

Hotel Management and Marketing in a Recession - Insights and Suggestions to Thrive, Not Just Survive - By Neil Salerno 03/16/09

Revenues are down, or flat at best, and you're now looking for ways to cut expenses. For some reason, this is where the minds of hoteliers turn from driving profit to basic survival. Having been there, I understand how difficult it is to operate a hotel in times like this. Making those decisions, what to cut, what to keep, is one of the hardest parts of your job.

It's time to prioritize operational and marketing functions, you don't have to do everything, but you do have to do the right things. While prioritizing those functions, choose those which provide the best return-on-investment no matter what the cost. Shoot for the near-term and long-term results you will need to grow your business. Blindly cutting programs just because they may require a continuing investment is very short-sighted.

The best way to convince yourself to continue spending in a recession is by understanding that hotel marketing requires a sustained effort and results are cumulative and tend to compound. When the economy turns around (and it will), your hotel will be in a much better position.

The arguments for continuing to spend in a weak economy are tried and true and are based upon solid economic realities. Should your competition cut too much, while you decide to maintain your marketing spending, you'll have an excellent opportunity to gain market share. The Internet should produce at least 30%, or more, of your total business, yet we see too many hoteliers that are not totally engaged in this marketing tool.

Opportunities to pick-up new business will present themselves, travelers don't disappear, they simply look for more value-based alternatives. Travelers will grow conservative, but they don't vanish. Building business can be thought of in much the same way as building a retirement fund, slowly and cautiously.

Trips will be shorter, more compact with less ancillary spending. For now, there will be fewer business dollars in the marketplace, but, even slight improvement in the economy, will encourage companies to return to normal, or near normal, travel schedules. Having already reduced corporate waste and having trimmed operating expenses, companies will return to a travel solution to grow their revenues. They can't function without it.

Some Change Is On The Horizon

Of course, only the foolish will continue to operate "normally" in a recession. Sharp operators will implement new marketing and operational strategies. Consider new co-promotional strategies to leverage relationships in your market. Create new value-based promotions and make new value-added deals with companies and groups. Connect with your transient business base with more one-to-one contact and personal service. In order to build business, you need to keep the business you get, just think about how much it cost to get that business in the first place.

Learn how to use TripAdvisor to solicit and retain business, consumer-generated comments have become a stalwart force in the hotel selection process. TripAdvisor even provides an RSS feed, which will automatically notify hoteliers when consumer comments are posted. Monitor good and bad comments, you can learn from them.

This is a good time to hone your skills in revenue management. Even in a recession, there will be business spikes, which will give sharp operators the opportunity to boost average rate and maximize occupancy. Don't leave money on the table. Average rate drives profit. Remember also that often your published rates define your product and service. Rates that are too low erode your superior presence in the marketplace.

Step-up your training efforts for all customer-contact hotel associates, especially sales. Climbing out of this economy will require good skills, practice, and knowledge. There is no longer any time to let people develop naturally and at their own pace. Many of these training programs are very affordable and don't rule-out Webinars and WebCasts.

The basics never change and they never fail. Don't even think about going beyond the basics until they are learned and practiced until perfected. I see too many sales people who are anxious to get into the more sophisticated sales techniques without first nailing-down the most fundamental principles, first. Time is your most precious commodity, don't squander it.

Recessions always result in compressing the marketplace, that big-box, full service hotel down the street will now be after your business. As the business pie shrinks, the number of hotels in your competition set will increase, everyone wants to grow their slice of the pie. Hotels which present the best value to consumers will succeed, not hotels with the lowest rates. Resist the overwhelming urge to just reduce rates, that has never worked and usually starts the dreaded downward spiral.

Be smarter about what actually motivates people to choose a hotel, it's value. Packaging and value-added programs are excellent vehicles to appeal to travelers in tough times. One of my mentors taught me long ago, "don't sell out of your own wallet", talk to your guests and find out what motivated them to choose your hotel, don't simply use your own judgment.

This is an excellent time to define or rediscover the core values of your brand or independent hotel basic operating standards. Trying to be something you are not, or can't be, is simply wasting time and effort. We have hotels designed to serve various markets because there are various traveler segments in the marketplace. Move forward with creative strategies to serve your core audience, while reaching out to one or two new related segments of business, but don't bite-off more than you can chew.

Focus on spending time to do the right things and to do those things right. The Internet and other forms of electronic marketing are very under-utilized in our industry, too many franchised hotels are leaving this market completely in the hands of their franchise. Yet, only 20% of consumers, who search for hotels on the Internet, search by brand name.

Some franchises do an excellent job, but some do not. Unfortunately, some franchises still resist allowing their members to help in this effort by having their own proprietary websites, even when reservations are directed to the franchise booking engine. Someday, I hope this changes, if only for the overall financial health of their franchisees and the industry as a whole.

Your presence on the Internet can produce an added boost to sales, take another look at your site and compare it to the other hotel sites in your market. I don't know of any marketing expense which can provide a faster, more long-lasting return on your investment.

Above all, stay positive. Don't allow yourself or your staff to buy-into the recession woes. Many hotels will thrive, not just survive, in this economy. You will do, what you believe you can do.

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