

## Is The Party Over? The Challenge Of Decreasing Demand - By Carol Verret

2006-10-16

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Is the party over? Has the hotel industry been lulled into becoming 'fat, dumb and happy' after the stunning REVPAR growth of the last 2+ years? Has the industry peaked and is now on the downside of the curve?

Smith Travel reports that nationwide demand was virtually flat this summer and began to decline by 4% or more in the last two weeks of September. Mark Woodworth with PKF forecasts that for full service hotels nationwide in 2007 demand will increase by only .04%, ADR by 2.5% and REVAPR by only 2.9% versus a forecasted 9.5% increase for 2006.

For the top 51 markets in the US, those predicted to experience the most growth are both in New Jersey, Newark and Edison and they will post gains in REVPAR of 6.2% and 5.3% respectively. At the bottom of the list is the market of Miami, expected to decline in REVPAR by 6.5%.

The question is how many hotel budgets were conceived in the haze of the 'irrational exuberance' of the past two years, to quote Alan Greenspan? Those that were based on historical numbers and not industry forecasts will lean on their sales departments to fill in the gap between the budget and reality.

In the past several years, the role and function of the sales department has changed substantially in some hotels. In many hotels (but certainly not yours!) sales has been relegated to the role of 'order takers' and bookers of 'SMERF' groups to fill in the slow times as burgeoning demand was beating down the door to get in most of the time. Having seen this happen in other periods of peak demand, this is not surprising.

As the cycle turns downward, the expectation is that sales will have the right staff and the right skills to generate demand that hasn't been pursued for several years. What can management do to gear up the sales pipeline in a hurry to counter balance the decline in transient demand?

œ **Evaluate the current staff.** Do you have the right people who are up for the task? If management has been just hiring warm bodies to answer the phones, you may need to obtain a professional and objective evaluation and perhaps redeploy some of them to other areas in order to make room for professional sales people with a track record that can deliver the business. Will good sales people or people with the right stuff be more expensive - probably!

œ **Provide a targeted training and support program.** Don't just throw them into one generic seminar and expect that will do the trick for the entire year. The revenue management and sales strategies need to operate in concert and that requires that specific training and ongoing support so that they can develop new business targeted to the opportunity periods of the property. The SMERF segment alone won't cut it anymore.

œ **Rebuild relationships.** In the past several years when demand was high, many marginal client relationships may have been neglected or 'blown off'. Now, the hotel may need these clients. Sucking it in and retrieving an account that has been intentionally neglected requires the skills of a true sale professional. (See point one above).

œ **Develop a targeted distribution strategy.** There are new distribution options evolving and coming to market all the time that can help fill your rooms. Can you name more than the obvious ones that you have grudgingly used in the past? Evaluate the cost of promotions on these and the GDS against the incremental revenue they can provide.

œ **Develop a Customer Relationship Management Program.** When you mention CRM to most hotel managers they begin to twitch because they either don't understand it or mistakenly think that all the options are expensive. There are even CRM options that you can put together yourself at very little cost. The cost of retaining existing guests is far lower than acquiring new ones.

These are a few things you can do to protect your properties revenue from a slowing economy but do them NOW! Don't wait until senior management or ownership is on your back to put these pieces in place. If the forecasts are wrong, you will have contingency strategies in place -- if they are right, you will maintain share instead of trying to find quick fixes to steal share!

Carol Verret And Associates Consulting and Training offers training services and consulting in the areas of sales, revenue management and customer service primarily but not exclusively to the hospitality industry. To find out more about the company click on [www.carolverret.com](http://www.carolverret.com). To contact Carol send her an email at [carol@carolverret.com](mailto:carol@carolverret.com) or she can be reached by cell phone (303) 618-4065.

This article comes from Hotel News Resource

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