Keys To Success™ – A Plan For All Seasons

Revenue Management Should Mean Planning and Action at Every Type and Size Hotel (Part 1 of 2)

By John Hogan, CHA CHMS CHE CHO

When we were children, the seasons were defined by holidays, the school calendar, family events and to some degree the weather. Now that we are adults, we see many variations of seasons. As hoteliers, we still see the holidays and the changes in weather, but we need to look at calendars and factors that affect demand much more closely.

School calendars have changed dramatically, with year-round attendance in some locations and major shifts in the beginning and end of the school year in others. Semesters at high schools and universities can vary, as do spring and winter breaks.
Researching where our destinations’ clients come from is an incredibly important and often overlooked planning action on the part of many hotels. Working with provincial/state tourism boards can be beneficial, as is collaborating with the more local conventions and visitors’ bureaus. If you are part of a brand or referral group, explore the options on target advertising, group blitzes or other specialized and focused co-operative marketing efforts.

Regardless of where your hotel is located or its size, we all know we have some variables of demand.

For some of us, it is by day of the week, while others have higher or lower demand for months at a time. Creating a plan to effectively deal with those variables need not be overwhelming, but it does require some focused attention by the general manager, the person responsible for sales (which may be the GM) and the front desk staff.

Creating a plan means regularly examining trends on forecasts and anticipating changes in those demand trends.

*Maximizing Revenues does not automatically mean raising prices, but means reacting to the market, to your competitors to some degree and to the uniqueness of your hotel’s clientele.*

A natural tendency when demand fluctuates is to consider discounting or lowering prices. Discounting is only effective if that discount will specifically increase demand, yet we see so often that rate wars are created without rationale.
Most markets have some kind of seasonal demand. When it is off-season, some rates naturally tend to drop due to lower demand. A proven practice even in off-season is to maintain some high rates because rate alone is not the only driver of business to our hotels. Customers choose hotels partially because of price, but also because of location, brand preference, previous positive experience or simply availability.

Maintaining higher rack rates also allows you the option of some discounting percentages from the higher rates, achieving better REVPAR and operating results.

The following are tips to maximize revenues in periods of lower demand or weaker shoulder seasons:

**Low Demand Tactics**

*Sell the value/benefits*

1. Use more packages: include non-room revenue, e.g. free movies, discount attraction, shopping coupons to create perceived value
2. Keep discounted rate plans open, even if at a higher rate in peak seasons Encourage upgrades and offer stay-sensitive price incentives
3. Don’t require stay restrictions (Central Reservations Office and Property)
4. Involve your staff in getting business with incentives or sales calls
5. Establish relationships with competitors for referrals
6. Cross-market with other properties
7. Establish a "don’t let them leave practice", meaning give the desk personnel the rate ranges they need to ensure that a guest is not put off by rate hesitancy. This does not mean excessive discounting, but training that provides sensitivity and common sense.
management must know the break-even point in your hotel.

Part 2 of this series will address High and Excess Demand Strategies

Hospitality Tip of the Week™: Focus on Planning AND Implementation
"Plans are only good intentions unless they immediately degenerate into hard work." Peter Drucker (1909 – 2005) was an influential writer, management consultant, and self-described “social ecologist.” This is especially true in paying attention to trends in demand and adjusting pricing in hotel revenue management.

At least 25% of our weekly tips focus on sales and marketing.

We must remember that we must focus on delivering the right services to the right customer at the right price, which means attentiveness to sales and marketing efforts are essential.

Success does not come by accident or chance

Contact us for assistance – John.Hogan@HospitalityEducators.com or 602-799-5375

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KEYS TO SUCCESS™ is the umbrella title for my 201-2012 programs, hospitality services and columns. This year’s writings focus on a variety of topics for hotel owners, managers and professionals including both my "HOW TO" articles, HOSPITALITY CONVERSATIONS™, Lessons from the Field™, Hotel Common Sense™, THE P-A-R PRINCIPLE™ and Principles for Success.

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

John Hogan is a successful hospitality executive, educator, author and consultant and is a frequent keynote speaker and seminar leader at many hospitality industry events. He is Co-Founder of www.HospitalityEducators.com, which delivers focused and affordable counsel in solving specific challenges facing hospitality today.

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forms, best practices and ideas designed to help individual hoteliers and hospitality businesses improve their market penetration, deliver service excellence and increase their profitability.

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