

## It's not the big that eat the small, it's the fast that eat the slow - By Carol Verret

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### Five Revenue Management Tactics for Independent Hotels

'It's not the big that eat the small, it's the fast that eat the slow' (Jennings & Houghton, 2005). For independent hotels that's good news. Independent hotels and resorts may not have all of the resources available to them that their franchised counterparts do but they have the advantage of greater flexibility - independents can gear up or down in a flash!

There are some challenges ahead this summer that need to be monitored for their impact in specific markets. PriceWaterhouseCoopers have predicted that 2007 summer will be a record year for the number of occupied hotel rooms; however, '...The summer occupancy in 2007 is forecast to be slightly lower than 2006, 69.6 percent, ... and approximately a percentage point below the 70.2 percent occupancy in 2006.'

In addition the study goes on to say that the price of gasoline is finally taking a toll American's travel habits. '... The price of gasoline will result in approximately 8,000 fewer occupied rooms per night, or 0.2 occupancy points.' An 8,000-room decline spread nationwide does not appear to be a lot but for hotels that operate in markets that are seeing significant new supply, the impact on the market will be more profound.

As the demand number becomes more delicate, it was inevitable that 'there is also emerging price resistance following hotel average daily rate increases of 5.5 percent and 7.1 percent in 2005 and 2006.'

There are five basic revenue management tactics that independents can implement to be nimble and responsive in the face of changing demand and rate patterns:

#### **Check Pricing Strategy Against Last Year's History.**

How many fill nights on what days of the week in the month did you have last year? Are rates adjusted accordingly based on those demand patterns as well as this year's groups, special events, etc? Do you have the nerve to be the last to fill at the highest rate?

#### **Close Discounts.**

This may be a no-brainer for some but many hotels leave their 10% discounts open such as AARP and AAA. The rationale is that it is only 10% -- how much is 10% on a rate of \$100 times the number of rooms you have to sell on nights that are historically fully occupied? Do the math!

#### **Engage Front Desk and Reservations.**

Know the reservations window for the summer and the walk in potential. Let them in on the trends mentioned at the beginning of this article. Set up a system with them to monitor rate resistance. Give them an incentive to book reservations and walk-ins at your best rate of the day - make sure when you enter the hotel and before you leave, that they know what that rate is for same day reservations and walk-ins!

#### **Stay on Top of the Internet Channels.**

If you have a merchant agreement, and it is strongly recommend for independent hotels, use the extranet to cut off allocations when you reach a certain occupancy percentage, no more than 80% is recommended, for all dates going forward through the end of the summer. Also, ensure that your page placement is on the first page for the dates you have available. An associate at one of the channels indicated that it doesn't matter much as long as you are in the top 15. Check your position and allocations against forecast every day.

#### **Check the Offers and Reservation Functionality of the Web Site.**

The web site is the most cost effective reservation channel - make sure it is fully functioning every day! Studies indicate that there is a huge percentage of travelers that go to the Internet distribution channels but do not buy there. They check out what hotels are at that destination at what rates and then go to the hotel's web site. Make it easy for them to buy on your site - how many clicks does it take for a guest to make a reservation? If the reservation function on the site does not interface with the PMS in real time, how long does it take them to receive confirmation?

While there are many other components of a good revenue management and distribution strategy for independent hotels, these are five daily disciplines that can be implemented immediately to maximize the revenue opportunities from the demand in your market.

The advantage of the independent hotel is the flexibility to adjust pricing strategies and control rates and inventory faster than their franchise counterparts - be one of the fast that eat the slow!

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

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