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Lessons from the Field

A Common Sense Approach to Success in the Hospitality Industry

By Dr. John Hogan, CHA MHS CHE, September 18, 2009

Hotel Common Sense –

Understanding the Facts for Effective Hotel Sales Management

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In the past six months, we have seen continuing mergers of almost bankrupt, cash starved airlines, the dismantling of industry giants like Circuit City, as well as the complete repackaging of General Motors and a number of US Wall Street brokerage houses. The results are a long way from being realized, but I continue to find that radio, television and internet reports all begin to run together, as the “experts” try to predict this or that potential government or business action. The most recent news this week implies that the worst part of the US recession is perhaps in sight, but that is of little consequence to the 15 million citizens seeking employment and the hundreds of thousands of businesses trying to regain market share and profitability.

While many of us appreciate some forms of government support, we must take action ourselves in directed steps to tackle our particular challenges and begin to turn the situation around.

“Facts are the most important thing in business. Study facts and do more than is expected of you.”

Frederick Hudson Ecker, (1868-1964) longtime president and chairman of Metropolitan Life Insurance Co., then the world’s largest, who signed on as a \$4-a-week mail boy in 1883

Earlier this week, I conducted a teleconference/webinar for Lorman Education Services. The program included some of the material in my 2 part series earlier this summer featured in this publication titled: Effective Sales Management: Short and Long-term Planning, Forecasting, and Expense Budgeting. The series was direct and pragmatic in approach, covering four main topics:

1. Mapping out Your Sales Plan
2. Preparing and Revising Your Sales Forecast.
3. Aligning Your Expense Budget With Your Forecast and Sales Plan
4. Practical Approaches to Opportunities in the Market

The webinar and articles covered these points in different fashions, and this column will add one additional point and share some of the questions covered in the teleconference.

Forecasting Strategy

We have all learned the significance and value of updating forecasts. One needs only to study the pricing options on the Southwest Airlines web site to recognize the various ways to optimize revenue, while continuing to offer solid value to consumers. They have identified their periods of lower demand and set their prices at the value level until or unless the expected demand is met. Their constant monitoring of demand allows them to adjust pricing as appropriate.

The success of Southwest is not predicated on one factor alone, but this strategy has contributed to their market leadership.

Hotels have various levels of sophistication and changes in demand. I offer the following as a proven method to maximize revenues in any type of property:

- Each month following the close of the previous month, REFORECAST for the next 90 days. You then compare any changes in the two overlapping months and determine if there are trends.
- At the close of the previous month, REFORECAST for the month just completed 12 months in advance. If you just finished August, the factors that supported or weakened the August performance will never be fresher in your mind. Document the reasons for the performance and refer to them regularly when creating your marketing plans and sales action steps.
- When it is time to create an annual budget, you will be much more comfortable and flexible in your analysis and projections, and very likely more accurate as well.
- Consider the information from trusted external resources, such as STR, PKF and HVS, in your projections. Their counsel is usually balanced and reasonable.

The following questions were addressed in the teleconference:

1. How Do You Find Where Your Customer Comes from?

Sales and general managers sometimes have trouble answering those two simple questions, but the answers are loyalty and focus. If a hotel’s efforts focus primarily on acquiring new customers, existing customers will feel that from the staff and consider options. Think of advertisements for products only offered to “New Customers”. You may have had that residential cable service at your home for the past five years and today “new” customers can receive a value or incentive far better than what you receive. How do you feel about that service or apparent lack of appreciation?

- Each manager (sales and general manager) should know the top ten local accounts.
- Finding out who your customers are, where they are coming from, how they came to select your property, why they stay at your property, how long they stay and how much they spend—among other information—will help focus your sales effort.
- Current guests who stay at your property are prime prospects for other types of business, such as meetings, conferences or social activities.

2. How do you convince a manager of a new potential program in working with other businesses – what was called synergies in the teleconference?

We all know that Disney collaborates with a range of advertisers, including restaurant companies, soft drink bottlers and others to promote their latest films. This synergy of similar minded companies makes perfect sense and allows everyone to stretch their marketing reach. Sports have been doing this for years and locally we can do it on a smaller basis by finding which companies can help each other “in our neighborhood.”

3. What do you do to fight against dramatic discounting from competitors?

There are different approaches in discounting, but the way to determine your strategy often rests with knowing your real costs (including fixed expenses, variable operating costs, marketing for special plans, etc.) and then determine the ROI – return on investment. While there may seem to be little “invested” in discounting, all of those real costs just mentioned are clear and ongoing investments.

4. Discussion points were made on renegotiating existing contracts – what value is there for the other side to change an existing agreement?

It was stressed in both the columns and the teleconference that no one was suggesting breaking contracts, but every company in almost every industry is dealing with change. Stephen Covey, in his 7 Habits of Highly Effective People, suggested looking for the WIN-WIN approach in all forms of interaction. Can you add length to the contract? Can you change the volume or size of the order? Can payment options be modified? Are there additional features important now to both parties that did not seem essential when the agreement was made?

5. How often should forecasts be updated? Shared with whom?

They should ideally be updated monthly for at least the next 90 days and more often if your demand cycle has dramatic shifts. These should be shared with senior management or ownership AS SOON AS POSSIBLE for corrective or supporting actions as appropriate.

6. Is technology the best way to reach customers and measure results?

General Electric is one of the world’s most diversified conglomerates with a huge range of products and services. Technology is an important tool but Jack Welch, former GE CEO/President, in his book STRAIGHT FROM THE GUT indicated that success and results come from measuring the right things.

Welch measured 3 things:

1. Customer satisfaction
2. Employee satisfaction
3. Cash flow

Welch had his share of critics and made some errors in judgment, by his own admission in interviews and books. One can also see, however, that in his 20-year tenure that GE rose from “one of many” to one of the most successful organizations in the world.

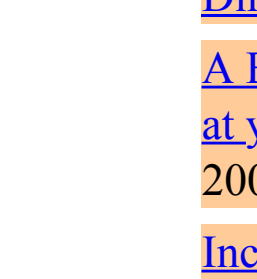
GE did not wait for government action – their leadership analyzed and then acted.

What are you doing in your hospitality business?

Feel free to share an idea for a column at johnhogan@yahoo.com anytime or contact me regarding consulting, customized workshops, speaking engagements
And remember – we all need a regular dose of common sense.

Autographed copies of LESSONS FROM THE FIELD – a COMMON SENSE APPROACH TO EFFECTIVE HOTEL SALES can be obtained from THE ROOMS CHRONICLE www.roomschronicle.com and other industry sources.

All rights reserved by John Hogan and this column may be included in an upcoming book on hotel management. The opinions expressed in this article are those of the author and do not necessarily reflect the views of this publication



John Hogan, a career hotelier and educator, is frequently invited to participate at franchise meetings, management company and hospitality association industry events. He is a successful senior executive with a record of accomplishment in leading hospitality industry organizations at multiple levels, with demonstrated competencies as a strong leader, relationship builder, problem solver and mentor. He conducts mystery-shopping reviews of quality in operations and marketing, including repositioning of hotels.

Expertise and Research Interest
• Sales Management and training
• Turn-around and revenue management
• Professional Development & Customer Service
• Hospitality Leadership and Executive Education
• Making Cultural Diversity Real
• Accreditation & Developing Academic Hospitality programs

He writes weekly columns for a number of global online services and has published more than 400 articles & columns on the hotel industry. He co-authored (with Howard Feiertag, CHA CMP) LESSONS FROM THE FIELD – a COMMON SENSE APPROACH TO EFFECTIVE HOTEL SALES, which is available from info@smarbizzone.com, ROOMS CHRONICLE www.roomschronicle.com and other industry sources. He resides in Phoenix, Arizona and expects to publish in 2009 his 2nd book based on his dissertation – The Top 100 People of All Time Who Most Dramatically Affected the Hotel Industry.

Hogan’s professional experience includes over 35 years in hotel operations, food & beverage, sales & marketing, training, management development and asset management on both a single and multi-property basis, including service as Senior Vice President of Operations in a specialty hotel brand for six years.

He holds a number of industry certifications (CHA, CHE, MHS, ACI) and is a past recipient of the American Hotel & Lodging Association’s Pearson Award for Excellence in Lodging Journalism, as well as operational and marketing awards from international brands. He has served as President of both city and state hotel associations.

John’s background includes teaching college level courses as an adjunct professor at three different colleges and universities over a 20-year period, while managing with Sheraton, Hilton, Omni and independent hotels. He was the principal in an independent training & consulting group for more than 12 years serving associations, management groups, convention & visitors’ bureaus, academic institutions and as an expert witness. He joined Best Western International in spring of 2000, where over the next 8 years he created and developed a blended learning system as the Director of Education & Cultural Diversity for the world’s largest hotel chain.

He has served on several industry boards that deal with education and/or cultural diversity and as brand liaison to the NAACP and the Asian American Hotel Owners’ Association with his long-term involvement in the Certified Hotel Owner program. He has conducted an estimated 3,200 workshops and classes in his career.

Service to the Industry and Hospitality Education includes working with the Educational Institute Certification Commission of the AH&LA, the Hospitality Industry Diversity Institute, the AH&LA Multicultural Advisory Council, the Accreditation Commission for Programs in Hospitality Administration, the Commission for Accreditation on Hospitality Management Programs, the AH&LA and AAHOA Education and Training Committees, the Council of Hotel, Restaurant and Institutional Educators (CHRIE), the International Hotel Show and the Certified Hotel Owner program for the Asian American Hotel Owners’ Association.

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