

How to Find the Upside in a Down Economy

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Setting goals low in anticipation of a soft market is a classic mistake. Creating optimistic goals spawns potential.

In recent years the hotel industry enjoyed exceptional revenue growth, high single-digit ADR improvement and consistent occupancies. Almost any marketing and revenue management effort was rewarded with sustained returns. But in an era where the market can go soft overnight from unexpected events like the sub-prime mortgage industry downturn, intelligent operators cash in on prosperous cycles to reformulate strategies and refill their marketing toolkits to prepare for the unexpected. PKF Consulting expects a downturn for hospitality, but not as severe as in the past, and this should motivate operators to ready effective new marketing strategies.

Successful hotels took the opportunity during the strong market to refine their strategies and optimize their business mix to increase net return from hotel demand. The result is a vigorous drive that captures direct business share, while strengthening preferred partnerships with travel agents and third-party providers to broaden marketing reach. These targeted strategies leverage market opportunities and create new segment niches to protect business.

But if your hotel revenue team has not repositioned your marketing strategy in the past 36 months, you may only have two options when a weak market hits, neither appealing: Cutting rates will make owners bristle as they try to service debt with revenue going in reverse. Dumping distressed inventory through third-party channels will remind operators of how they had to unload inventory when their business was commoditized after 9/11.

A third, more effective alternative is to reassess your marketplace and implement the following five steps:

Take an honest look at your business

Candidly appraise your hotel and its marketing. Look for patterns that are not clearly successful. Evaluate your sales processes, including marketing campaigns, pricing, business mix and revenue management tactics. Most importantly, conduct a SWOT analysis of your competition, including marketplace positioning, product offerings, pricing strategy and physical characteristics. Frank reassessment reveals opportunities where you can add comp set business to your segment mix.

Build a demand map

As you reevaluate, ask, "Where is demand being generated now. How might it change?" A good

demand map reveals all sources of business that make up both your hotel's and your competitors' segment mix and will also enable you to evaluate market potential. Integrate your SWOT analysis with your demand map to identify competitors' weaknesses and spotlight possible new market opportunities. Use all possible data sources to populate your demand map, including local hotel associations, channel partners and qualified third-party data providers. Next, identify your target market demand segments and create an executable plan to capture increased share in those areas. Segmenting your demand is essential to successful marketing.

Create a comprehensive marketing plan to drive revenue

If your market softens, do not make abrupt reactive changes to your processes. Instead, implement incremental marketing and sales adjustments that span your business. Start by attracting business with targeted online marketing and converting more shoppers to bookers, and continue all the way through to finding ways to increase incremental revenue from each in-house guest. Begin with your direct web channels, which hold the most profitable potential, and build a solid revenue plan focused on these four goals:

- **Fill the funnel:** In a soft market, do not cut spending; concentrate funding where it delivers the greatest return. Include pay-per-click advertising and effective search engine optimization to gain presence in the consumer consideration set. Explore new marketing opportunities, including new services to increase revenue from repeat guests. Find ways to add customers from your most profitable guest demographic.
- **Partner for power:** Partnerships increase your marketing reach and boost demand. Inventory is your asset; use it wisely and partner with third-party stakeholders who can deliver customers, yet are flexible in their terms.
- **Keep them interested:** To keep consumers interested in your property, create a compelling, easily navigable website that delivers clear calls to action. The most successful websites offer value-add information, not a maze that leads to booking.
- **Conversion is key:** Be sure your revenue management tactics enable prospects to book; stock the right products, with prices reflecting your market place based on current demand.

Aim high

Setting goals low in anticipation of a soft market is a classic mistake. Creating optimistic goals spawns potential. Use your demand map discoveries to identify new growth opportunities. Set targets to capitalize and win your target markets.

Execute, measure, adjust

Since a sluggish economy produces constant, dynamic change, these guidelines will help you stay responsive and successful:

- Execute strategy by implementing actionable tactics.
- Measure tactical results regularly. What metrics define success? Have you won competitor share?

- Adjust your strategy perpetually.

The industry is reasonably positioned in 2008 to weather economic changes. Following these five fundamental steps will help you continue to build your business during market changes. Business innovation often arises out of need in tough times. So remember, your new consumer segment may be hidden just behind the next market shift, waiting for you to meet their needs.

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