

# ***To Succeed in the Hotel Business, You Need A Plan***

By Steve Fertig, ISHC

Originally published in The Atlanta Business Chronicle

A visitor coming to Atlanta has well over 50,000 hotel rooms to choose from. How does a hotel operator successfully obtain his or her fair share of the market in such a competitive environment?

If a property is underperforming in the marketplace, either in terms of occupancy or average rate or both, or if an existing hotel is looking to reposition themselves in a more upscale market tier, a well-thought-out strategic marketing plan can be the determining factor in future success.

Large hotel chains, such as Marriott, Hilton or Ritz-Carlton, have tremendous financial and human resources in marketing and sales support systems. For independent hotels and small to mid-sized hotel management companies that don't possess the same resources as the "big guns", a plan such as this is critical.

To be effective, the plan must focus on the following:

**Objectivity:** If your data and observations are not realistic, then your results won't be either: it is for this reason that an outside consultant is often brought in to provide an unbiased viewpoint for evaluating a property and removing as much subjectivity from the process as possible.

**Historical research:** As the saying goes, you can't get where you're going if you don't know where you've been.

**Rates, rooms and reservations:** Identifying key market segments and sources of business, determining rates, and creating demand for reservations.

**Realistic and obtainable goals:** Set goals which will foster success.

**Teamwork:** Everyone, from management, to sales, to room service, to food and beverage outlets must be motivated to lift the performance of the entire hotel.

First and foremost, formulate the basis of your plan by conducting a competitive analysis. This process will tell you "who you are." Accurately determining your niche in the marketplace forms the foundation for any future marketing, sales and even capital expenditure plans involving interior renovation / refurbishing.

The analysis begins by identifying your primary competitors by comparing their location, facilities, pricing and customer base against your own. The result of the analysis will determine which hotels you most resemble, and therefore, which you are competing against directly for customers. Keep this list focused, with no more than four or five properties as your primary competitors, Rank your property against each of the competitors in facilities, including all public areas of the hotel; service, including all food and beverage and recreational amenities; performance, and pricing.

Your task at this point is to become market-driven and level the playing field. For example, you may find out that to compete effectively with those properties, you need to upgrade or renovate first. Or, you may discover that those properties offering similar rates are meeting customer needs by providing additional services and amenities not available at your hotel.

Where do we do from here? The answer to this question is contained in the historical data kept by most hotels. Research your results for the past three years by key market segments (i.e. leisure, group and corporate). Historical data will tell you:

- What your present mix of business is from these key markets and their subcomponents;
- Geographically, where your customers are coming from;
- Sources of business (i.e. travel agents, convention bureaus, third-party representation).

Now you have the facts and figures; it's not what you *think*, it's what you *know*. Interestingly, hotels are often surprised at what this information tells them.

### The three "P s"

On to the three "P s": positioning, packaging and pricing, the three criteria most crucial in attracting potential customers.

For example, you've identified your primary competitive set and you find out that, comparatively, you are in the middle. Naturally, you want to aim for the top. You may want to position yourself as the value leader in the marketplace

against your competition. This strategy might manifest itself in a weekend package. While the competitor might be charging \$100 for a room and parking, you create a package for the same price that includes a room, parking, a dining certificate in your restaurant, a shoe shine, daily paper and continental breakfast. Think creatively about existing services and how you can incorporate them to provide added perks for the same or similar price.

Once you've positioned the hotel appropriately, you have to set aggressive but obtainable goals for improvement in occupancy, average daily rate and revenue. Obtainable is the key word here because you don't want to set unrealistic goals to the degree that the people responsible for achieving them will feel as if they have failed if the goals are not immediately reached. Instill an environment where improvement equals success.

In setting your occupancy goals, first determine your "fair market share." For example, if you are one of four hotels with 100 rooms each, you should expect to capture at least 25 percent (number of your rooms divided by the total number of rooms amongst you and your primary competitors) of the combined total of occupied rooms achieved by the four hotels. This would place your hotel at 100 percent of fair market share.

Once you reach 100 percent of your fair market share or higher, and depending upon the supply and demand characteristics in the market at that time, you may decide to work on increasing your average daily rate. This is a tricky process, similar to driving a car while using the gas pedal and brake at the same time and still getting to your destination in a timely manner. You can't raise a room rate too rapidly or you will risk losing occupancy.

The challenge is to maintain 100 percent of your fair market share, but increase the yield of which price is just one element. Once you've established a solid base of business, you may begin to shift your business mix from price-sensitive markets to those that are less price-sensitive. Again, this is where your research pays off by knowing who these customers are and where they are most likely to come from. Look internally at your business mix and manage your room inventory with pricing strategies that maximize your average rate during high demand times, and that maximizes occupancy during low demand times.

To position their hotel more favorably against a primary competitor, one of my clients dropped their published rates by \$10 across the board. The result was that demand increased significantly, allowing the hotel to maximize its rate more often thereby lifting the average daily rate to a higher level. The lesson here is, don't necessarily let price get in the way of encouraging the "trial visit."

Getting people to stay at you property instead of the competition is the key to creating internal demand, which lead to increased yields.

Strategies: Each key market segment represents growth opportunities towards reaching your goals. Develop a strategic plan by key market segment (i. e. group, corporate, leisure) with a time line and responsibilities assigned to those people who have a hand in generating the results. This could include sales people, general managers, and executive committee members.

Supporting your direct sales efforts with marketing resources such as advertising, public relations, collateral materials and direct mail programs creates awareness in the minds of the customer and makes the sales persons job easier.

Dynamics: Constantly measure and analyze your results to reinforce those strategies that are working and to change those that are not. There are three ways to measure your effectiveness:

- Against your competition;
- Against your past results;
- Against your established goals.

Believe it or not, the first two are much more important measurement tools than the third they are reality.

Teamwork: Finally, make sure enough incentives are in place to motivate peak performance from your team members. Effective incentive programs are generally both individual- and team-oriented, holding people accountable for their own performance as well as that of the team, while still allowing those who excel to be rewarded commensurately.

*Steve Fertig, president of Atlanta-based Hotel Consultants, is a 30-year veteran in the hospitality industry. Hotel Consultants specializes in creating and facilitating strategic marketing and revenue enhancement plans.*