



Flash Sales & It's Implications

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Today's Agenda

- What are Flash Sales
- Group Buying & some known Players
- Group Buying Statistics & Case Studies
- Should we do Flash Sales or not?
- Alternatives/ Suggestions to improve Profitability

What are flash sales?

- ⚡ • Large discounts offered for a very limited time
- ⚡ • Not usually last minute
- ⚡ • Sometimes linked to group buying
- ⚡ • Sometimes bundled value items
- ⚡ • Can be a tool to move guests to the locations you want them to use

3 DAY SALE
BOOK BY 12TH OCTOBER

ACROSS EUROPE, MIDDLE EAST AND AFRICA

Book an unforgettable weekend away at prices starting from just £50
With over 50,000 rooms in our sale, your opportunities to escape are endless.
So beat the clock and treat yourself to a weekend of memorable experiences.

Join HHonors today and receive 5,000 bonus points when you stay for 2 or more nights before 31st December 2011 [Join HHonors](#)

ROOMS FROM
£50

02	16	38	10
DAYS	NRS	MINS	SECS

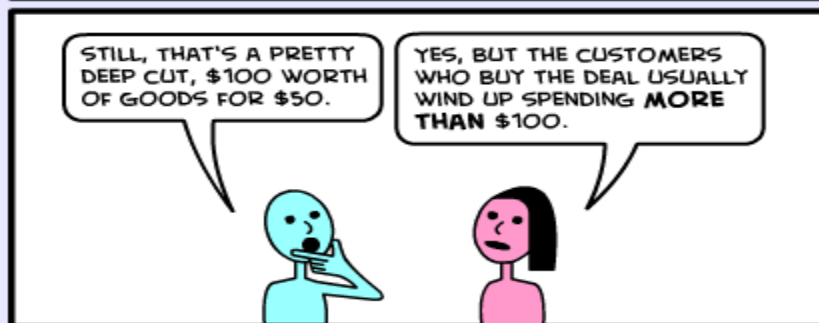
UP TO 40% OFF

CALL DISCOVERY

FLASH SALE

NORTH AMERICA SOUTH AMERICA EUROPE MIDDLE EAST & AFRICA ASIA AUSTRALIA

WHAT IS GROUP BUYING?



Group Buying Websites

Flash Sale Sites:

- Groupon
- Living Social
- Deal Grocer

Travel Only Private Sites:

- Snique Away (Tripadvisor + Expedia)
- Vacationist (Travel + Leisure and American Express)
- Jetsetter (Gilt Groupe)
- VoyagePrive

Retail Oriented Sites with Travel Offers:

- RueLaLa (Aug 2011 teamed up with Virtuoso to offer travel deals)
- Hautelook (Hautelook Getaway has upscale travel offers through acquisition of website BoVoYou)
- Ideeli (Partnered with VoyagePrive to create cobranded Travel Channel, Ideelitavel)





Possible benefits



- Segment and target audiences
 - Specific demographics
 - Origin or destination points
- Opportunities to build loyalty with existing customer base
- Create demand
- Gain visibility/new customers for firms

THE 4 STAGES OF GROUPON.

repeat daily

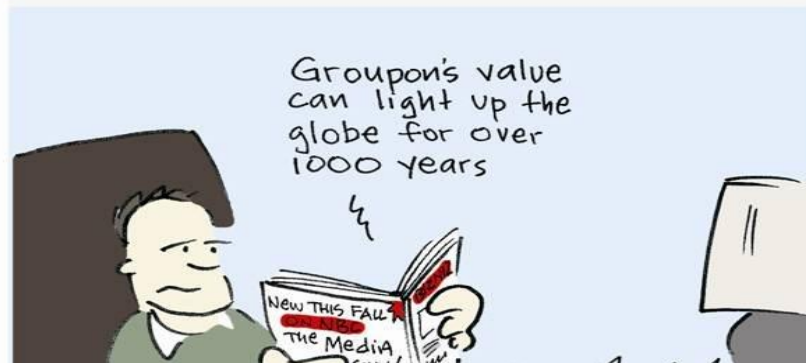
1 Wake up. See irrelevant Groupon deal of the day. Delete.



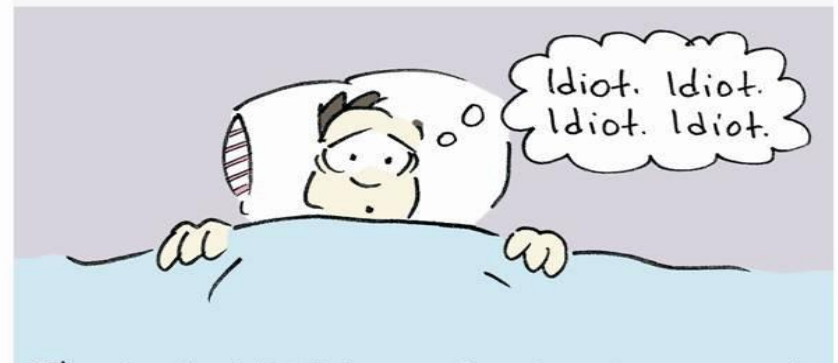
2 Over lunch, comment that you don't get why Groupon is such a big deal.



3 Read an article about why Groupon is worth BILLIONS.



4 Stay up all night wondering why **YOU** didn't think of Groupon.



Flash Sales Can Work

Boost Sales



Boost Cash Flow



Usage of Deal Sites by Hospitality Industry

According to a recent study by Phocus Wright:

Independent Hotels: 42%

Inns and B&B's : 32%

Branded Chains: 12%

Timeshare & Tour Operators (14%)



Usage of Deal Sites by Hospitality Industry

According to a recent study by Travelclick done on 900 global hoteliers:

- Of the 40% who have tried these sites, 38% have found it less successful and do not plan to use it again

Reasons:

- Too much revenue to the Site Operator (25%)
 - Did not attract right caliber of guest reflective of their brand (22%)
 - Did not see enough return business from the promotion (22%)
- Nearly 37% have not tried flash sale and have no interest in doing so
 - 23% said that they will try a flash sale site for the first time this year



Case Study – A 5 Star Hotel in Philippines

	Flash Sale Site	OTA	GDS	Hotel Website
BAR (Best Available Rate) – 2 nights	\$600	\$600	\$600	\$600
Deal Face Value	\$300	\$600	\$600	\$600
Third-Party Commission	25%	20%	10.00%	0%
Net to Hotel	\$225	\$480	\$540	\$590
Cost of Reservation	\$375	\$120	\$60	\$0
Overall Deal Discount	62.50%	20%	10.00%	0%

- This clearly shows that Flash Sale sites may lead to Price Erosion
- It damages the hotel's Price Integrity & overall Online Revenues
- A survey by Foresee determined:
 - ❖ Nearly 70% of Flash Sale buyers are already existing customers
 - 38% of them are already frequent customers
 - 27% are infrequent customers
 - 4% are former customers



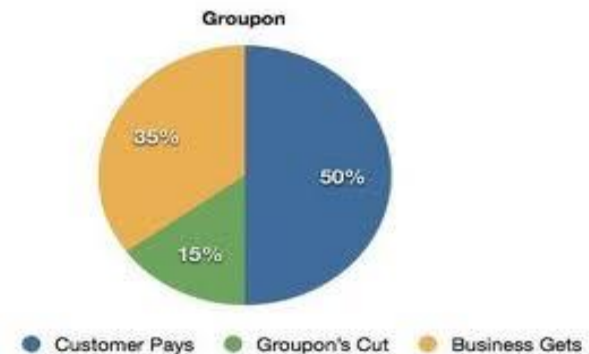
The reality

- Some hoteliers think that Flash Sale Site users will become loyal customers. They are **loyal only to 50% Off BAR**
- Brand Degradation: These customers may not belong at your hotel. Demanding, First to write negative reviews, May leave the **impression of downgraded hotel** to your repeated clientele
- Artificially Inflated Face Value of the deal to show value – **REMEMBER**, These sites are part of your Online Distribution Strategy
- As it is so easy to join these websites it will not be long before the **opaque-ness will disappear**.
- Guests will soon understand that besides offering \$300 on your own websites, **they can get better deals by subscribing to these online discount stores**.
- These deal sites will establish a new lower price level for the hotel – **NEW MARKET PRICE**



The reality

- Hotels complain about the so called high commissions of the OTA, but at the same time support new models which will erode average room rate even further and will leave you with a **lower net ARR**
- A 50% discount of BAR, with a 25% revenue share leads to a **37.5% net ARR from the public rate**
- Any booking via the most discounted channel (eg: Flash sale sites like Groupon, LivingSocial or Sniqueaway) **is one less booking** for the same hotel via Hotel Website, GDS or an OTA retail or merchant program.
- **Do not be lured in for short term gains** which will have long term ramifications, without thinking it through properly.
- **Diminishing** Returns
- Not a regular channel. It's only for **Bargain Hunters**



Is Flash Sale Model changing the buying behavior of travelers?

- Hotels participating in Flash Sales have started seeing existing bookings canceled and later replaced by a heavily discounted rate.
- Loyal guests have started to wait for the Flash Sales instead of booking on their regular corporate rates.



Business strategy and potential

- STEP BACK
- Why offer discounted pricing at all?
- How does it fit your business model for
 - Customer acquisition
 - Retention
 - Revenue growth
 - Margin management and profitability?
- What are the long-term as well as short-term implications?
- Will deep discounting be the new norm in your category?
- Can you WIN with this tool?
- Will you start a price war?



FLASH SALE

Limited time offer!

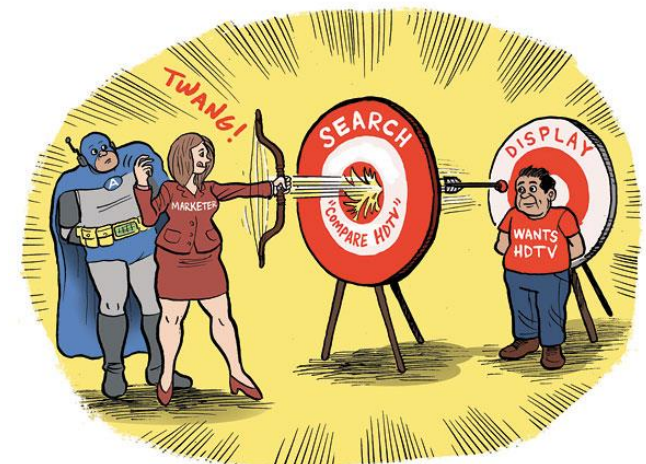
Stay at Studio Loft

from **\$160**

Book now!

What we should be doing?

- Hoteliers need to focus on distribution channels that are:
 - Cost Effective
 - Protect rate parity and rate integrity
 - Reach the targeted customer segments
- Offer Best Rate Guarantee on your Brandsite
- Use early bird discount & Invest into SEO
- Google Adwords – Use the same amount you give to OTA's in commission
- Retargeting – Allows to target potential customers
- Promo Codes for your OTA guest



Search Retargeting

Questions?

