

case study

The Case of a Small Luxury Resort: An online marketing and distribution channel dilemma

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Introduction

The William's family, who live in North-Central Florida, were desiring a beach vacation away from the glitz and glamour of the typical beach resort town with their two children, Kirk, age nine, and Elizabeth, age seven. A business associate had told John about a relatively unknown island resort on the Gulf Coast offering a quiet atmosphere, but with sufficient amenities to entertain and satisfy most members of a family. His friend could not remember the name so John asked his wife to research it. Betty Williams went to the Internet to identify the suggested resort, and not having full details as to name and location, she "Googled" Florida resorts, resorts in Florida, Gulf Coast resorts, beach resorts, and Florida West Coast resorts with no results. She also remembered hearing one of her friends talk about TripAdvisor, and Betty went to that site as well. Finally Betty found buried several pages back on an innocuous site a link to Island Beach Resort, which appeared to match the description given to her husband. Upon reviewing the web page, she wondered why it was so hard to find, which led to the question: Is this place worth the rate and trouble to get there? Now that she knew the name, she found several links to their website, but why did her other searches not bring it up? Would other key words and phrases have brought-up the resort name and description? She began to wonder, if the site was so hard to find, were there other problems at the resort?

That evening, after reviewing what she had found, Betty and John were on the verge of booking space at another resort on the West coast, but decided to give Island Beach Resort a try. After all, the descriptive material indicated the facility had just what they were seeking, and his good friend and associate had recommended it!

Context

Small to medium-sized enterprises (SME), like The Resort in this case, are reported to be underutilizing online marketing channels and tools through bad planning, poor choices in outsourcing web design and optimization (Murphy & Kielgast, 2008). SME websites are also often poorly designed and outdated (McGrath, 2007). Business practices in independently owned mid-priced resorts are reported to be more focused on personal contact with guests and a "seat of the pants"

approach to marketing decisions, both relying very little on online distribution and communication (Knutson, Beck, & Hung Hsu, 2004). All these characteristics are applicable to this case study.

Background of Company

The background of Island Beach Resort was drawn from data and in-depth interviews conducted between Spring 2009 and Spring 2010. Located on the Florida Gulf Coast with direct access to a pristine beach, this small, privately owned resort is located on an island that can only be accessed by boat or ferry. Yet, it affords its guests a full range of services that include recreational activities, tennis, shopping, dining, entertainment, and security. Its one hundred and sixty (160) rental units vary from one to three bedrooms. Guests may drive onto the property, but are required to park their vehicles in a central lot and restrict auto use for off-island activities only. Transportation on the island is by foot, bicycle or golf cart and water activities are made accessible by rental of the resort's jet skis, boats with fishing equipment, and kayaks. This Resort has been reasonably successful in past years, but economic conditions of this decade have had a deleterious effect on business.

Its business structure is atypical of many privately owned SMEs. It has evolved on a base business model for land development begun by the owner of the land, Ralph Wittcome, who started by building and selling summer homes with the thought of adding rental management to the development company. His sales agents chastised him for the lack of amenities which they thought to be hindrances to sales performance. In the early years of development, this perspective led to a general scheme of adding a swimming pool, tennis courts, volleyball, two restaurants, a coffee shop, and a convenience store that also handled bicycle and golf cart rentals. To help stimulate sales and support a revenue sharing plan with employees, Ralph began renting the units when not occupied by the owner.

The units that The Resort now manages are a mix of resort-owned and private units. The privately owned units are in four separate geographical areas of the island, with each having its own owner's association. Island Beach Resort does the marketing, renting, maintenance for all of the grounds and common use areas. Maintenance of individual units is up to the desires of the owner, and can be contracted through a separate maintenance company owned by the resort. Separate association fees to the resort were offered to the unit

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owners at \$1500 per year to defray the costs of maintenance of all the amenities and transportation system including the car lot for mandatory parking.

The Resort's Positioning in the Market

Ralph Wittcome had not kept up with the past quarter-century's rapid technological developments and their applications to marketing. Such technology stymied and confused him, but he thought that it could be of value to prospective customers. For this reason, Ralph called on Professor Simon Churchill, under whom he had studied many years before, to conduct a few days of interviews and analyze The Resort's performance in attracting guests and revenues in relation to regional benchmarks. Professor Churchill determined The Resort's occupancy rates and average daily rates (ADR) from October 2007 through September 2009 were in line with comparable Florida resorts based on data available from Smith Travel Research (STR, 2009).

Two-bedroom units accounted for 62.2% of The Resort's occupancy for this period and in this category Professor Churchill found a strong significant correlation with regional data. Other room types also confirmed The Resort's occupancy follows regional trends with an acceptable confidence level. The data provided strong evidence that Island Beach Resort's performance in terms of occupancy rates and ADR compared well to regional averages (STR, 2009).

To appreciate The Resort's positioning within its local competitive set, Professor Churchill compared the services available, size and amenities of three local competitors as identified by the resort's management and ownership. This comparison revealed The Resort looked much smaller and with fewer amenities than its local competitors, but advertised a higher rack rate for the more popular two bedroom units. Next, Professor Churchill addressed channel management used in the marketing strategy.

Success of the marketing efforts can be better appreciated by understanding the customer base. By analyzing the reservation history, Professor Churchill created a guest profile that showed the initiation point of the booked reservations. This analysis revealed that Island Beach Resort attracts a considerable amount of its business from Florida. In conversations with Ralph and others in the management team, it became quite evident that no one was aware of the importance of this Florida market. None of the team could explain what aspect of Island Beach Resort's marketing effort had contributed to this result.

Changes in Marketing Channels

There have been considerable changes in the distribution channel landscape and the opportunities offered by information communication technologies (ICT) to communicate directly with consumers before and after their stay. The costs and skills required to operate these technologies are coming within reach of SMEs like small resorts. Online distribution channels have also become more accessible to consumers and operators. All these factors would seem to be

in favor of SMEs. Research, however, also appears to point out some critical difficulties for SMEs to take full advantage of these opportunities. A description of what SMEs are actually doing and the many communication choices they face will help us better understand these precise challenges.

It has been reported that size of the operation is not necessarily proportional to the investment made in managing electronic distribution channels (Kang & Brewer, 2009). However, it is also noted that SMEs, with owners like Ralph Wittcome, do not necessarily have the right amount of "know how" or strategic vision to make informed decisions in choosing the best online distribution channel, technology interface and general use of the Internet for communicating with their potential, past, present and future customers (Knutson, Beck, & Hung Hsu, 2004). Yet post-purchase behavior has been increasingly important and successful hotels and resorts have to be able to manage in real time (Law, et al. 2009; Jockwer and Russ-Mohl, 2008).

Brands have been weakened by the massive increase in visibility offered by Internet distribution intermediaries, and the economic downturn has put pressure on prices across all segments of the industry (Datamonitor, 2010). Regardless of size, members of this industry are facing the same challenges, notably management of all the distribution channels without allowing rate erosion (lowering ADR). This process is tending to ensure rate parity (Brewer, Feinstein, & Bai, 2006; Christodoulidou, Brewer, Feinstein, & Bai, 2007).

The Resort's Traditional Marketing Effort

Analysis of The Resort's contractual relations with online channels, property management system (PMS) and sales efforts revealed a typical multichannel approach similar to what is standard practice in the industry at this time. However, in the case of Island Beach Resort, the choice of property management system was tied to an online provider that offered both back-of-the-house functions as well as online marketing with some other vendor functions. The Resort also had a contractual relation with an online marketing provider that does not act as a merchant or vendor. Since the property used a call center to answer calls when reception was closed, The Resort could only be accessed during certain hours of the day and closed daily at 11:00PM.

The current reservation system used by The Resort is NAVIS, a service and software program owned by a Bend, Oregon company. As part of this program, the NAVIS RezForce entity is incorporated. The RezForce system offered 24/7 availability capturing after hours and busy/no-answer calls and passed any un-booked leads to the resort. In conjunction with this service, The Resort used Escapia agent/system, an online PMS that describes itself as a vacation property management software and online marketing solution. This provider offers a complete package for SMEs that can include web design, back-of-the-house functions and web marketing.

Professor Churchill mapped out the The Resort's online presence

and the flow of traffic from these sources toward an actual booking. Both Escapia and the online marketing channels offer quantitative data to which Google Analytics was added. The analysis of “Resorts and Lodging” statistics allowed evaluation of the return on investment Island Beach Resort was receiving from the exposure to this provider.

Escapia is not an OTA; the web site acts as a portal to drive traffic to The Resort’s own web site. Upon checking web search information, The Resort was found to be listed in the correct region, but not presented on the top of the listings in every case. Checking the effectiveness of the providers, Professor Churchill found the following results consistent with their claims and contractual agreement.

- The referencing of online marketing channels was verified and proved to be very good with Google, Bing, and Yahoo search engines.
- On the landing page, an option is provided to “visit website” or “send vacation inquiry.”
- “Send vacation inquiry” from the contextual ad leads to a page with an online form that generates an e-mail to The Resort’s Guest Services department.
- “Visit Website” takes the user to The Resort’s web page where they can get more information, book online or call Guest Services for a reservation.
- For banner ads, contextual ads, and marketing campaigns the online marketing channel web page provides statistics for views, Conversion To Reservation (CTR) clicks, and follow-up as shown in Table 1.

- Phone analytics provides the capability for The Resort to listen to phone calls to evaluate the response and determine if a booking has been done.

The Marketing Dilemma

The Resort had been successful in the “drive market” although management was unsure how this had occurred. Looking into the future, management, ownership and employees recognized the dying role of traditional marketing channels and the growing need to rely on alternatives offered by online services. How to structure a marketing approach using the multitude of channels available, and do so in the most effective and fiscally responsible manner, became the overriding question.

Professor Churchill recommended the management team work on a way to track marketing channels in a similar manner to the way they track the traffic of partner web sites. This would allow online referrals to The Resort web page to be tracked using the Source Subcategory feature in Escapia. Phone analytics provides the capability for The Resort to listen to phone calls to evaluate the response and determine if a booking has been done. Evidence of Island Beach Resort’s marketing deficiencies can be found in Table 2.

Research has shown timely and appropriate responses to email requests are critical to securing business (Zehrer & Pechlaner, 2006). Consistency in the response to e-mail/phone requests in both format and content would serve The Resort to maximize successful bookings from these inquiries. The Resort does not determine the conver-

Table 1
Contextual Advertisement Listings – Feb. 2010 to Jan. 2011

Month	Ad Impressions	Landing Page		Website		Email Inquiries	Phone Calls
		Visits	CTR* %	Visits	CTR* %		
11-Jan	281	169	60.14%	101	35.94%	1	5
10-Dec	1473	1047	71.08%	268	18.19%	0	22
10-Nov	1623	837	51.57%	249	15.34%	2	22
10-Oct	1106	834	75.41%	155	14.01%	3	18
10-Sep	2080	931	44.76%	289	13.89%	3	14
10-Aug	2661	915	34.39%	409	15.37%	4	29
10-Jul	2158	1026	47.54%	375	17.38%	2	43
10-Jun	2003	1098	54.82%	299	14.93%	1	34
10-May	2211	1229	55.59%	120	5.43%	0	30
10-Apr	2376	1285	54.08%	176	7.41%	1	29
10-Mar	5005	1753	35.02%	228	4.56%	5	27
10-Feb	5284	1482	28.05%	205	3.88%	2	30
TOTALS	28261	12606	44.61%	2874	10.17%	24	303

*CTR- conversion to reservation

Table 2

Phone Analytics For Calls received by NAVIS and Accessed by IBR

Month	Total RezForce Calls	RezForce Transfer Rate	Rezforce Handled Rate	Rezforce Booked Calls	Rezforce Conversion Rate	Rezforce Booking Revenue	Rezforce Monthly Cost
10-Nov	54	42.60%	31	8	36.40%	\$12,716	\$983
10-Oct	29	41.40%	17	3	23.10%	\$2,111	\$250
10-Sep	34	26.50%	25	3	23.10%	\$1,330	\$267
10-Aug	66	30.30%	46	10	38.50%	\$8,342	\$784
10-Jul	83	50.60%	41	6	24.00%	\$5,625	\$627
10-Jun	102	44.10%	57	11	37.90%	\$8,693	\$900
10-May	79	25.30%	59	7	36.80%	\$3,387	\$678
10-Apr	89	39.30%	54	8	23.50%	\$10,148	\$956
10-Mar	115	51.30%	56	5	12.80%	\$6,967	\$815
10-Feb	74	33.80%	49	4	12.90%	\$4,666	\$635
10-Jan	55	30.90%	38	7	29.20%	\$8,834	\$758
9-Dec	33	27.30%	24	2	14.30%	\$7,625	\$597
TOTALS	813	38.90%	497	74	25.60%	\$80,442	\$8,251

sion rate from calls to bookings, nor does it collect detailed data of reservations made from each channel. The consultant revealed that occasionally the same caller placed several calls. The Resort does not differentiate the contacts from one-time callers and therefore cannot properly assess what role these calls play.

Conclusions

SMEs in this segment had difficulty reaching large markets and depended entirely on travel agents and/or partnerships such as with AAA. The new distribution landscape offered by online distribution and promotion partners has allowed SME's to become more visible. This research indicates that online distribution is not the only factor; as ICTs have fundamentally changed back of house and marketing processes. In this study, we have examined how one SME failed to strategically use ICTs, implement changes or optimize its resources and contracts.

It has been shown that direct sales through the property websites are critical to increasing revenue while reducing cost of acquisition (Datamonitor, 2010; O'Connor & Murphy, 2008). Successful web marketing depends on good integration and coordination of the resort/hotel features with those of the website using links and referrals from partners and/or supplier websites (Youcheng & Fesenmaier, 2006). The same authors also noted that integration of website and customer relation management is essential to the optimal success in driving revenue growth. Channel conflict and rate integrity/parity have come to the attention of the industry and researchers (Kang & Brewer, 2009); a factor that also must be considered by SMEs who use multi-channel marketing.

NOTE: The names of the resort, individuals, and certain conditions of this case study have been altered in order to adhere to the confidentiality agreements in place. None of these changes have any material effect on the facts and conditions represented by this study.

Discussion Questions

- What problems are posed by multichannel distribution, whether an SME or a larger branded organization?
- What weaknesses did Island Beach Resort have in their marketing approach?
- What challenges were inherent in the structure of the business model of Island Beach Resort?
- What could Island Beach Resort begin to do to exploit social media sites to further their marketing penetration?

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