

Driving REVPAR in the Current Economy: The Shift from Managing Demand to Generating Demand -  
By Carol Verret  
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In the past eighteen months, demand has remained relatively flat while rate has increased by between 7% in 2007 and almost 9% in 2006. The consumer that seemed so resilient to rising hotel rates has 'collapsed', in the words of Bernie Sternlicht, Chairman and CEO of Starwood, pressured by rising gas prices and the resulting cost of goods, not to mention the loss of equity in their largest investment, their homes. (BTNOnline, June 2, 2008))

Three 'lions' of the industry, speaking at the recent hotel investment conference in New York, indicated that they expected eighteen more months of softness in the hotel industry. J.W. Marriott, Bernie Sternlicht of Starwood and Jonathan Grey with Blackstone (owners of Hilton Corp.) all saw a protracted period of soft demand for the next eighteen months that will make it difficult to move rates, a fact that is already reflected in the smaller percentage increases in ADR. (BTNOnline, June 2, 2008)

PKF sees a bottom in the current cycle around November 2008 with recovery beginning in the first quarter of 2009. (Mark Woodworth, June, 2008) However, that prediction was made prior to the announcement by the airlines regarding massive cuts in capacity, United is parking 100 airplanes, increasing fares and additional fees like those for checked luggage.

Recently, I had the privilege of speaking and facilitating a discussion at a meeting called by a hotel company to assemble their GMs, Revenue Managers and Directors of Sales to brainstorm on ways of increasing revenue in the last half of 2008. They normally have meetings in the fall to plan for '09 but felt that they needed to plan for the second half of '08 before they could begin to plan for '09.

There is a reason that GDS transactions in the Americas have decreased by 7% in the first quarter of 2008 on Galileo (Travel Management, May 14, 2008) while Expedia has reported an 8% increase and StarCite RFP requests have increased by almost 7% as of April YTD. Planners across all segments have turned to the internet to find the best value for their vacation, their company and their meetings!

The focus is back on the hotel sales and marketing department to generate more demand to pick up the slack. It's time to flex that 'prospecting' muscle:

**Analyze current marketing strategies.** Before reacting with new strategies from a position of 'panic', step back, take a deep breath and analyze what is currently deployed, especially if these were the strategies in the Marketing Plan for '08 that was developed prior to Q4 2007. How well are the ad strategies and ecommerce initiatives working - measure against both last year and anticipated results for this year YTD. Are the segments that were targeted in decline, should redeployment with a new message be targeted at market segments with potential in the current economy versus the relatively robust economy of pre Q4 '07? Market sectors such as Financials, should be deemphasized, they are not going to be big revenue generators for a while. Consumer goods also have rough spots - retail and anything to do with home improvements are soft. Tip: USA Today has a page in the Money section every Monday that will tell you which stock market segments are up and which are down.

**Retool the Hotel Sales Department Deployment.** How is the sales department organized now -- is it by market segment, geography, etc.? Look at the trends in corporate travel, many companies are paring back travel due to cost but some are continuing and increasing travel to maintain their current customer relationships. Who are they and in which sectors of the economy? In the meeting sector, large meetings that have been experiencing high attrition rates are fracturing into small regional meetings due to cost. If the department is organized by geography, pull back those that are focused on the most distant markets and deploy them in drilling down into areas closer to the hotel.

**Rethink the Hotel's Value Proposition.** What is the message on the hotel web site and all the places where there are listings in the areas you need to be in? Don't lower the rate structure but populate your message with value ads, packages that build in features the consumer considers of value. For example, for the leisure traveler that may be staying closer to home, package a 'weekend' getaway with a spa experience or a 'family package' to include kid friendly features such as passes to the local children's museum that may entice regional, state or local travelers. The rule of thumb is the destination must be within 'one tank of gas'. For the meetings market, offer a meeting package with per person price options.

**Be where the customer can find you!** If the leisure customer doesn't know you or even if they do, they are likely to go the OTAs to see what's out there in terms of not only rate but packages, value ads, etc. They then may go the web site - make sure that your offers and pricing is transparent across all channels. Go to the web site and research what key words are being used to find you and what are the referring sites or pages. Meeting planners are under pressure to demonstrate that they have done their due diligence to their stakeholders. What is your online presence on meeting planner and RFP sites like StarCite?

Hotel sales Super Stars will be made in this economy by their ingenuity and resilience producing demand for their hotels. Don't be afraid to try new strategies and approaches - if one doesn't work, amylase why and move on. Those hotels that come out this economic downturn, will be the ones best positioned to increase rates when the economy recovers.

(Join us in Phoenix July 24 at the Radisson Airport North for 'I Hate Cold Calls' sales training open to all members of the hotel sales community - [click here for more info.](#))

Carol Verret and Associates is offering a series of public hotel sales seminars nationwide this year in response to growing demand from the hotel community. For more information on where they are to be held or how your hotel or management company can sponsor one, email Carol at [carol@carolverret.com](mailto:carol@carolverret.com) or call (303) 618-4065.

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. Visit [www.hotelsalesblog.com](http://www.hotelsalesblog.com).

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