

# Wanna Raise Your ADR? Audit Your Revenue Channels

Digging out from the recession of 2009—it requires a systematic review of your segments and channels. Now is a good time to take stock and evaluate every revenue opportunity as though you are opening your hotel for the first time.

It can take five years for a hotel to regain the rate lost from discounting during a recession. That was certainly the case in 1991 and 2001. The faster the management team breaks out of the recession mindset, the better. It is almost time to start work on the 2011 marketing plan and wasn't that the year the pundits told us business volume would be back? They say there is now a light at the end of the tunnel. While the industry succumbed to intense rate pressures and stole business from each other with reckless abandon, the consumers continued to expand their use of online resources for travel shopping, purchases and to have conversations about their experiences. And those experiences included a lot of deals. If the industry plans to shift consumers away from the deal mentality, it will take some planning to move to a more profitable business mix. An audit of each major revenue stream and the levers that turn them on can reveal new opportunities.

Revenue comes in the form of market segments that are named for the customer's trip purpose. Typical market segment categories in hotels are corporate transient, leisure transient, meetings, conventions, wholesaler/tours and long term contracts. The customers are influenced by content in information and media channels, and their bookings come through reservation channels. The recession didn't slow the explosive growth of the media and booking channels. If you want to affect your volume and your rate, you can examine your business mix by segment and/or by channel. Be where your customers are; in order to do

that you have to make sure you have compelling messages to attract, inform and engage and tools to facilitate booking (in reservation channels).

Every customer group is now online checking you out on the aggregated online travel agency sites, on the so-called non-transactional sites such as Trip Advisor, meta-search, social media, travel guides (many of which have booking links) and of course, the major search engines are a powerful driver of traffic to all online destinations.

What kind of traffic do you want? Preferably the kind that converts to definite business at good rates. High traffic volume is not the objective—it's the old quality vs. quantity argument. You want qualified prospects coming to your Website and your call center that are inclined to book. Since almost seven in every 10 travelers conduct at least one step of their shopping/purchase process online<sup>1</sup>, this needs to be a high priority. There has to be a distinctive plan for each major guest category that a hotel pursues: corporate, leisure and group/meetings. It is a great time to take a fresh look.

## Revenue Channel Audit

There are a few methods that are common to all customer segments and they need to be evaluated with each customer type in mind.

## Search Engine Optimization (SEO)

A fundamental traffic builder online, SEO means capturing volume to your Website based strictly on the content you have on it. There are still hotels that build a Website and are told it is "optimized for search engines" upon launch (that means search engines will give the Website a high rank for a specific list of keywords) but they don't know or realize that search engine algorithms change constantly and may alter a hotel's ranking with each change. And the list of keywords used may not apply to every customer segment. Of course, much depends on the hotel's competitive position. If the hotel listing comes up on the first page using popular keywords for a particular type of

property/location in Google, Yahoo and Bing, then it may perform well. But in a dense market, with many hotels that compete for top ranking, it needs more frequent attention. If someone uses keywords like business traveler hotel or meetings in (location name), do you come up on the first page if this is a segment that matters to you? Search engines are employed by all customer groups: meeting planners, leisure guests and commercial travelers; therefore the ranking should be evaluated for keywords relevant to each customer group.

## Pay-per-click Advertising (PPC)

Some hotels claim that they already come up on the first page of a search engine ranking so feel that additional advertising is redundant. Once again, this is a function of the destination. If there is a moderate to high level of competition, then getting another message to create a bias for the shopper's attention can be worthwhile. Also, if a competitor uses the advertising column of the page to divert the shopper away from your listing, then you could be losing a lot of potential visitors. The benefits of PPC are easily quantified and you need to check these metrics frequently at as granular a level as possible. Campaigns in most active destinations typically yield a minimum of 5-10:1 in ROI (often called ROAS or return on ad spend) and some that are managed carefully can achieve 15:1 ROI on a regular basis. How many promotional campaigns can you expect to accrue \$15,000 for every \$1,000 spent? The most successful hotels manage it on a daily basis; examples of this are when ads are placed for short periods based on popular current events in the destination, or when spending is shifted (daily or weekly depending on volume) to the search engines and keywords that deliver the highest ROI. Bing is emerging as a player in travel marketing and is fast taking market share from Google and Yahoo. Have you kept all your eggs in the Google basket with the same original list of keywords used when you launched, and not checked to see where else you might grow the business? Are you tagging

each promotion with a dynamic 800 number so if the shopper calls into reservations rather than booking online, you can still accurately assess the business results from each Web campaign? This is an inexpensive technique that can provide better intelligence for online promotions.

### E-mail

E-mail is a mainstay for hotels that want to send qualified prospects to a Website or call center. It is a low cost way to communicate and promote to all market segments. How many names do you maintain in your database? While it varies based on length of stay and business volume, for every 100 rooms, in a hotel doing 60 percent to 65 percent occupancy that has been actively collecting past guest or prospect names for at least two to three years, you can expect to have a list of about 5,000-10,000. If your list is not this large, you may want to put some effort into growing it to that level. (Make sure the e-mail sign-up is prominent enough on your Website). While some hotels routinely collect e-mail names as part of the reservation process, it is important to adhere to CAN-SPAM laws and ask your guests to opt-in to receive e-mails from you. In many hotels, it would be reasonable to contact any past guest twice a

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month, and even more effective if you can tailor offers around their interests. That requires asking them about their travel preferences, storing it in a database, and coding the guests by interest so they only receive relevant messages. Bounceback offers are a great method to get first-time customers (who initially booked through any channel) to come back—preferably through your Website or call center.

The conversion rates on relevant messages to past guests can be two times better (or more) than those sent to untested lists or for those messages that are not meaningful to the recipient. Do you clean the list annually and ask recipients to re-confirm that they want to stay on? Do you maintain other information about the guests such as key geographic data, rate codes, past spending by revenue center and stay patterns so you can better predict the guest profile that will respond

to the offers you make? You have a limited timeframe to get the client interested; don't waste it on messages that don't resonate. Customers can delete messages and/or request removal (opt-out) from the list if they don't find value in what you are offering.

### Website

Assuming the traffic is strong enough, qualified and that you are in the buyer's consideration set, what do you have on your Website to move them closer to a purchase? Keep in mind that the reservation may be booked online or offline. Either way, today's consumers still expect a comprehensive Website to meet their informational needs. They want photos, virtual tours, videos, reviews and any other content that will help them determine that your hotel is the best fit for them. A recent HSMIA survey of resort customers indicated that meeting planners, travel agents and leisure guests all depend equally on the Website as the most important information source in the hotel selection decision. (Voice of the Resort Customer: Meeting Planners, Travel Agents and Leisure Guests Speak Out, May 2010, [www.hsmia.org](http://www.hsmia.org))

Have you tested the site to see if each customer group can accomplish what they came to the site to do (e.g. meeting planners, business and leisure travelers)? There are simple surveys you can post

### benefits:

- control f&b inventory
- reduce labor
- lower costs
- increase profits

### features:

- orders/procurement
- receiving
- requisition
- issue, return, transfer
- physical inventory
- pos & distributor interfaces
- mobile & fixed bar code scanning



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destinations within a travel Website. Are your specials featured? Are your location and mapping tools easy to use (to find you as well as other points of interest around you)? Is your e-mail opt-in widget prominent? Is your book now button clearly visible and graphically appealing? Is the booking engine easy to use and well integrated into the site with a track record of high conversion? There may be few more important elements to a hotel marketing plan than the Website. It is the face of the property. While many hotels cut marketing budgets throughout 2009, a reinvestment in the Website should be high on the list of priorities as the economy continues to recover.

intermittently on the site to determine what percentage of visitors are coming to gather information and are not yet ready to book vs. those that come to book and leave empty-handed. Does the site convey the essence of your property? Are the photos beautiful? Mapping and specials are identified in current industry research as the most frequently visited

### Call Center

Besides the growing volume of business that comes in through the Website, the other major point of contact for information and booking is the reservation call center. Current hotel booking statistics<sup>2</sup> show that approximately one in four reservations are still booked by phone (either direct to the hotel or through the CRO—in some properties it is substantially higher. Do you know the call conversion ratio for your hotel(s)? Are the agents actively selling with strong product knowledge and evaluated frequently based on conversion metrics?

Whether you fly a brand flag, or are an independent, you can't assume the call center operation is running at full tilt without keeping close tabs on its effectiveness for your needs. You spend a lot of time and money to trigger those calls; one point of improvement in call conversion can equate to \$25,000-35,000 (or more) in a typical 150-room hotel running \$100 ADR. Are you at your optimal call conversion?

### Social Media

As a relatively low cost channel, social media offers a hotel a way to reach new audiences, reinforce the brand image, convey a personality and engage in dialogue with prospects and customers in a more interactive way than is possible through other channels. Some will admit that they jumped into social media because their competitors have a Facebook page, or run Twitter message feeds or put up a few YouTube videos, but they are hard pressed to justify the resources. Most use these tools for the consumer market to send out promotional messages and plenty of success stories have been told. This will grow, but few hotels have yet built a social media platform as a primary backbone of their marketing outreach for branding and engagement; this is the untapped potential of the channel.

Even fewer have yet mastered the use of social media to build meaningful business-to-business relationships. Linked In, blogs, YouTube and Facebook can be a powerful set of tools to harness in a social selling strategy deployed against the group/meetings segments. Those who learn how to master this technique to showcase their expertise and build a network of relationships will have a marked advantage in this persistently competitive marketplace. "Social calling" is the new cold calling, only it yields higher conversions. Pounding virtual pavements can be much less costly and highly effective.

There are few silver bullets, but a blend of many revenue streams with more in the pipeline. As that light brightens at the end of the tunnel, it should kindle a sense of urgency about improving conversion rates, seeking promotions with trackable ROI in the double digits, and finding new revenue sources. An audit of your revenue channels would be just the exercise to dig out of the 2009 recession and move proactively forward as the 2011 budget process begins.

CINDY ESTIS GREEN is the managing partner of The Estis Group, a marketing consultancy and recently launched a new Website showcasing innovation and best practices in sales and marketing, [www.drivingrevenue.travel](http://www.drivingrevenue.travel).

(Footnotes)

<sup>1</sup> Ypartnership/Yankelovich 2009 National Leisure Travel Monitor.

<sup>2</sup> Derived from PhoCusWright U.S. Online Travel Overview 2009 and TRAVELCLICK Hotel Bookings by Channel

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