Accor: Strengthening the Brand with Digital Marketing

Synopsis

Created by a consortium of six global hotel companies in response to the market growth of the major Online Travel Agencies (OTAs), Room Key uses a digital pop-under advertising strategy in an attempt to redirect and recycle exiting traffic from its owners’ brand.com websites towards partner properties and keep bookings within the brand partners’ ecosystem. From a hotel company’s point of view, working with Room Key results in several key advantages, including lower distribution costs, direct contact with the customer, and better strategic positioning vis-à-vis their “frenemies” (part friend part enemy), the OTAs. But with an untested business model, the long-term viability of Room Key is questionable.

Before committing time, resources and capital to joining Room Key, Accor, one of the world’s leading hotel operators with a portfolio of 14 hospitality brands (including Sofitel, Novotel, and ibis) must evaluate whether the effort will result in an adequate return for the company and allow it to better compete in the online marketing space for travel reservations. Assessing Room Key alongside its own significant investment in a Digital Hospitality program, Accor must decide whether Room Key is an intermediary that can help it better reach and service customers while adding value to its existing distribution system. Accor’s decision plays out in a dynamic environment in which nearly every touch point along a customer’s purchase journey is under attack from new types of competitors who are picking off and intermediating various activities previously under the purview of the hotel companies. As such, Accor is considering Room Key and its own Digital Hospitality programs as potential ways to disintermediate OTAs and other competitors, better serve its customers, and extract more value from their go-to-market strategy. In preparing the case please look at the following questions:

Distribution Strategy

1. Assess Accor’s current distribution strategy. What is the value of the OTA relationship to the company and should it continue to work with this channel? How should Accor manage this channel relationship?
2. What does Room Key add to the distribution strategy? Is it a good distribution partner for Accor? Why or why not?

Financial Strategy

3. Should Accor become an equity partner in Room Key? Why or why not? Should Accor become a commercial partner of Room Key? Why or why not? What is the ROI of both of these strategies? (You may assume that Accor would pay a 10% commission to Room Key if they were an equity partner and a 15% commission if they were not an equity partner).

Overall Marketing Strategy

4. What does Room Key need to do to be successful long term? What should Room Key’s marketing strategy look like and where should the company invest its money? How might Accor help Room Key be successful?
5. Where else along the customer purchase journey should Accor focus its digital efforts? Which parts of the value chain are ripe for intermediation or disintermediation? Who else is playing in that space and how well can Accor collaborate with and/or compete against them?