

Hotel & Motel Management
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The Sales Clinic
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REVENUE MANAGEMENT IS THE KEY TO PROFITABLE SALES

Now that business is picking for hotels in many areas of the country, so many owners, operators, managers, sales staffer are in a quandary about how to get their rate back up. It seemed so many hotel properties jumped the gun when business was falling off, and started with the rate-cutting business. We've been through this many times before in this cyclical business of hotel operations, and we just never seem to learn to "hold that rate". Once a property starts, many follow, just to get the occupancy up by reducing rate. Now, with occupancy increasing, we are in a hurry to get it back up. OK, so how do you do it?

There are many areas of concern with revenue management, but that is the key to being profitable. It looks like occupancy will be up a little this year, but much better next year. There is a little increase in demand, but supply will be down for a couple of years. So, that formula of supply vs demand will be very helpful. One of the big areas when it comes to revenue management is getting the "right" kind of business, at the "right" rate, at the "right" time. There is no point in sending sales people out all over the place to bring in any kind of business. There needs to be a plan. Part of a marketing plan is to determine the right market to go after. We do that by coming up with a Market Segment Analysis which is taking a look at all the market segments in the past year, listing them by ADR, and what percentage of total room business each segment contributes. The most valuable business is in the segments that have the highest ADR. Then the idea is to come up with a goal for how much more of a percentage of that kind of business the property needs to seek. Once that is determined strategies are planned to accomplish that goal. Of course management then has to have the sales staff go after the most profitable market segments.

The objective should be reached through the plan being organized using a Sales Action Plan form. This would list all the steps that need to be taken, by whom, when, and how in order to reach the goal. Of course, what also needs to be included is the cost of each of the actions planned. The idea is not to spend more than what needs to be budgeted to be profitable.

For a sample copy of a Sales Action Plan form contact: howardf@vt.edu

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