

SINK OR SAIL?

Moving from instinct to data-driven decisions



By Kristi White | Director, Revenue Optimization | TravelCLICK Inc.

ARTICLE REPRINT

For years, making decisions in revenue management and, to some extent, hotel management has been ruled by gut instinct. Revenue managers and hotel operations executives frequently justify their rate setting decisions by saying, “I have a feel for the market” or “I know what the market will do.” Yet when asked for a concrete example of how they knew this, they usually have no answer.

Smooth economic times are behind us and while their return is inevitable, today we must navigate challenging waters. Instincts and gut feel will not keep the boat, or your hotel, afloat. To successfully navigate these treacherous times, hotels must embrace more intelligent decision processes. Decisions based on verifiable data that guide and support the decision will sustain hotels in the short term and grow in the long term.

How can you make the move from instinct-driven to data-driven business decisions? Here is a proven six-step process:

1 Select a change manager. Changing organizational mindset is a mighty task. A change manager can help build consensus among team members, foster relationships that will facilitate change, and make sure the change is adhered to. Select someone for this role who is comfortable with change, can make decisions quickly, and can adjust as results require.

2 Gain executive team agreement. Bringing all key stakeholders into agreement is the starting point. Ensure that each team member understands the goal: creating a process for your hotel to move from an instinctive, hit-or-miss course of action to fact-based decisions that will support the hotel as a whole. Avoid focusing on tactics at your initial, high-level meeting but rather, concentrate on building consensus that change is needed.

3 Foster individual team agreements. Once the executive team is committed to the need for change, engage each department as a group and then individually. Use these meetings to identify roadblocks to reaching your goal. This step is about finding ways to collaborate--create synergies that

support collective goals, not finding fault. These meetings must be used to identify gaps between personal ‘gut’ judgments and fact-based decisions

4 Tear down roadblocks. Have each department draft a plan for overcoming roadblocks, including what change is needed, how success will be measured, and what reporting analytics will be used. Create dashboards to measure effects of the change; identify successes and additional opportunities for improvement.

5 Implement the plan. At this point the change manager should have buy-in from all key stakeholders, with all objections overcome. During this step, training for change begins. Teach each person who will be implementing your decision strategies and tactics how to use new reports and other data. Make sure all participants understand that it is okay to miss the mark, as long as they learn from mistakes and adapt their processes accordingly.

6 Manage the change process. Once the plan is implemented, ensure the change manager monitors and shares results, both good and bad, with executives and teams. This will reinforce efforts and sustain long-term growth.

Now that the pathway to change is understood, implement it in your hotel’s management processes. Here are a few examples of where instinct-based decisions occur:

- **Rate Management.** How does the person responsible for revenue management determine our property’s rate? If the answer does not involve some outside resource to confirm comp-set comparisons combined with your hotel’s forecasting, then your hotel is making decisions based on instinct, not data. By utilizing an outside resource to help you understand what is going on in the marketplace, you can ensure your hotel is positioning itself properly for its market. While this effort involves some costs, they will be readily offset by time savings and revenue improvements.

Knowledge is Power Series

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- **Negotiation Account Management.** In the current economic climate, it is easy to assume that decline in production from corporate accounts is inevitable. But are you confirming this? Reporting is available for negotiated accounts booked through the GDS that can help you determine if overall volume from a specific account is down or if you are losing to a competitor.
- **Rate Negotiation.** The rate you offer to a negotiated customer is usually based on the customer's estimation of room nights. Your hotel should evaluate these negotiated rates semi-annually to make sure each account is producing revenue in proportion to its discount. If not, renegotiate the rate based on actual booking volumes.
- **Group Blocks.** Many hotels use a standardized wash factor based on group market segmentation. This standard figure is utilized across all days of a block. However, in the current economy, these numbers may have changed and it is doubtful the pattern is the same for all dates. To verify if this is true you can research the history of groups at previous hotels and monitoring your own patterns regularly. For example, many groups today are hitting their peak-night block with a standard attrition factor. But, shoulder date attrition can be as high as 70%-80% as travelers are choosing to take shorter trips. Verify that your sales team is checking history where they can and applying attrition values in line with your hotel by day and not as a whole. This will help make your forecasting and pricing more accurate.
- **Marketing Campaigns.** All property departments should cooperate to market their hotel across a number of different channels. However, too often, campaigns are run in a silo without input from other departments. Does your marketing team confer with the revenue team in advance to make sure there is availability for the dates of the campaign? Is the pricing in the campaign reflective of the forecast of the hotel over the dates in question? If you cannot answer 'yes' to both of these questions, it is time to revamp your marketing

process. The marriage of marketing and revenue management can make your marketing campaigns more cohesive and as a result more profitable.

- **Return on Investment.** What is your process for calculating ROI for online initiatives at your hotel? In the example of website conversion, hotels often measure success by the age old "Lookers to Bookers." While this is an important metric, if you use it alone, you will miss opportunities to help you improve bookings. For example, if a hotel has an average of 1000 lookers per day and only four book, the Look to Book ratio would be miniscule. If the same hotel had 1,000 lookers and 10 made it to the booking engine and four of those booked, the conversion ratio changes. However, this would imply there is a problem with the actual website that customers are not being driven to the booking engine. The better metric to look at is Lookers to Shoppers to Bookers. This will better help to guide an ROI path. While this example is specific to a website, it illustrates how simplifying the ROI path can lead to missed steps that will help the process overall.

Evolving from instinct-driven decision making to a data-driven business is not easy. It demands intentional leadership, collective buy-in, and ongoing change management. But in these rough economic times, making decisions based on solid data, not gut, will make the difference between sinking and sailing. ■



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