Hospitality Sales and Revenue Management

hsmai

FUEL SALES ∥ INSPIRE MARKETING ∥ OPTIMIZE REVENUE

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About HSMAI Best Practices Guides

At HSMAI's 2018 Curate events — Executive Insights Forum programs offered exclusively for HSMAI Organizational Members — senior-level hospitality sales, marketing, and revenue-optimization professionals identified five primary issues facing the industry: innovation, data analytics, talent acquisition and retention, distribution costs, and inadequate technology platforms. Each HSMAI Best Practices Guide focuses on one of those challenges, offering case studies, strategies, and solutions that oftentimes have been collected from HSMAI events and programs.

"Hospitality Sales and Revenue Management" is an HSMAI Best Practices Guide: Data Analytics. It features select best practices shared at HSMAI's Analytics Think Tank, which was presented by HSMAI's Sales Advisory Board and Revenue Management Advisory Board as part of the 2018 Revenue Optimization Conference.

LEARN MORE ABOUT HSMAI

- Curate: **hsmai.org/curate2018**
- Organizational Membership: **hsmai.org/membership**
- Revenue Optimization Conference: **hsmairoc.org**

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Determining What Factors Correlate to a Win

CHALLENGE A global hotel company had challenges prioritizing its large daily volume of group leads — many of which were sourced by a third party and not customized for the hotel company's brand portfolio, and often were a poor fit.

SOLUTION ZS Associates determined that the company was reviewing leads in a relatively arbitrary way, with little consideration of which factors might make one lead more promising than another. Working within Salesforce, the platform that the company uses to collate its leads, ZS built a decision-tree-based probability tool that prioritizes leads based on factors that historically have been good predictors of win rates, such as specific TripAdvisor scores, room-block sizes, days of the week, and even meeting planners that generated the request. The tool weighs these and other factors to produce a score for each lead, which is used to prioritize the leads that the company's groups sales team pursues.

RESULTS The goal of this initiative is to drive a 10-percent increase in win rate for the company's group leads.

TAKEAWAY "You can drive significant revenue by acting on insights from your company's own data that is readily available to you." — *Kunal Shah, Manager, ZS Associates*

	Revenue	Profit
Group Rooms Revenue	$136,000	($26,800)
Food Minimum	$45,000	$18,000
Beverage Minimum	$10,000	$7,000
Meeting Room Rental	$4,000	$3,200
Total	**$195,000**	**$1,400**

$162k+ in transient displacement, associated costs, etc.

Evaluating Group Business Holistically

CHALLENGE Any piece of group business comes down to a seemingly simple question: Do you accept the group, and at what rate? Thanks to the numerous variables involved, it actually can be complicated to figure out.

SOLUTION The Rainmaker Group advocates taking a holistic approach when it comes to evaluating group business — i.e., carefully look at not just rooms revenue or revenue from ancillary sources, but both, including the margins involved. That means looking at profit as opposed to focusing solely on revenue. For example, a potential group booking with $136,000 in rooms revenue displaces $129,000 in transient rooms revenue, leading to a loss of $26,800 when you include the marginalization of that rooms revenue. But if you factor in the profits from F&B and meeting-room rental, there's marginally positive outcome in the form of a $1,400 profit.

RESULTS Approaching group business this way can fill in missing pieces of the puzzle, helping you figure out what you're potentially giving up if you take the group in front of you as opposed to other business in the pipeline — as well as understand, if you do take that group, what you might need to ask for in terms of rate to justify it.

TAKEAWAY "If your incentives are aligned to revenue and not profit, then your people are not going to be working within the right paradigm." — *Dan Skodol, Vice President of Revenue Analytics, The Rainmaker Group*
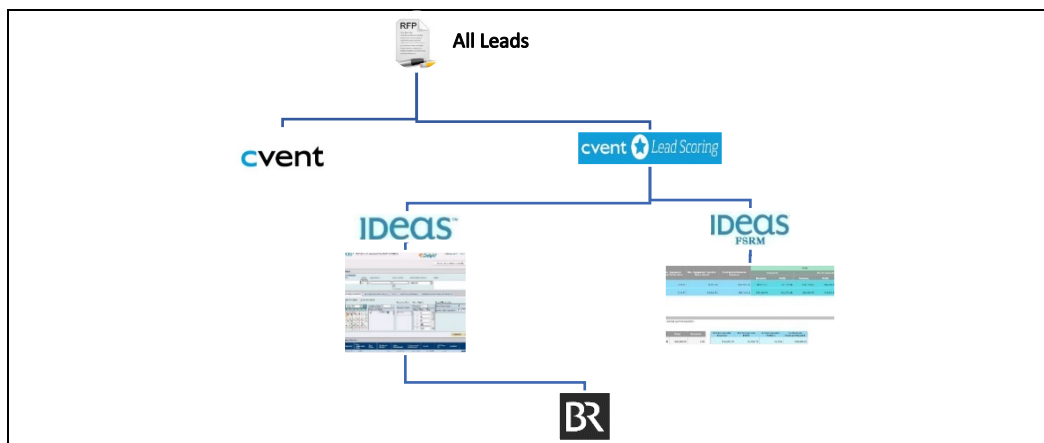
Creating a Customized System

CHALLENGE Loews Hotels uses two different platforms, each with two different products, to analyze its group leads: Cvent's Lead Scoring and RFP Scoring, and IDeaS's Group Evaluation and FSRM (Function Space Revenue Management) Evaluation. With multiple systems producing multiple outputs about room nights, ADR, F&B minimums, space-to-room ratios, potential profitability, and more for each lead, it can be overwhelming for the hotel company's salespeople.

SOLUTION Loews has created a process — customized for each of its properties — to direct certain leads to certain platforms. For a particular hotel, for example, a lead that is received within 45 days of arrival and involves 200 or fewer peak nights might be run only through Cvent's Lead Scoring because it's quick and fully automated, returning a grade of A through F. A larger group that is booking further out, meanwhile, is run through IDeaS's FSRM Evaluation, which is much more detailed in its analysis. But in another hotel, that might be reversed — depending on its transient demand patterns.

RESULTS Thanks to the process, Loews has improved its response time, conversion rate, and bottom line — while also helping keep salespeople from feeling overwhelmed.

TAKEAWAY "As brands, we analyze compiled data to see trends in our hotels, but you have to bring it down to the property level and understand what happens there every day." — *Yira Segarra, Senior Director, Group & Event Revenue Optimization, Loews Hotels & Co.*
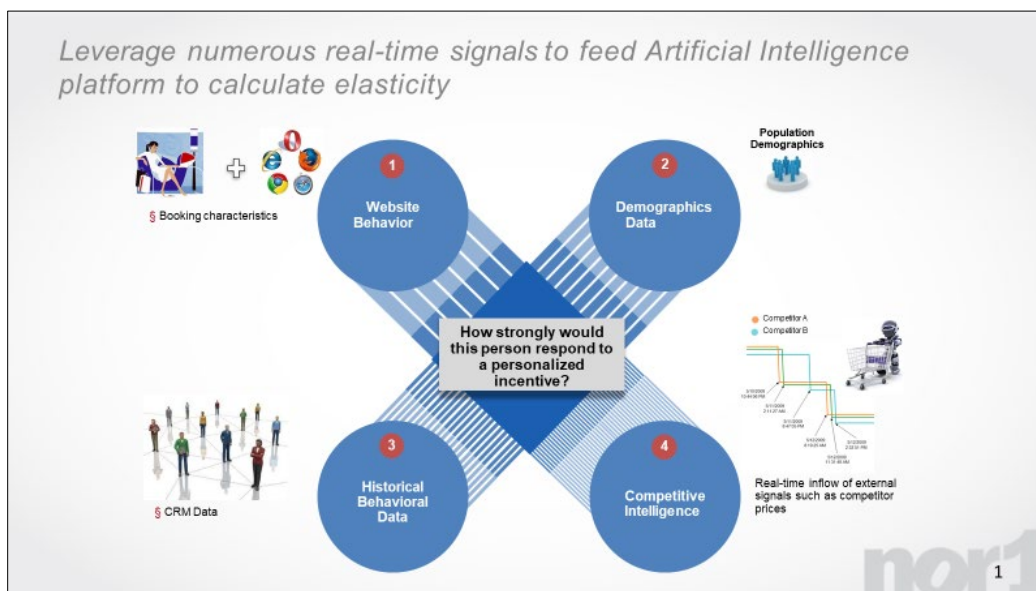
Differentiating Your Loyalty Members

CHALLENGE When a hotel brand offers discounted rates and other benefits to members of its loyalty program, it's usually the same benefits for every member — even though behavior can be very different from member to member.

SOLUTION Nor1 uses artificial intelligence to power micro-segmentation, A/B reporting, and elasticity studies — with a goal of determining what benefits speak to what loyalty members. Micro-segmentation tells you which types of members response to which types of offers; A/B reporting lets you spot-test different benefits for different members — for example, a 3-percent versus a 2-percent discount; and elasticity tracks the results of changing up your variables, such as what happens to demand when you change price.

RESULTS Taken together, these tools will show you when you need to discount — and when you don't, leading you to either sell more rooms or discount less. In either case, revenue should increase.

TAKEAWAY "We've been treating customers the same when it comes to pricing, when in actuality people will respond differently to different prices." — *Pavan Kapur, Senior Vice President of Gaming Hospitality, Nor1*

- June picked up 26 room nights and $10,085 in revenue.

  In an attempt to work on pace of pickup, I've applied a slightly more attractive BAR rate through the month but ensured hurdles are set to avoid too much discount business this far in advance. This test will be in place for approximately 2 weeks to measure our ability to shift to more summer retail as base vs discount base.

Mo	Occ% OTB	RN OTB	ADR OTB	Revenue OTB	2017 Day over Day Pick Up			2017 Weekly Pickup (Tuesdays)			Group Daily Pickup			Transient Daily Pickup		
					RN	ADR Chg	Revenue	RN	ADR Chg	Revenue	RN	ADR	Rev	RN	ADR	Rev
Jan-2018	69.4%	2690	$ 187.01	$503,049	0	$0.00	$0	0	$0.00	$0	0	$0.00	$0	0	$0.00	$0
Feb-2018	73.0%	2556	$ 176.91	$452,181	24	$0.22	$4,813	50	$0.44	$9,953	4	($0.19)	$716	20	$0.26	$4,097
Mar-2018	52.5%	2036	$ 191.85	$390,598	167	$0.11	$32,237	189	$0.68	$37,524	100	$2.64	$20,422	67	($0.77)	$11,815
Apr-2018	17.3%	650	$ 184.35	$119,830	27	($2.08)	$3,682	60	($2.82)	$9,396	0	$0.00	$0	27	($2.29)	$3,682
May-2018	30.9%	1197	$ 293.60	$351,439	14	($3.18)	$345	17	($3.49)	$345	0	$0.00	$0	14	($5.13)	$345
Jun-2018	8.3%	310	$ 305.83	$94,806	26	$7.51	$10,085	27	$7.60	$10,408	0	$0.00	$0	26	$8.82	$10,085
Jul-2018	11.2%	434	$ 286.87	$124,500	8	($1.20)	$1,783	128	$2.95	$37,622	0	$0.00	$0	8	($2.11)	$1,783
Aug-2018	4.0%	154	$ 283.19	$43,611	0	$0.00	$0	(1)	($0.20)	($314)	0	$0.00	$0	0	$0.00	$0
Sep-2018	3.6%	135	$ 236.58	$31,939	5	$2.91	$1,561	5	$2.91	$1,561	0	$0.00	$0	5	$3.87	$1,561

Communicating Certain Metrics at Certain Times

CHALLENGE Reports are often generated for the sake of generating reports, rather than providing meaningful strategic review or solving a particular problem.

SOLUTION Total Customized Revenue Management advises tying the frequency of your reports to specific functions. For daily reports, communicate key metrics for your immediate windows, which might range from a week to two months. Focus on top-line revenue movement, and track large swings in future competitive rate positioning, internal inventory, and so on. For weekly reports, review overall revenue performance — again, mostly top-line — with an emphasis on applying any learnings to your ongoing strategy. For monthly reports, get more holistic by incorporating P&L metrics into your review, comparing that to KPIs, and making any necessary adjustments to your long-term strategy. Finally, for yearly reports, prepare an overview of the previous 12 months of results: What worked? What didn't? What did you expect, and how did things actualize? Did you have to change any KPIs partway through the year? What does that mean for next year?

RESULTS Taking a nuanced approach to reporting means making better, more strategic decisions on a regular basis — because you're focusing on the things that are most relevant at the exact time you need to.

TAKEAWAY "Use concise and meaningful data points in your analytics. It's a more focused and organized approach." — *Lily Mockerman, CHRM, CRME, CHIA, President and CEO, Total Customized Revenue Management (TCRM)*

Collaborating With Your Stakeholders

CHALLENGE Within any sales or marketing organization, different groups of stakeholders have different needs when it comes to reporting — including different key metrics that they use to monitor performance and make decisions.

SOLUTION Outrigger Hotels and Resorts starts by collaborating with each group to determine their key metrics, then structure their report in a way that serves that need. Just as important, understand what question — or questions — the group is trying to answer with its report. For example, if you want a year-over-year comparison of performance during a particular seasonal campaign, work with the group to figure out what they hope to learn. Then frame three to four overriding questions you want to make sure are answered that will inform what data you pull and how you analyze it, such as: Which campaign converted better? Or, did the campaign perform better for a particular category? What type of offering generated more interest? Or, which campaign generated a higher amount of revenue per day versus produced the most in gross?

RESULTS This leads to better, more informed decision-making for each stakeholder group and, ultimately, to improved performance.

TAKEAWAY "Making decisions about how to roll data up requires feedback and input from the stakeholders and consumers of the report in order for it to be of use to them and the wider organization." — *Carl Light, Director of Digital Guest Experience, Outrigger Hotels and Resorts*
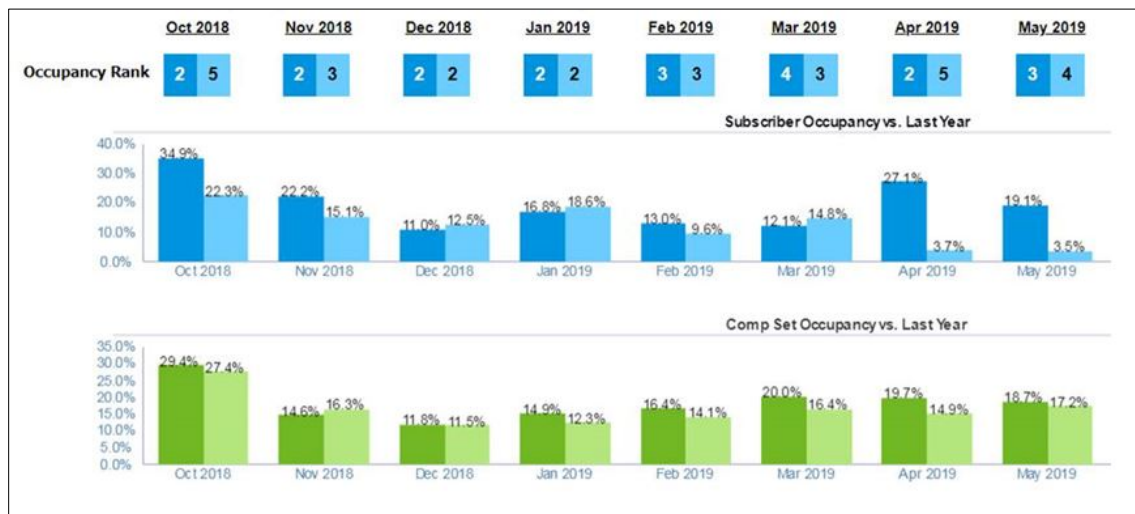
Taking Everything Into Consideration

CHALLENGE When analyzing whether a piece of group business was successful, there's so much data available that it's easy to get lost in specific metrics.

SOLUTION The Kessler Collection takes a wide-angle view. Start with the STAR: Did the entire period work out positively, even if shoulder days declined from taking business? Compare that to your total market and competitive set's performance that week: Could you have been more aggressive if it had been a high-demand period? Factor in F&B and other ancillary categories that aren't on the STAR: From a net-profit standpoint, did that revenue make up for any rooms lost? Review groups you lost or turned down for that same period: Was there something better you could have taken? Identify your underperforming channels/segments in comparison to your competitive set's segmentation and groups. Throughout this process, maintain good relationships with other hotels in your market, so you can find and share relevant information that isn't covered in your reporting.

RESULTS This approach allows you to be proactive instead of reactive — especially for group business with a longer booking window.

TAKEAWAY "It's not about the value of the business, it's about the profit that it will bring to the hotel." — *Monika Morrobel, Corporate Director of Revenue Management, The Kessler Collection*

RevPAR Gap Analysis Crowne Plaza 253									
Month	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Days in Month	30	31	31	30	31	30	31	
From Monthly STR Report									
Your STR RevPAR Index Rank - Rank	2	2	2	2				2
out of	5	5	5	5				5
Your Hotel Monthly RevPAR	$219.56	$213.75	$213.09	$227.17				$95.89
Your Comp Set Monthly RevPAR	$202.96	$206.69	$196.13	$223.16				$92.00
From STR Pulse Report - Current Month									
RevPAR Gap - Hotel 1 to 2	$44.00	$79.00	$43.00	$43.00				$32.39
RevPAR Gap - Hotel 2 to 3	$15.00	$22.00	$4.00	$3.00				$9.11
RevPAR Gap - Hotel 3 to 4	$28.00	$10.00	$43.00	$44.00				$25.44
RevPAR Gap - Hotel 4 to 5	$0.00	$15.00	$2.00	$2.00				$6.00
RevPAR Gap - Hotel 5 to 6								$12.50
RevPAR Results Based on Gap Achievement									
RevPAR Hotel Ranked #1	$263.56	$292.75	$256.09	$270.17				$128.28
RevPAR Hotel Ranked #2	$219.56	$213.75	$213.09	$227.17				$95.89
RevPAR Hotel Ranked #3	$204.56	$191.75	$209.09	$224.17				$86.78
RevPAR Hotel Ranked #4	$176.56	$181.75	$166.09	$180.17				$61.33
RevPAR Hotel Ranked #5	$176.56	$166.75	$164.09	$178.17				$55.33
RevPAR Index Based on Gap Achievement									
RevPAR Index Hotel Ranked #1	129.9	141.6	130.6	121.1				139.4

# Quantifying RevPAR in Your Competitive Set

CHALLENGE Even with the useful, high-quality information provided on STR Analytics' Pulse Report, it can be difficult to quantify the RevPAR gap between a hotel and its competitors, partly because of the report's PDF format.

SOLUTION Interstate Hotels & Resorts worked with a third party to create a tool — a workbook in Microsoft Excel — that allows the company to take RevPAR data from a STAR report and RevPAR gaps from a Pulse Report to quantify performance gaps, putting a dollar amount on the variant between different competitors in a hotel's set. Then the hotel can use that information to adjust its strategies with the goal of closing those gaps and gaining market share.

RESULTS This gives a hotel a lodestar to steer toward. If the property learns that it's ranked fourth in its set of five and there's a $77,000 gap to the hotel ranked third, for example, it now has a sense of how much revenue is necessary to close the gap — and possibly even move into second position.

TAKEAWAY "Since the Pulse Report doesn't provide the specific number, we get as close as our eyeballs see it from the graph data. With this visual snapshot, we created calculations to quantify the revenue needed to close the gap and the approximate RevPAR index for each ranking."— *Kim Snow, CRME, CHDM, Vice President of Revenue Strategy, Interstate Hotels & Resorts*
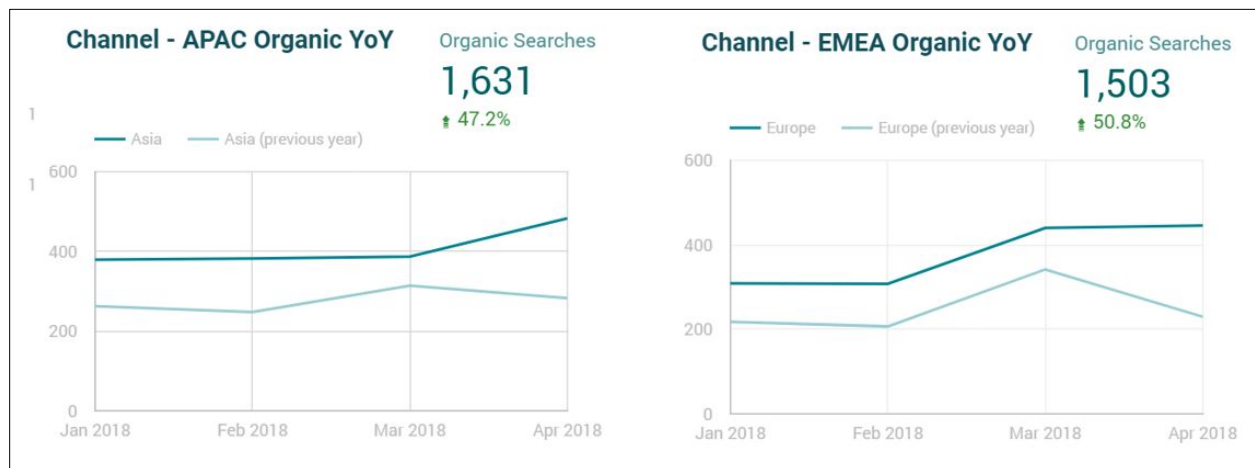
Measuring Organic Traffic

CHALLENGE Content marketing is becoming increasingly important to hospitality companies — but the true value of its impact can be elusive because it has become more difficult to measure organic traffic, no thanks to keyword encryption by Google.

SOLUTION Cendyn defines clear regional boundaries — Asia-Pacific, EMEA, etc. — and sets KPI goals that are based on regional revenue growth goals, then uses Google Data Studio, a free supplement to Google Analytics, to tally year-over-year organic search volume. The idea is to determine if earned media—driven in large part by content marketing — leads to organic growth, and if so, by how much. For example, if 20 percent of your traffic was organic last year and you've published a certain quantity content since then, you would expect traffic to increase a certain percentage based on your given situation.

RESULTS This should have a direct effect on your core revenue KPIs — such as more direct bookings through organic channels, or more white papers downloaded through organic thus resulting in new SQLs (sales qualified leads). Plus, organic-driven revenue drives down your total cost of acquisition regardless of what you are selling.

TAKEAWAY "It's not one-size-fits-all. You really have to understand your markets and your customers, and in order to do that, you have to your data centralized. This will allow you to create smart, obtainable goals for your organic search performance." — *Michael Bennett, Senior Vice President of Global Marketing and Business Development, Cendyn*

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