while relieving teams of redundant administrative booking processes.

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Introduction

Consumer perception of hotel accommodation greatly altered with the advent of Airbnb. The new selection of properties beckoned their interest through alternative abodes coupled with experiences. Guests no longer simply wanted a comfortable bed and fluffy towels; they wanted to feel connected to people and places.

Expectations around booking experiences have altered too, demanding the highly digital, personalised interactions which consumers encounter in other areas of their lives.

From Spotify-curated playlists to personalised recommendations on Netflix and tailored shopping experiences through Amazon, today there's a greater emphasis for brands to recognise the needs of consumers to allow them to seek out places they can personalise, connect with, and feel valued.

For hoteliers, rooms and suites have long been the sole focus for managing and optimising revenue, leaving huge amounts of money on the table by being unable to easily surface high-revenue generating ancillary services and products.

The shift towards an 'experience economy' accelerated as the world emerged from the pandemic. Deloitte found spending on day-to-day and non-essential items dropped in Q2 2022 due to rising costs and inflation, whilst [holidays and hotels was the only discretionary category to see spend increase](#) in the same period.



With a digital-first approach ingrained across all demographics, and intuitive online mobile experiences expected, website booking and retail processes are even more important than they were prior to the pandemic.

Tapping into consumer demand is vital, and a consumer's perception of a hotel is shaped by their first experience. Websites are increasingly the first touchpoint a consumer encounters - and first impressions count. To best serve today's audiences, a change is needed within hospitality; thinking more like a retailer by putting consumer expectations first to capitalise on their interest, behaviours and intent.

Opening up ancillary service revenue:

Room revenue averaged

68.1%

of total operating revenue for hotels in 2015.

Peaking at:

↑ 97%

for extended-stay and limited-service properties.

At resorts - where guests have a deeper history of seeking experiences and connection to place - this dropped to:

51.8%

with ancillary spend from spas and F&B more central to the guest experience.

Source: [Lodge Magazine](#)

The current situation

Hotels have an opportunity to strengthen customer relationships and grow their revenue streams by learning from retailers and pursuing a deeper ecommerce strategy, blending travellers' preference for experiences with the wider consumer reliance on digital channels.

The growth of non-room revenue

Research from [Oracle and Skift](#) shows that hotelier executives “strongly agree” that “special amenities and upgrades are critical to revenue strategy.”



of hoteliers “Strongly agreed” non-room revenue would become an increasing share of revenue in 2021.



of hoteliers “Strongly agreed” non-room revenue would become an increasing share of revenue in 2022.

In addition, about **18%** of hoteliers believe that more than half of their revenue will come from ancillary sources other than the room rate. In comparison to just over **11%** in the previous year.

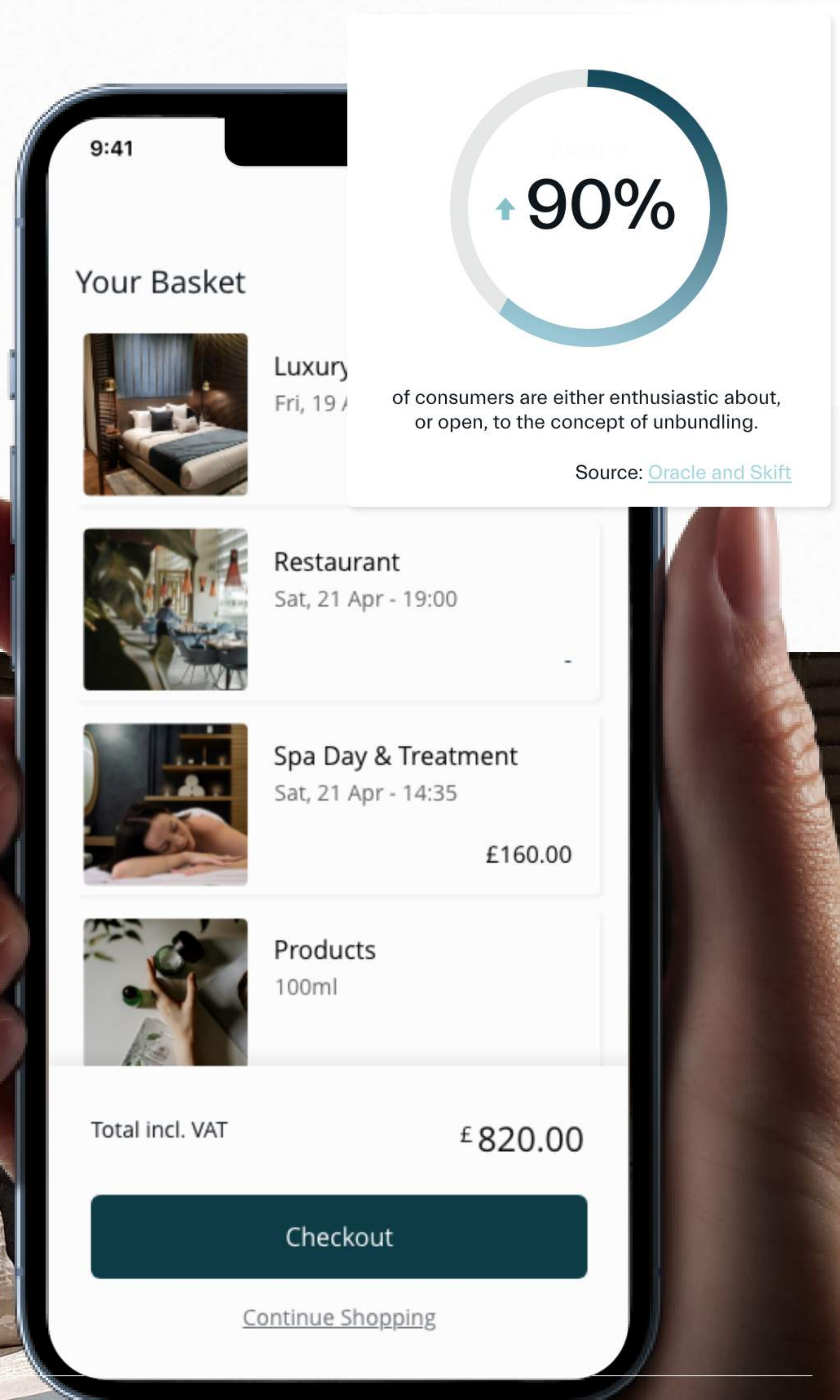
With multiple operational systems in place at many hotels and resorts, hoteliers have often found it difficult to effectively market and sell ancillary services online. The proliferation of systems means non-bedroom revenue streams such as spa, golf and dining require separate plug-ins and complex technical integrations, or - as is often the case - rely heavily on offline administration, only bookable via telephone or email with a reservation team member.

This results in a fragmented booking experience for the guest, leading to high abandonment of online bookings, dissuading guests from selecting extra services, and leaving easy money on the table.

To try to convince visitors to book, many commercial teams have turned to bundling popular items such as basic spa treatments and dinner, or distressed inventory - think of those tricky Sunday nights boosted by free breakfast and in-room champagne - sold as a package.

However, these packages often fall short. They are too often shaped by commercial intentions, resulting in the guest feeling short-changed or dissatisfied with the options.

For example, a customer may see the value of a Spa Break but prefer a 60-minute treatment instead of the 30-minute offered in the set package. The guest either books the package reservedly or takes their business elsewhere. With customers used to personalising their orders, limiting their choice results in lost bookings or losing out on additional revenue.



A modern hotel lounge area featuring a large, light-colored tiled wall, a wooden slatted wall, and a large window with a wooden slatted frame. In the foreground, there is a dark grey sofa with patterned cushions. A swimming pool is visible in the background, reflecting the light from the window.

43.3%

of consumers would be very likely to book a hotel that allowed them to pay only for the amenities they use, with a further:

44.2%

somewhat likely.

Source: [Oracle and Skift](#)

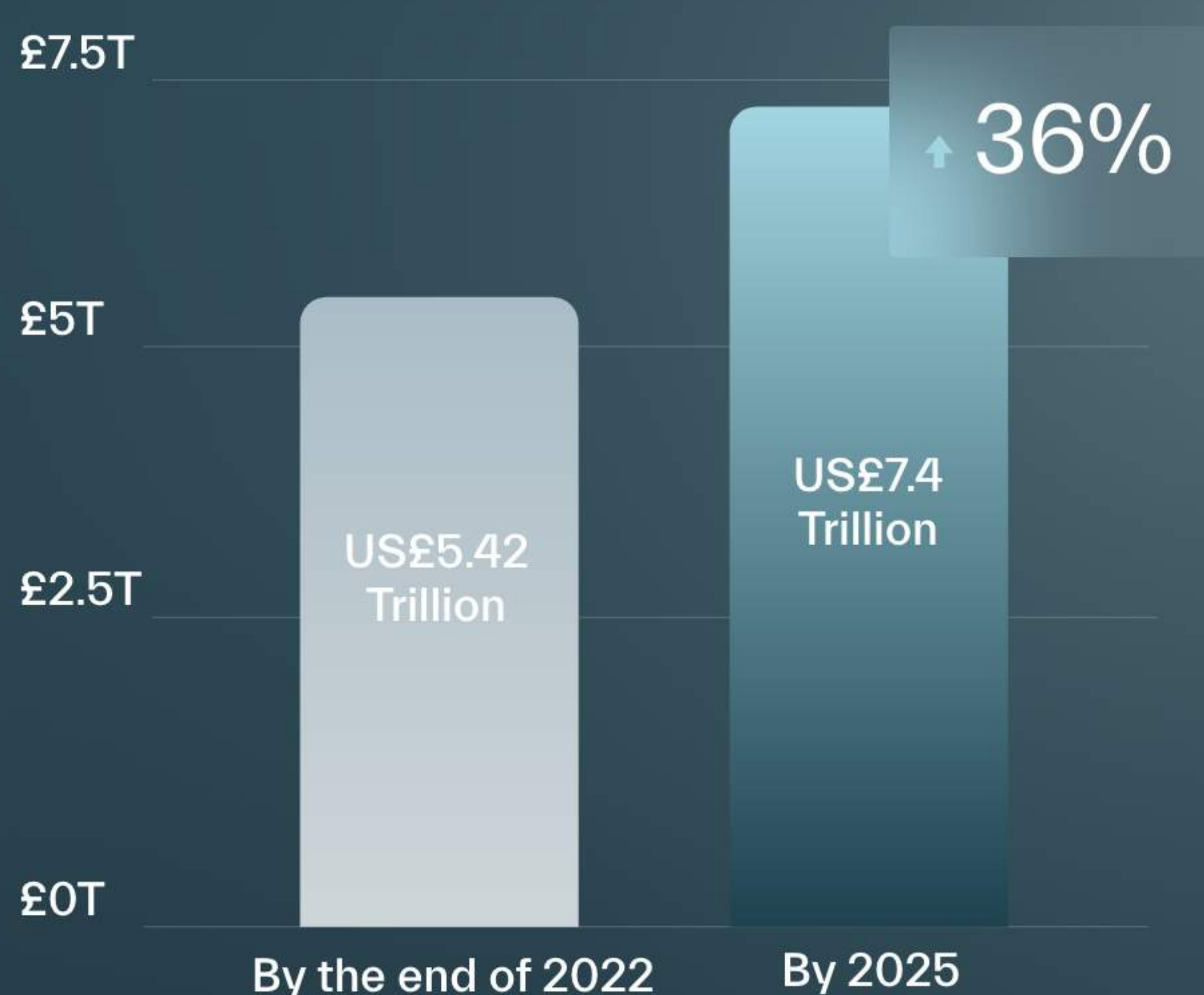
Fragmented digital booking experiences are a source of frustration for many customers. By facilitating a smoother path to purchase, hotels are able to encourage greater spend and start their relationship with the customer on a positive note.

By viewing themselves as ecommerce businesses, hotels can learn from the strategies of retail companies and sell a greater range of services and products through their own websites.

Learning from retail

Unsurprisingly, the retail sector is leading the way in digital experiences. The global powerhouse Amazon set the bar for online retailing - providing hyper-personalised content, easy-to-set preferences and search criteria, with a smooth click-to-purchase journey inclusive of handling multiple products from various suppliers in one basket, with one receipt from one payment.

Research from [Statista](#) suggests ecommerce will reach:



The UK has the world's third-largest market with:

80%

shopping online, which should reach:

89.6%

by 2025. But the digital shift is global; Statista found the shift to online continued last year, with:

13.9%

growth in global ecommerce.

Even IKEA, which for years insisted it would not change its store-first model, is spending €3 billion by the end of 2023 to create new, smaller stores in city centres and remodelling larger out-of-town units as pick-up points for digital sales. The global brand also redesigned its website, with Chief Digital Officer Barbara Martin saying:

“There is a permanent shift towards ecommerce.”

And it's not just price-led or discounted offerings that are driving the online shopping boom.

Luxury brands like Selfridges, Harrods and Burberry have spent millions analysing how to best design their websites' ecommerce experience to deliver digital shoppers an immersive brand experience and make it easy for customers around the world to purchase.

What IKEA, Selfridges and other retailers recognise is that the ecommerce market is growing exponentially, representing the first point of brand activation for many companies.

Four ecommerce trends for hoteliers

Hotels have a wealth of learnings

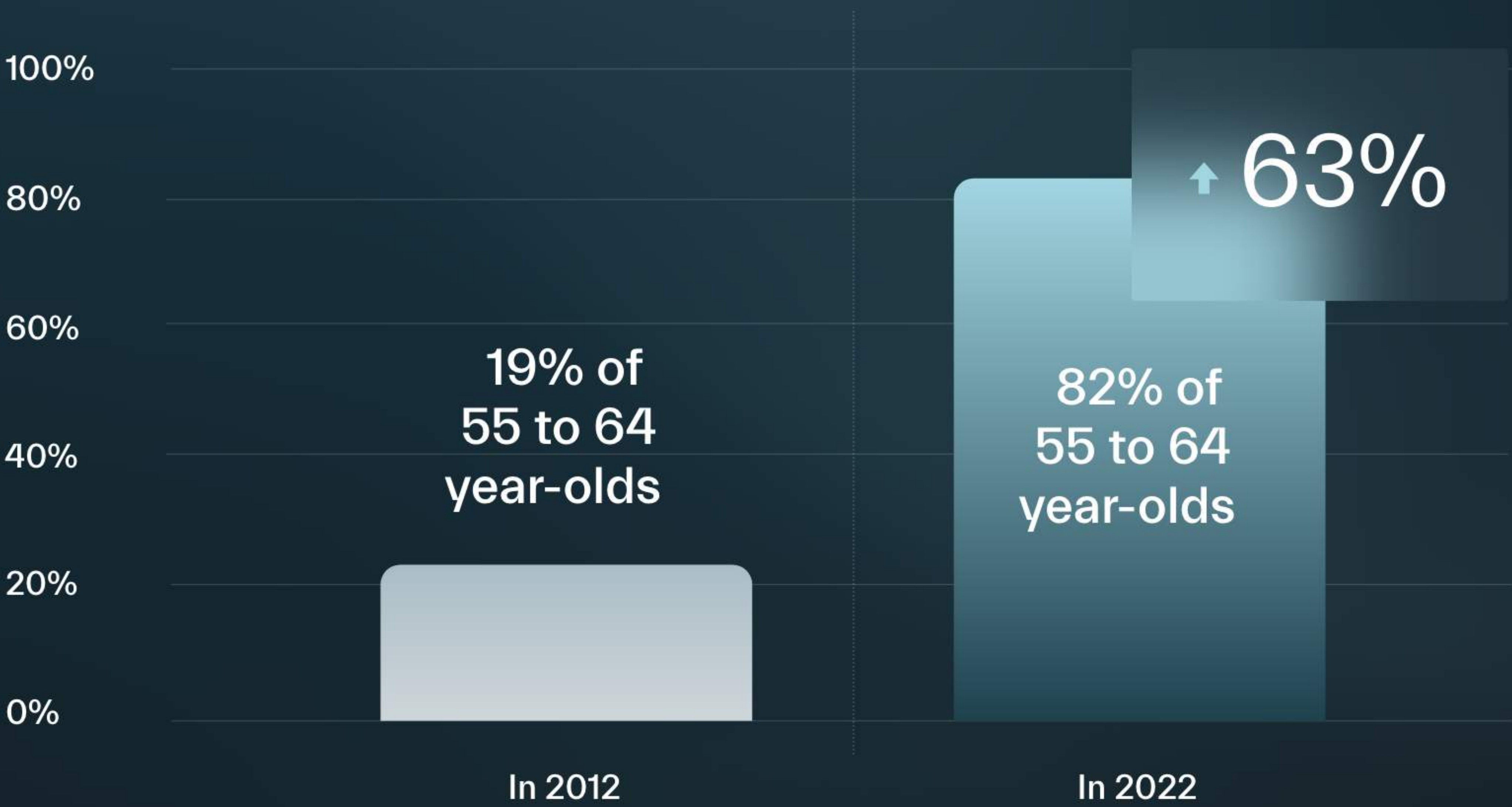
from digital-first sectors to inform their own digital ecommerce strategies. By harnessing the power of existing systems and utilising intelligent applications connected to their tech stack, hotels can not only optimise investment but can bring great relief to staff by reducing time-sensitive, repetitive administration. In forming a new ecommerce framework, hoteliers should address four key trends from the world of retail.

Key Trend 1: Digital-first behaviour

Hotel guests expect the same seamless online transactions they experience in retail ecommerce. Just as consumers want to shop at a time that suits them, guests want to be unbound by reservation team hours.

Today’s consumers expect self-service. One of the biggest drivers in the growth of ecommerce is the rise of smartphone ownership. The last decade has seen a boom in 55 to 64-year-olds smartphone ownership.

Smart phone ownership



Source: Statista

1 Digital-first behaviour

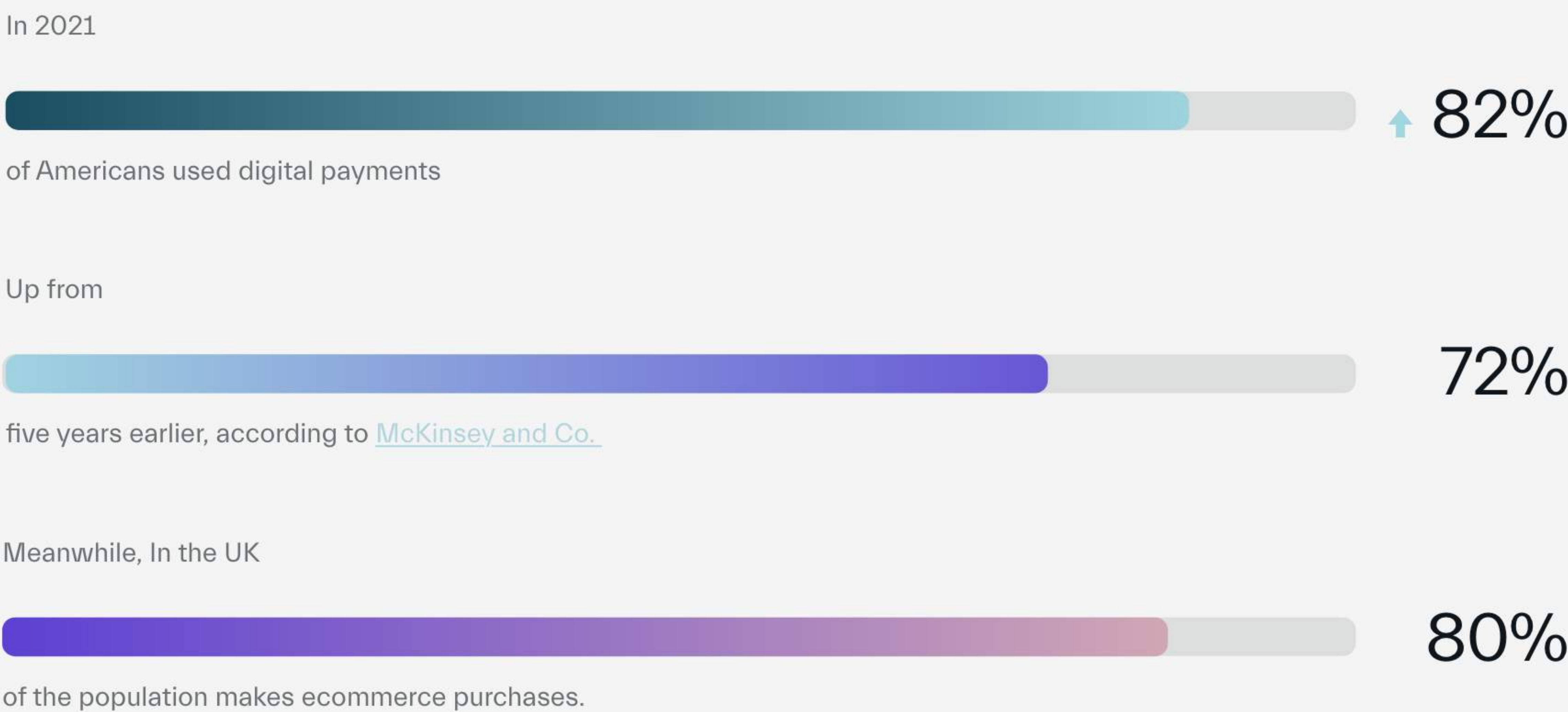
From making their own bookings to curating their own experiences, consumers want more control.

We're in the midst of the [appointment economy](#) where customers can select a time that suits them - their time is a commodity and they expect this to be respected. Furthermore, Some 87% of guests ([Oracle and Skift](#)) are more likely to book hotels offering a la carte pricing, allowing them to pay only for amenities and services used. Gifting consumers greater choice allows hotels to align with retail trends, letting them build their own stay through an intuitive shopping cart.

Connected to this development is the increasing appetite for alternative payment options at ecommerce checkouts. Digital payments were growing before COVID, but rose steeply during the pandemic.

Open Banking-facilitated payments, digital wallets, and Buy Now, Pay Later (BNPL) options are expected by hotel guests, and API payment platforms such as Stripe offer hoteliers an easy integration with their booking engine.

Digital Payments



1 Digital-first behaviour

A digital-first strategy also takes pressure off hotel staff.

Some [73% of consumers](#) want hotels to use automated contactless technology to minimise contact with staff. And for staff, not being chained to a desk, responding to spa booking requests, facilitating dining bookings or logging passport and bank details, frees up time to engage productively with guests and ensure optimum service delivery throughout the property.

65%

Of hoteliers agree that technologies can help weather staff shortages by making it possible to operate with fewer people.

Source: [Oracle and Skift](#)



Key Trend 2: Direct business is growing

Online Travel Agents (OTAs) have come to dominate the market; their promises to fill rooms were hard for the industry to resist. But over time they have increased commission rates (up 45% since 2015 according to [Kalibri Labs](#)), and, under the umbrella of data protection, have diminished the relationship between guest and hotel. However, the way they drive bookings should inform hoteliers in improving a hotel’s own direct channels.

When analysing successful ecommerce strategies, the power lies in a clear, unfragmented digital journey. Price parity as a minimum is key; while added value for booking direct will encourage guests to book.

The positive news is the market is changing; hotels are starting to receive more direct bookings. According to [Phocuswright](#), the rise in direct bookings will continue.

In the USA, the online direct channel is tipped to once again surpass OTAs by 2023. [Kalibri Labs](#) found that by eliminating commission rates, direct bookings are 12.5% more profitable than those derived from OTAs.

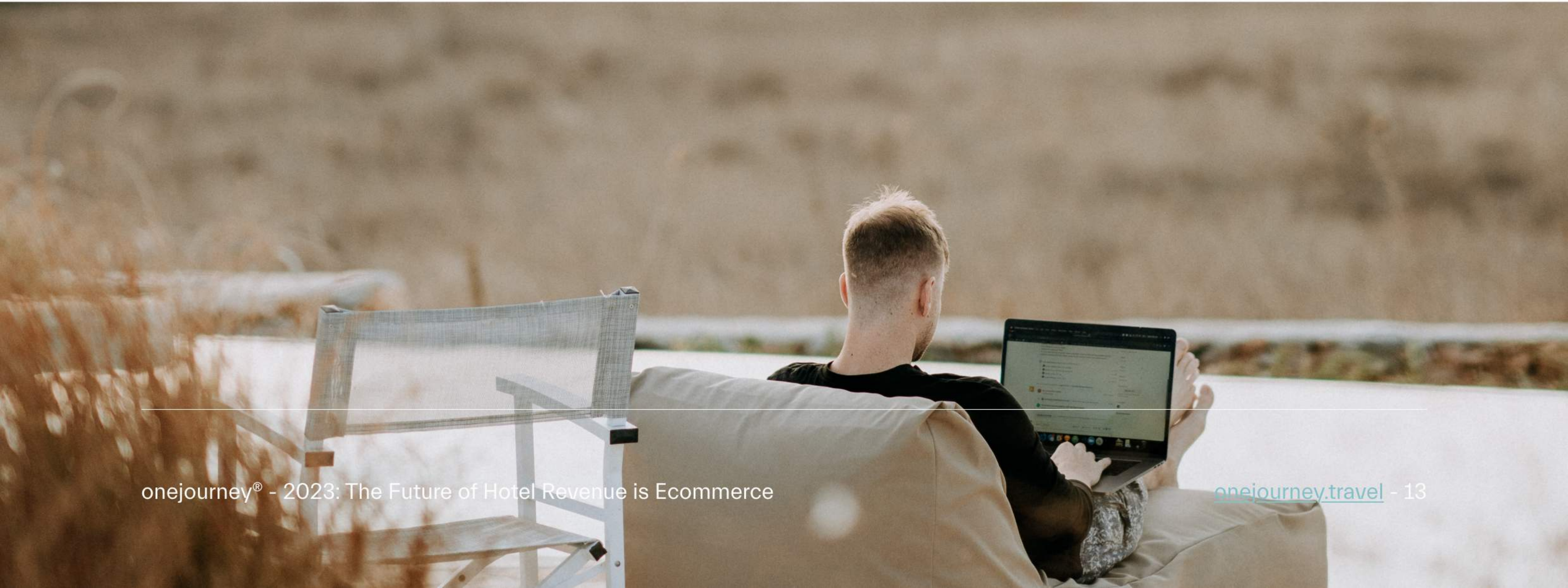
In [Siteminder’s list](#) of the top 12 UK booking channels for 2021, hotel websites had risen to second position.

Top 12 booking channels in 2021	
1	Booking.com
2	Hotel Website
3	Expedia
4	GDS
5	HotelBeds
6	Agoda
7	Airbnb
8	Mr & Mrs Smith
9	WebBeds
10	Off Peak Luxury
11	Lastminute.com
12	MyHotelBreak.com

Direct bookings were ahead of the likes of Expedia, GDS and Airbnb and behind only one popular OTA, Booking.com. The pattern is repeated in important tourist markets across the world. In Australia, South Africa, France, Germany, Italy and Spain, direct bookings had also risen to second place, whilst in the USA, Thailand and Mexico, hotel websites were third.



according to [Hotrec data](#).



2 Direct business is growing



Guests often prefer direct bookings: they have greater flexibility to change booking details, receive reservation updates direct from the hotel and build a more human relationship when following up compared with anonymous OTA call centres. And if anything goes wrong, it is generally easier to resolve disputes without an intermediary complicating the relationship - as witnessed by holiday cancellations during the pandemic.

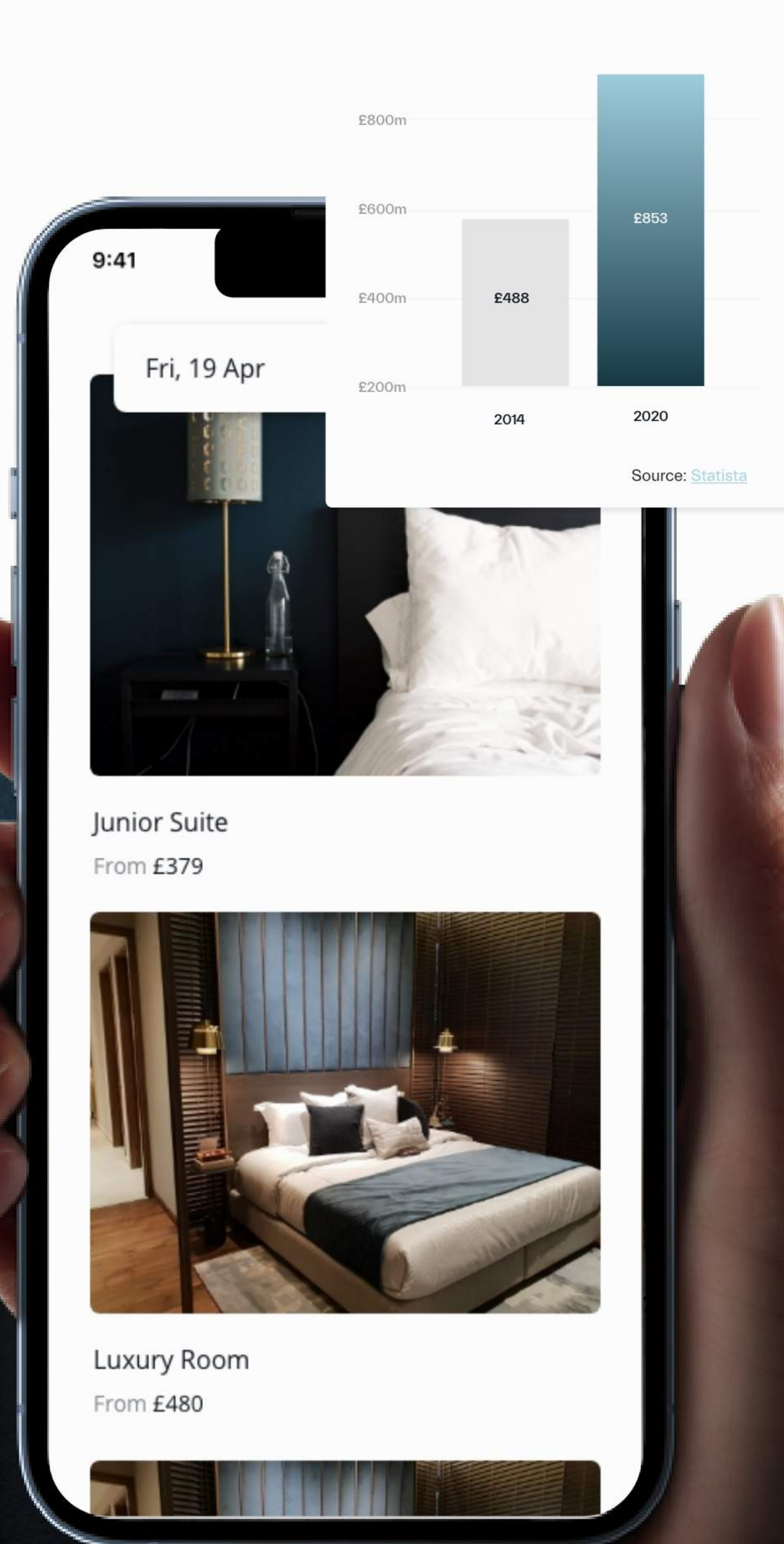
Direct bookings allow hotels to control guest data and, subject of course to personal preferences, use it to connect with a guest before, during and after their stay. The opportunity to establish a more personal, long-term relationship with a guest increases the likelihood of repeat visits. Hotels can leverage guest data about when they last visited, the length of stay and any special requests, to deliver personalised communications and offers.

Key trend 3: Brochure websites are history

Consumers used to buying online, including via smartphone, expect the same level of digital experience booking a hotel room as they do when buying the latest collection of designer clothes. Brochure websites have had their day, the demise of search and browse sites without the ability to book has been on the decline for over five years; Google doesn't like them, there's lack of conversion control and they are not built with the consideration of the consumer to inspire and sell.

Luxury retailers such as Selfridges offer the best example to follow. A few years ago, Selfridges spent £40 million redesigning its website -

with mobile users at the centre of its strategy - to make more luxury and high-end goods and products available online. Operating revenue rose steeply from £487.5m in 2014 to £852.9m in 2020.



3 Brochure websites are history

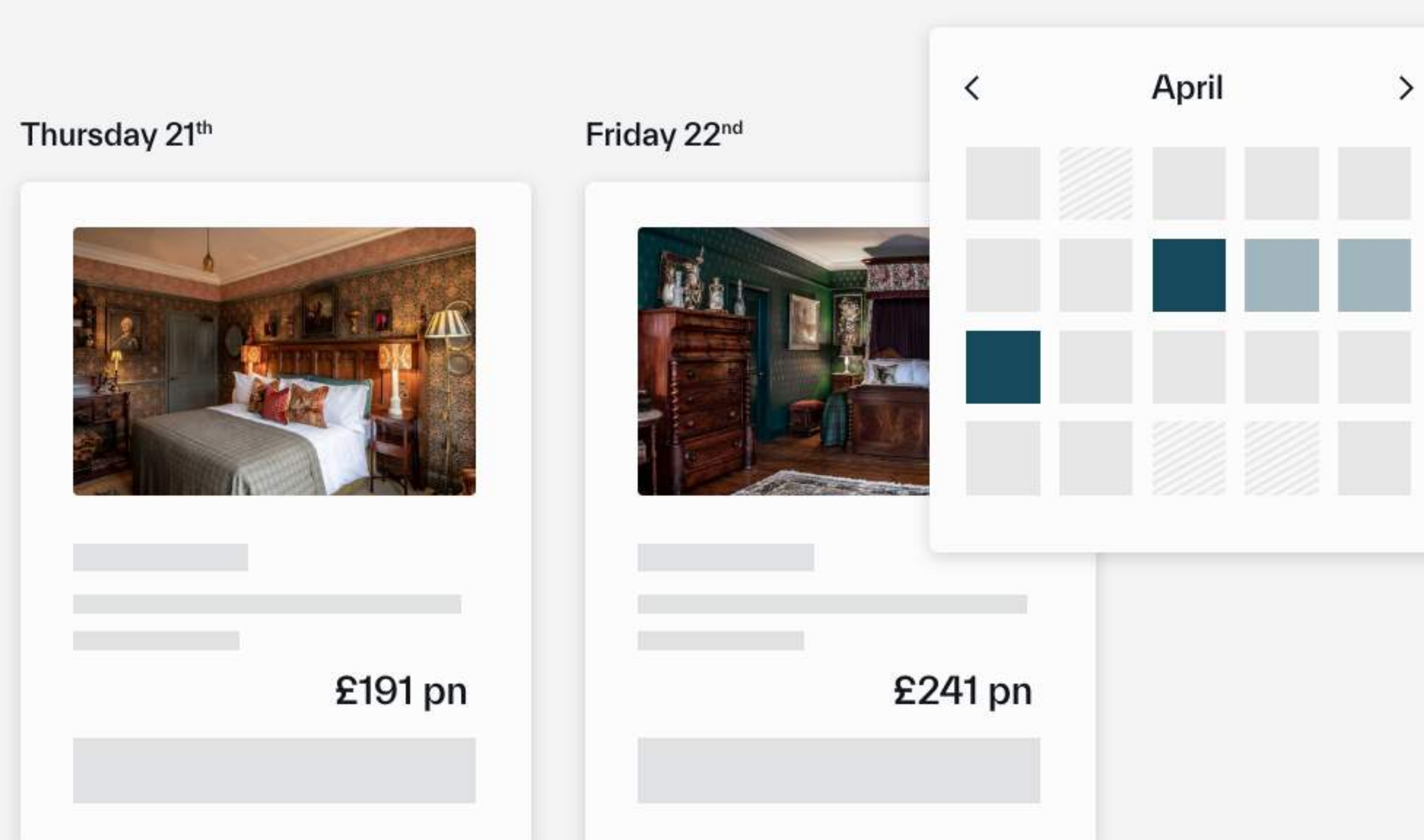
As Selfridges recognised, websites need to work harder to inspire customers and sell. Imagery and design are crucial factors. The journey to browse, search, select, buy needs to be coherent and logical while exciting the customer at every step. It's no longer about buying and parting with money, but exchanging value through surprise and delight.

Lessons from retailers can give hotel websites a new lease of life to drive more revenue, cost-effectively while reducing pressure on already over-stretched staff:

Lesson 1:

Live pricing and availability throughout the booking journey.

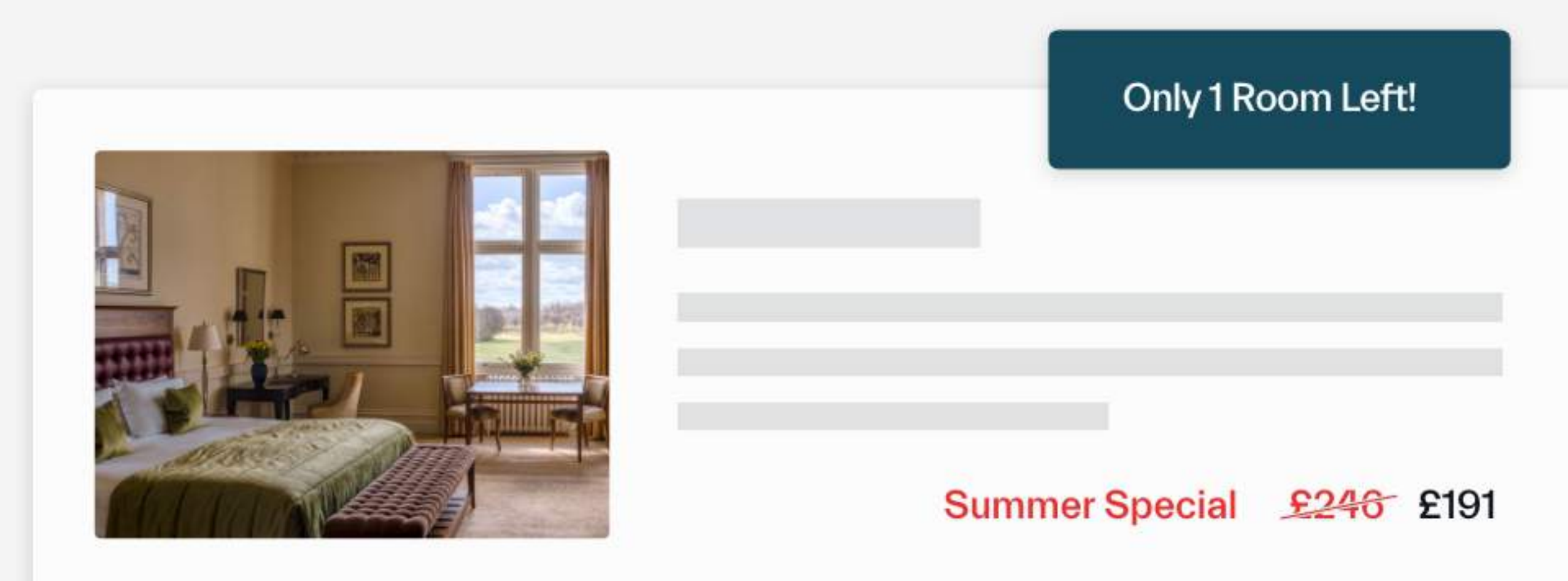
Ensure rates are fully visible and accessible throughout the website and across all product for the modern consumer.



Lesson 2:

Urgency and promotional messaging when it matters.

Emulate psychological purchasing prompts to encourage more impulse buying using strategic 'last chance' and 'hot lists/spotlight' messaging to place products and services into the basket.

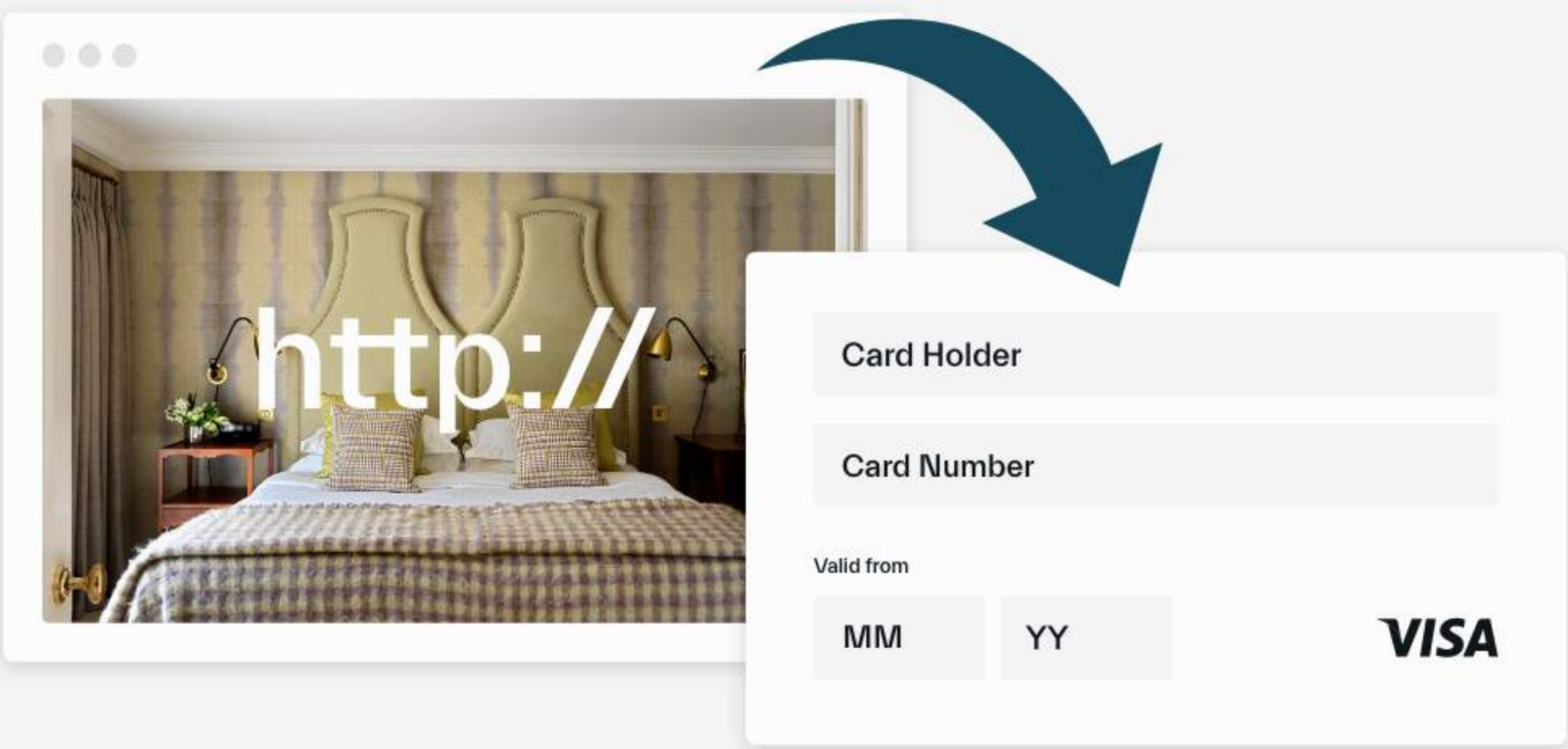


3 Brochure websites are history

Lesson 3:

Deep linking across the site.

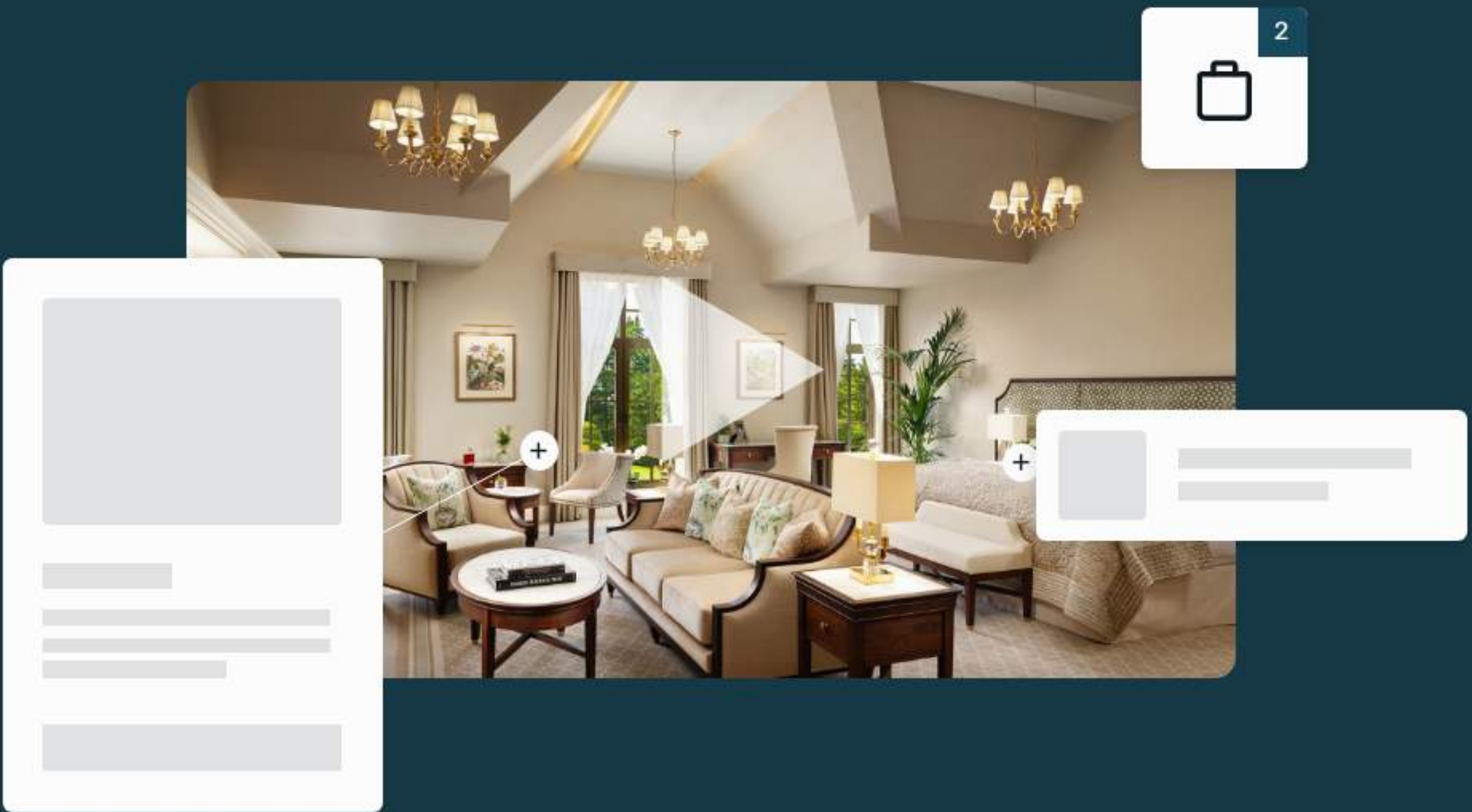
Remove customer frustration and soothe their journey by tying product listings - such as time-bound offers or events - to the relevant booking, pre-populating fields where a guest has already provided information.



Lesson 4:

‘Buy what you see’ with shoppable content.

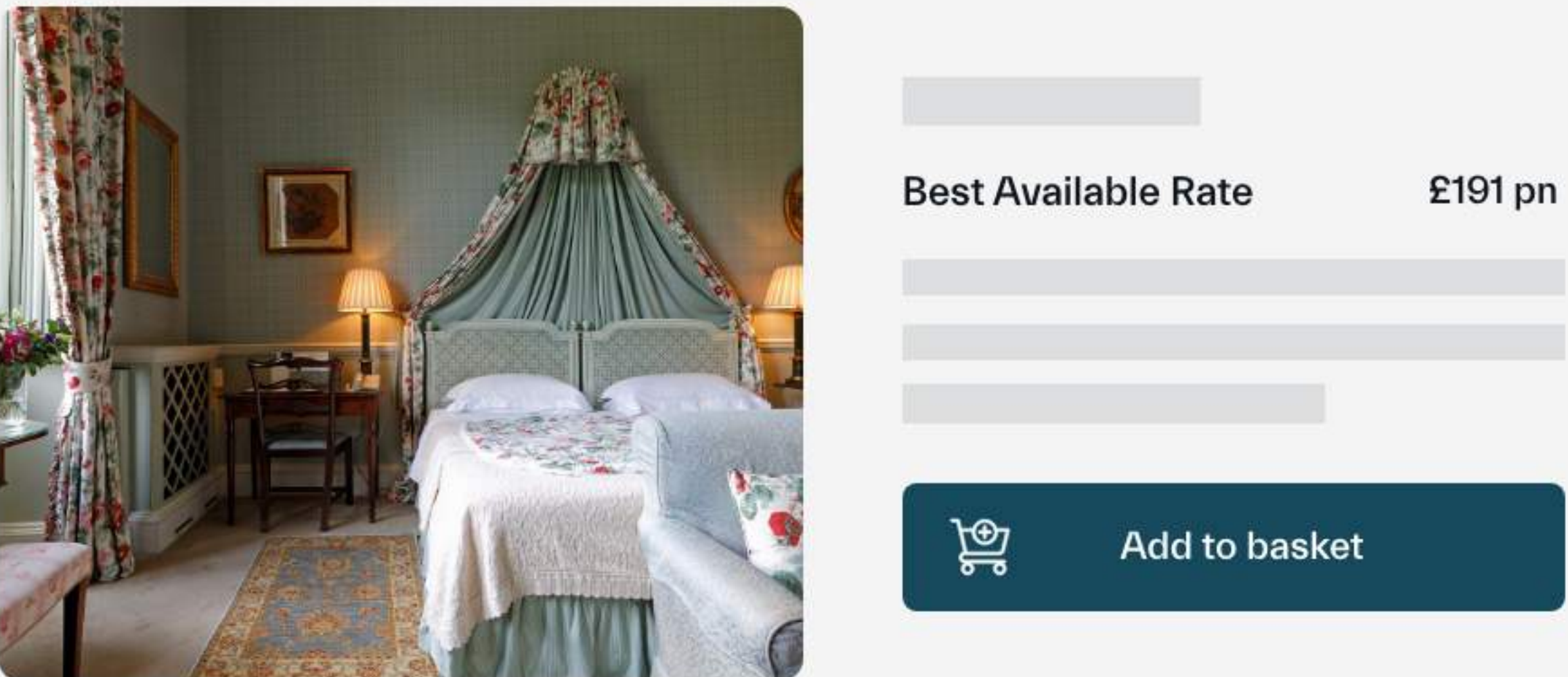
Immerse visitors with captivating clickable visual experiences. Videos of your spa, pictures of room views and shots of bathrobes should all be able to be added directly to an online shopping basket with just one click.



Lesson 5:

Retail-inspired design.

Capture interest with resonating photography and imagery paired with the product name, price and feedback rating to give consumers what they need to make a quick decision.



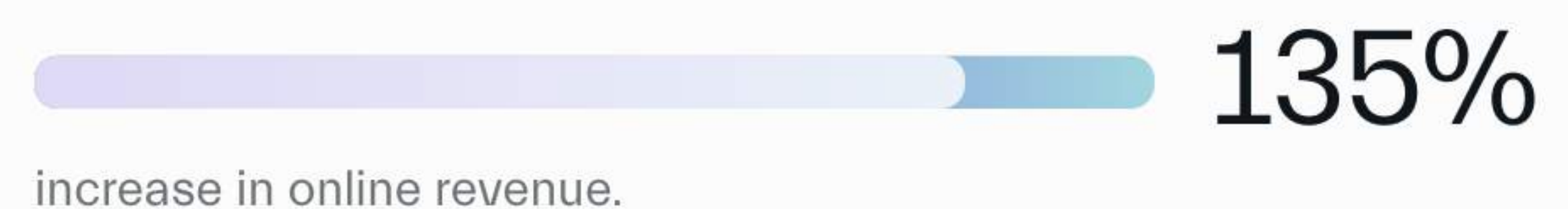
Key trend 4: Evolving booking journeys

Websites have a maximum of three seconds to grab a visitor's attention. With striking visuals, visitors are able to envision their stay; the more a site can capture imaginations, the more it can drive emotional, impulsive purchasing.

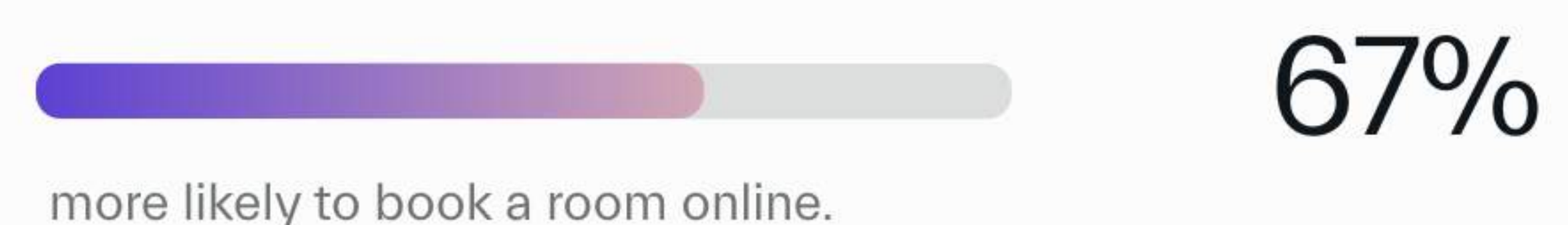
Leaders in ecommerce, particularly luxury products, are moving even deeper into digital experiences. Using virtual reality (VR) and augmented reality (AR) to provide a metaverse-like experience before a guest steps foot on property, encourages them to feel at home and carefully plan their time away.

VR can be used to create 360° walkthroughs of hotel rooms or digital twins of the entire hotel that help guests to visualise the attributes of the spaces. AR enhances hotels' real physical space by providing information or graphics over the real environment that can be seen with the help of a smartphone, or tablet using an app.

The use of VR and AR has been shown to boost revenue. For example, the [Radisson Hotel](#) introduced virtual tours for a number of branches worldwide and saw a:



Another [study by Omni Hotels](#) found that when online visitors were offered 360° VR tours, they were:



4 Evolving booking journeys

Consumers want the option to self-serve, even for high-value purchases like cars and houses. It's not unusual to be selling large-ticket items online: the most expensive item sold on eBay was a Gigayacht for \$168million, and online [car sales quadrupled](#) during the pandemic with over 2,600 cars sold each month.

For luxury hotels, showcasing the quality they offer will help tap into the growing willingness of consumers to spend significant sums online.

[Sotheby's and Christie's reported record successes](#) in online auctions of multi-million high-jewellery sales, driven by digital catalogues, whilst Bloomberg reported that the [online resale market of luxury goods soared](#).



How to become ecommerce-driven

The potential to succeed with an ecommerce mindset is dependent on the pace of technological change. The hospitality industry is often regarded as slow to adapt to change - largely handcuffed to legacy technology and systems that don't easily interact. But today's consumers demand a more intuitive and organic digital experience.

Oracle and Skift found that:



Of guests say contactless has become their number one must-have.



Of hoteliers acknowledge that a "fully contactless experience" will be the most widely adopted tech over the next three years.



Going fully contactless doesn't only refer to services like self check-in at lobby kiosks. It can mean not having to speak to a human being when booking.

Currently, if guests book a spa package, they can't simply add it to a basket like on Amazon. Instead, they have to react to a phone call, or email to complete the booking. Any process that is laborious will frustrate the drive to earn revenue from ancillary bookings.

Today's new technology includes platforms designed to help hotels facilitate smoother customer journeys.

These include unbundling packages and empowering guests to shape their own stay - all using existing tech stacks and booking systems to reduce disruption across the business.

Unbundling is still a largely alien concept in the hotel world. But hotels can learn from airlines that upsell ancillary products, such as checking in bags, meals, seat selection and extra legroom, or from take away restaurants that provide customers with significant customisation to their orders.

Technology can be a powerful tool in raising revenues and reducing costs while making business more streamlined to support hotel staff to fulfil their obligations and deliver the **art of hospitality** hotels are renowned for.

The big opportunity for hotels is that modern technology makes it possible to look at properties holistically. Instead of top-line room rates, technology helps shift the mindset towards a bottom-line profit orientation.

Connected commerce is the ability to have all channels, both online and offline, sharing data with people and businesses in real time. By thinking like an ecommerce provider, hotels will form deeper connections with guests and improve their revenues.

“

The hotelier
is limited
only by their
imagination”

- Frank Trampert, Sabre Hospitality Solutions

Hotels need a shift in mindset, from being principally sellers of rooms to providers of hospitality and associated experiences. An efficient website is the first customer contact to deliver that hospitality experience, reflecting a hotel's sense of place and space; it has to be at the heart of this new attitude.

Six Key Takeaways

01

Think like a retailer

Look beyond the hotel industry for ecommerce best practice.

02

Consumer expectation

Put consumer digital expectations first; ease, accessibility, options.

03

Use technology

Augment customer experiences and reduce administration.

04

Grow direct business

For a more profitable distribution strategy.

05

Prioritise conversion

Live pricing and availability throughout the booking journey.

06

Immerse guests in your hotel

With visual cues and self-service.

About onejourney[™]

onejourney is an all-in-one ecommerce platform for hotels to sell everything online. It is the world's first unified software platform that aggregates all of a hotels' products and services into live inventory for sale. Guests can book rooms, spa, dining and more in one seamless online transaction.

With an experience-first approach we're revolutionising hotels online booking journey to increase direct revenue and maximise transaction value. onejourney integrates with leading booking engines and software systems.

Visit onejourney.travel to learn more.

onejourney™

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