

Hotel & Motel Management
Issue: November 2010
The Sales Clinic
By: Howard Feiertag

CO-OPETITION...PREPARING FOR WHAT IS NEXT IN HOSPITALITY SALES

The economic downturn, even as it is turning around, continues to negatively impact our hotel properties, so we have to start thinking of new ways to create opportunities for the development of more business. One potential way to improve business development is Co-opetition. Perhaps, we are not ready for this strategy called Co-opetition, but we need to think about it. Other industries have used Co-opetition in response to the challenging economy. For example, Pharmaceutical companies use Co-opetition to share research costs across the industry. A dozen large pharmaceutical companies share information on the results of clinical trials for Alzheimer's disease. This information sharing is coordinated by a unique third-party organization, the Coalition Against Major Diseases. Industry leaders decided to override competitive concerns in order to reduce research costs and accelerate the launch of new medicines. They then compete on sales of products derived from shared research.

Is it time for hotel companies to start sharing information with competitors for the development of new business? We see some of this now in some areas of the U.S., where hotels get together with their Convention and Visitors Bureaus to market their area at trade shows. Competing hotels have joined forces in some destinations to market themselves. Hotel sales forces of competing hotels gather to conduct a sales blitz in a certain location. So we are occasionally practicing Co-opetition in small, informal ways, but not quite the most effective way.

Co-opetition is effective when the competitors agree to formal rules and processes of cooperation. For example, most Co-opetition arrangements use a third party entity to manage the Co-opetition. According to David Green, President David Green Organization, a unique third-party organization is a key to fair, effective coordination of the information sharing between competing companies. Green says that "Information sharing builds better business intelligence to target emerging customers, and reduces the cost of building sophisticated intelligence on the customers". Sharing records allows for predictive analysis of the customers' probable behavior. For example, some meetings move around the country for various reasons. If they meet out West one time, what is the probability of the next meeting being held on the East Coast? What would happen if one property shared information with other properties in another regional area? This scenario exemplifies the main idea that Co-

opetition is a way for competitive hotels to share information for the development of new business for each.

Besides using third party organizations, the other key Co-opetition task is to manage data to improve understanding of customers' behavior patterns. Effective data management in the Co-opetition model will produce for all properties access to new customers, improved customer profiles, and updated business intelligence. Now, the economy continues to challenge sales and bookings, so that at some point, perhaps sooner verses later, a variety of hoteliers have to look at the world a bit differently, and not through the typical lenses. We know that it is challenging for properties to release data, and there is concern about what is being done with the data, particularly those old "maybe" accounts. In most cases, these records are collecting dust. So when considering the Co-opetition model, the key benefit is that it's a cost effective approach to increasing the sales pie for all participating properties.

For more information on this Co-opetition theory, contact David Green at:

david_green@dgochi.com

WC569