

Hotel & Motel Management
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The Sales Clinic
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GROUP BUSINESS IS GETTING TO LOOK BETTER FOR NEXT YEAR

Now is the time to start getting ready for a better year coming up. Occupancy should pick up by mid 2010, although room rates may not go back up so fast. Many properties surely made some mistakes by jumping the gun, and cutting rates during this year, as soon as there was a drop in demand, and occupancy. This seems to happen every time we get hit with a slump in business. For years we have been advised by accounting firms like PKF and STR that cutting rates does not appreciably help RevPAR. It takes about 6%-7% increase in additional occupancy when the rate is dropped by about 10%. This means, that around the country, because of many properties reducing rates to pick up additional occupancy, there will be a sizable decrease in overall revenue per available room. This then reflects in a decrease in bottom line revenue and profits. So, of course, the idea is to get the rates back up as fast as possible; not an easy chore as we have learned in past years.. However, there is a great opportunity to do this by starting with the group business market since demand for space, and room blocks are projected to increase in 2010 through 2012 as reflected in the 2009 Future Watch report of Meeting Professionals International. But, we must not wait to get the job done. There are competitors out there that will beat out the other properties that just sit, and wait for the business to come in.

One thing about sales is that you do not sit back and wait for things to get better. The idea is to help make the market get better. Now is the time to get strategies set; determine which market segments can produce the best business for a property, and how will the sales department go after those markets? A key is to create a Sales Action Plan, and put it to work.

Take a look at all the market segments at a property for this past year, and find the top three or four that produced the best business from a revenue standpoint. Figure what percentage of total business each segment generated for the property

(rooms, food/beverage, etc). Then figure out the strategies that would be best for increasing business from those market segments. This is the basis for a Sales Action Plan. Come up with a form that will reflect a goal for increasing business in each of the market segments; do this by percentage increase and revenue increase. Follow this with three strategies that should accomplish those goals in a specific period of time. Create the plan by listing what functions needs to be accomplished, by whom on the staff, within what period of time, and the cost for that particular function. Continue these steps with additional functions. Use one form for each strategy, for each goal. Keep adding up the proposed cost for each function that is to be accomplished. This will produce a clear picture of how to accomplish reaching total goals for each market segment targeted. Be on the look out not to exceed a total cost, not to exceed 10-15% of the revenue goal projected for each market segment.

A suggested Sales Action Plan form is available, without cost, by contacting Howard Feiertag (howardf@vt.edu)

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